



Kosmopolito Hotels International Limited

麗悦酒店集團有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 2266

GLOBAL OFFERING



Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Joint Sponsors
(In alphabetical order)



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



Kosmopolito Hotels International Limited

麗悦酒店集團有限公司

(incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	540,000,000 Offer Shares comprising 270,000,000 new Shares to be offered by our Company and 270,000,000 Sale Shares to be offered by the Selling Shareholder (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares	:	54,000,000 new Shares (subject to adjustment)
Number of Reserved Shares under the Preferential Offering	:	28,626,000 new Shares (subject to re-allocation)
Number of International Offer Shares	:	457,374,000 Shares comprising 187,374,000 new Shares to be offered by our Company and 270,000,000 Sale Shares to be offered by the Selling Shareholder (subject to adjustment, re-allocation and the Over-allotment Option)
Maximum Offer Price	:	HK\$2.75 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003%*, and Stock Exchange trading fee of 0.005% (in each case payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK\$0.10 per Share
Stock code	:	2266

Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Joint Sponsors
(in alphabetical order)



Morgan Stanley



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

See the section headed "Risk Factors" in this prospectus for a discussion of certain risks that you should consider before investing in the Shares.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholder and us, on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 4 October 2010 and, in any event, not later than Thursday, 7 October 2010. The Offer Price will be not more than HK\$2.75 and is currently expected to be not less than HK\$2.04, unless otherwise announced. If, for any reason, the Offer Price is not agreed by Thursday, 7 October 2010 between the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholder and us, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range stated in this prospectus (which is HK\$2.04 to HK\$2.75 per Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. In such a case, notices of the reduction in the number of Offer Shares and/or the indicative offer price range will be published in The Standard (in English) and the Sing Tao Daily (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe or purchase, and to procure applicants for the subscription or purchase of, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Grounds for termination by the Hong Kong Underwriters" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of, U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (1) to QIBs in reliance on Rule 144A or another exemption from registration under the U.S. Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

* SFC transaction levy of 0.003% to come into effect on 1 October 2010

EXPECTED TIMETABLE⁽¹⁾

Application lists open⁽²⁾ 11:45 a.m. on Monday,
4 October 2010

Latest time to complete electronic applications under
HK eIPO White Form service through the designated
website www.hkeipo.hk⁽³⁾ 11:30 a.m. on Monday,
4 October 2010

Latest time to lodge **WHITE, YELLOW** and **BLUE**
application forms 12:00 noon on Monday,
4 October 2010

Latest time to give **electronic application instructions**
to HKSCC⁽⁴⁾ 12:00 noon on Monday,
4 October 2010

Latest time to complete payment of **HK eIPO White Form**
applications by effecting internet banking transfer(s)
or PPS payment transfer(s) 12:00 noon on Monday,
4 October 2010

Application lists close 12:00 noon on Monday,
4 October 2010

Expected Price Determination Date⁽⁵⁾ Monday, 4 October 2010

Announcement of:

- the Offer Price;
- an indication of the level of interest in the International Offering;
- the level of applications under the Hong Kong Public Offering and the Preferential Offering;
and
- the basis of allocation of the Hong Kong Offer Shares and the Reserved Shares

to be published in The Standard (in English)
and the Sing Tao Daily (in Chinese) on or before Friday, 8 October 2010

Announcement of results of allocation (with successful
applicants' identification document numbers, where applicable)
will be available through a variety of channels, including the
websites of the Stock Exchange and our Company as described
in the section headed "How to Apply for Hong Kong Offer Shares
and Reserved Shares — IV. Publication of Results, Despatch/Collection
of Share Certificates and Refunds of Application Monies"
in this prospectus from Friday, 8 October 2010

EXPECTED TIMETABLE⁽¹⁾

A full announcement of the Hong Kong Public Offering and the Preferential Offering containing the announcement and results of allocations will be published on the websites of the Company at www.kosmohotels.com and the Stock Exchange at www.hkexnews.hk from Friday, 8 October 2010

Results of allocations in the Hong Kong Public Offering and Preferential Offering will be available at www.tricor.com.hk/ipo/result with a “search by ID” function Friday, 8 October 2010

Despatch of share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications on or before⁽⁶⁾ Friday, 8 October 2010

Despatch of refund cheques and **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially unsuccessful applications on or before⁽⁶⁾⁽⁷⁾ Friday, 8 October 2010

Dealings in Offer Shares on the Stock Exchange to commence on Monday, 11 October 2010

Notes:

- (1) All times refer to Hong Kong local time, save as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Monday, 4 October 2010, the application lists will not open on that day. Further information is set out in the section headed “How to Apply for Hong Kong Offer Shares and Reserved Shares — I. How to Apply for Hong Kong Offer Shares — 7. when may applications be made — (e) Effect of bad weather conditions on the opening of application lists” and “How to Apply for Hong Kong Offer Shares and Reserved Shares — II. How to Apply for Reserved Shares — 5. when may applications be made — (e) Effect of bad weather conditions on the opening of application lists” in this prospectus.
- (3) You will not be permitted to submit your application through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to or at 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (4) Applicants who apply by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares and Reserved Shares — I. How to Apply for Hong Kong Offer Shares — 6. How to apply by giving **electronic application instructions** to HKSCC” in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (5) Please note that the Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Monday, 4 October 2010 and, in any event, not later than Thursday, 7 October 2010. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholder and us, the Global Offering will not proceed and will lapse. Notwithstanding that the Offer Price may be fixed at below the maximum offer price of HK\$2.75 per Share payable by applicants for Shares under the Hong Kong Public Offering and the Preferential Offering, applicants who apply for Shares must pay on application the maximum offer price of HK\$2.75 per Share plus the brokerage of 1%, SFC transaction levy of 0.003%*, and Stock Exchange trading fee of 0.005%, but will be refunded the surplus application monies as provided in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares — IV. Publication of Results, Despatch/Collection of Share Certificates and Refunds of Application Monies" in this prospectus.
- (6) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have indicated in their Application Forms their wish to collect (where applicable) refund cheques and/or (where applicable) share certificates in person may do so from Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Friday, 8 October 2010 or any other date notified by us as the date of despatch of share certificates and refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporations stamped with the corporations' chops. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. Uncollected share certificates and refund cheques will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant Application Forms shortly thereafter. If you have applied for less than 1,000,000 Hong Kong Offer Shares or have applied for 1,000,000 Hong Kong Offer Shares or more but have not indicated in the Application Form that you wish to collect share certificates and/or refund cheques in person, your share certificates (if applying by using a **WHITE** Application Form) and/or refund cheques will be sent to the address on the Application Form on Friday, 8 October 2010 by ordinary post and at your own risk. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares — IV. Publication of Results, Despatch/Collection of Share Certificates and Refunds of Application Monies" in this prospectus. **Share certificates will only become valid certificates of title provided that the Hong Kong Public Offering has become unconditional and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is expected to be at around 8:00 a.m. on Monday, 11 October 2010.** For applicants who apply by giving electronic application instructions, the relevant arrangements are set forth under the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares — I. How to Apply for Hong Kong Offer Shares — 6. How to apply by giving **electronic application instructions** to HKSCC" in this prospectus.
- (7) Refund cheques or e-Auto Refund payment instructions will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications in the event that the final Offer Price is less than the maximum price per Offer Share payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.

For details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, you should refer to the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus.

This prospectus is being distributed in electronic format on CD-ROM to Qualifying FEC Shareholders only. The CD-ROM may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, in whole or in part, for any purpose. Neither the CD-ROM nor any of its contents constitutes a public offer of securities for sale in the United States and/or any jurisdiction other than Hong Kong. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Neither the CD-ROM, any of its contents, nor any copy of it may be taken or transmitted outside of Hong Kong or distributed or redistributed, directly or indirectly, outside of Hong Kong or to any resident thereof other than to the Qualifying FEC Shareholders. By accepting the CD-ROM, Qualifying FEC Shareholders are deemed to agree to be bound by the foregoing restrictions.

* SFC transaction levy of 0.003% to come into effect on 1 October 2010

EXPECTED TIMETABLE⁽¹⁾

A **BLUE** Application Form is being despatched to each Qualifying FEC Shareholder with an Assured Entitlement together with an electronic copy of this prospectus on CD-ROM. Printed copies of this prospectus are available at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, during business hours at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong between 9:00 a.m. on Tuesday, 28 September 2010 and 12:00 noon on Monday, 4 October 2010 for exclusive collection by Qualifying FEC Shareholders. Qualifying FEC Shareholders may also collect printed copies of this prospectus from the receiving banks, details of which are set out in the section headed "How to apply for Hong Kong Offer Shares and Reserved Shares — II. How to Apply for Reserved Shares" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Kosmopolito Hotels International Limited solely in connection with the Hong Kong Public Offering and the Preferential Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares and the Reserved Shares offered by this prospectus pursuant to the Hong Kong Public Offering and the Preferential Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Selling Shareholder, the Joint Global Coordinators, any of the Underwriters, any of their respective directors, or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a fast-growing developer, owner and operator of value, mid-scale, upscale and boutique hotels in Asia with a strong presence in Hong Kong and Malaysia and a primary focus on expansion in China and other regions of the Asia Pacific. We commenced operations in 1998 with one hotel consisting of 320 rooms and have since expanded our hotel room portfolio more than ten-fold. We currently own and operate a total of eight hotels in Hong Kong, five hotels in Malaysia and two hotels in China with a combined total of approximately 3,889 rooms (estimated on the basis of completion of current renovations of certain hotels and final room numbers as planned). We also have seven hotels in various stages of planning or development, including four in Hong Kong, two in China and one in Singapore, representing an additional 2,406 rooms. The total capital value of our hotel portfolio as assessed by our Property Valuers as at 30 June 2010 was approximately HK\$10,598 million, while the carrying value of our hotel portfolio was approximately HK\$5,611 million. Our Group’s hotel portfolio had a revaluation surplus up to 30 June 2010 of approximately HK\$4,987 million. Based on Hong Kong Tourism Board published estimates, the 1,443 new hotel rooms that are scheduled to be added to our Hong Kong hotel portfolio between 31 March 2010 and the end of 2012 will represent approximately 15.4% of the new hotel rooms to be added in Hong Kong during this period. Upon the addition of these 1,443 hotel rooms, our Hong Kong hotel portfolio will increase to 2,992 rooms, making us one of the largest hotel operators in Hong Kong based on number of rooms, according to HVS. In Malaysia, we added 609 rooms to our hotel portfolio during the Track Record Period, representing an increase of approximately 76.3% compared to the number of hotel rooms we owned in Malaysia as at 31 March 2007. Recently, we entered into a letter of intent to manage a third party hotel in Huangshi, Hubei Province, China, which we expect to operate under our “Hotel Kosmopolito” brand with approximately 400 rooms, which is expected to commence operations in 2013. Our PRC legal advisor has advised us that the letter of intent is legally binding. We expect to own or manage a total of approximately 6,695 rooms by the end of 2013.

We commenced our hotel operations in 1998 with the opening of the Dorsett Regency Hotel Kuala Lumpur in Malaysia. Leveraging on our hotel experience in Malaysia, we expanded our operations into Hong Kong in 2000 through our acquisition of Dorsett Seaview Hotel. We have principally grown our hotel portfolio through acquisitions of hotels already in operation, such as our Dorsett Seaview Hotel and Wuhan Cosmopolitan Hotel as well as through the acquisition and subsequent redevelopment or conversion of existing industrial and commercial buildings, such as Cosmopolitan Hotel, which was converted from the previous Xinhua News Agency building, Central Park Hotel, which was converted from a commercial building and Dorsett Regency Kwai Chung, Hong Kong,

SUMMARY

which was acquired as an existing industrial building and is in the process of being refurbished.

The following is a timeline of our Group's hotel operations:

- 1998 Our first hotel in Malaysia, Dorsett Regency Hotel Kuala Lumpur in Kuala Lumpur, commenced operations.
- 2000 The FEC Group further expanded its hotel operations by acquiring control of the operations of two hotels in Hong Kong, namely Dorsett Garden Hotel (formerly known as the Pearl Garden Hotel) and Dorsett Seaview Hotel¹ (formerly known as the Pearl Seaview Hotel). Dorsett Garden Hotel was subsequently disposed of in 2005.
- 2002 Construction works for Dorsett Kowloon Hotel in Tai Kok Tsui, Hong Kong commenced.
- 2004 Central Park Hotel in Sheung Wan, Hong Kong and Cosmopolitan Hotel in Wan Chai, Hong Kong both underwent refurbishment works. Construction works for Lan Kwai Fong Hotel @ Kau U Fong in Central, Hong Kong also commenced.
- 2005 Construction works for Dorsett Kowloon Hotel and the refurbishment works for Central Park Hotel were completed and both hotels commenced operations. Cosmopolitan Hotel and Cosmo Hotel also commenced operations.
- 2006 Lan Kwai Fong Hotel @ Kau U Fong and Dorsett Far East Hotel in Tsuen Wan, Hong Kong commenced operations.
- 2007 We acquired our first hotel in China, Wuhan Cosmopolitan Hotel.
- In Malaysia, we acquired Grand Dorsett Subang Hotel (formerly known as Sheraton Subang) and Grand Dorsett Labuan Hotel.
- 2008 Wuhan Cosmopolitan Hotel commenced operations.
- In Malaysia, Dorsett Johor Hotel in Johor Bahru and Maytower Hotel in Kuala Lumpur commenced operations.

Note:

¹ We acquired the property as a distressed asset by purchasing the debt of a previous owner in 2000 and subsequently converted our interest in the debt to equity in January 2007.

SUMMARY

2009 Construction works for The Mercer by Kosmopolito in Sheung Wan, Hong Kong and Dorsett Regency Kwun Tong, Hong Kong commenced. Both hotels are scheduled to commence operations in 2011.

We acquired the site for our first Singapore hotel, Dorsett Regency “On New Bridge”, Singapore.

2010 Construction works for Cosmo Kowloon Hotel in Tai Kok Tsui, Hong Kong were completed and the hotel commenced operations.

Construction works for Dorsett Regency Kennedy Town, Hong Kong in Kennedy Town, Hong Kong was nearly completed and the hotel is expected to open in 2011. Construction works for Dorsett Regency Kwai Chung, Hong Kong in Kwai Chung, Hong Kong is in progress and the hotel is expected to commence operations in 2012.

In China, Yue Shanghai Hotel commenced operations.

Hotel Kosmopolito City Centre, Chengdu, in Chengdu, PRC commenced refurbishment and is scheduled to be completed in 2010. Another hotel in China, the Dorsett Regency CBD, Zhongshan in Zhongshan, PRC, is scheduled to open in 2011.

In Singapore, the planning of Dorsett Regency “On New Bridge”, Singapore, a proposed hotel and residential development, commenced and the hotel is expected to commence operations in 2013.

We entered into the hotel management agreement business by signing our first letter of intent with an independent third-party to operate a hotel with a total of approximately 400 rooms in Huangshi, Hubei Province, which we expect to operate under our “Hotel Kosmopolito” brand, which is expected to commence operations in 2013. Our PRC legal advisor has advised us that the letter of intent is legally binding.

For further information, please see “History, Reorganisation and Corporate Structure — Key Corporate and Business Development Milestones” in this prospectus.

Our approach to hotel site acquisition and development, combined with our focus on cost-minimisation and efficient operations, have enabled us to enjoy high EBITDA margins. For the three years ended 31 March 2008, 2009 and 2010, our Adjusted EBITDA margins were 50.2%, 46.0% and 38.6%, respectively. Our Hong Kong hotels also enjoy a GOP margin of 61.2%, 58.8% and 54.2% for the three financial years ended 31 March 2008, 2009 and 2010, respectively, which is above the market average in Hong Kong according to HVS.

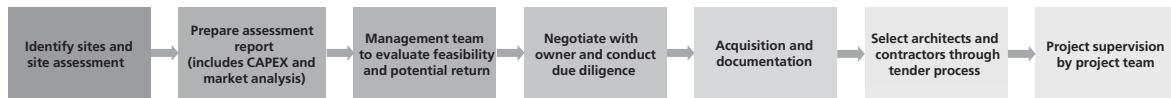
SUMMARY

Prior to and during the Track Record Period, we primarily acquired our hotels in three principal ways as summarised in the table below:

Acquisition Strategy	Development/Construction	Hotels			
		Hong Kong	China	Malaysia	Singapore
Acquisition of existing office, residential or industrial buildings	Internal refurbishment/Conversion	<ul style="list-style-type: none"> • Cosmopolitan Hotel • Cosmo Hotel • Central Park Hotel • Dorsett Far East Hotel • Dorsett Regency Kwai Chung, Hong Kong 	<ul style="list-style-type: none"> • Hotel Kosmopolito City Centre, Chengdu • Dorsett Regency CBD, Zhongshan • Yue Shanghai Hotel 	<ul style="list-style-type: none"> • Dorsett Johor Hotel • Maytower Hotel 	
	Subsequent demolition and construction	<ul style="list-style-type: none"> • Lan Kwai Fong Hotel @ Kau U Fong • Dorsett Kowloon Hotel • Cosmo Kowloon Hotel • Dorsett Regency Kwun Tong, Hong Kong 			
Acquisition of vacant sites	Construction of hotels on vacant sites	<ul style="list-style-type: none"> • Dorsett Regency Kennedy Town, Hong Kong • The Mercer by Kosmopolito 		<ul style="list-style-type: none"> • Dorsett Regency Hotel Kuala Lumpur 	<ul style="list-style-type: none"> • Dorsett Regency “On New Bridge”, Singapore
Acquisition of existing hotels	Upgrade/Refurbishment	<ul style="list-style-type: none"> • Dorsett Seaview Hotel 	<ul style="list-style-type: none"> • Wuhan Cosmopolitan Hotel 	<ul style="list-style-type: none"> • Grand Dorsett Subang Hotel • Grand Dorsett Labuan Hotel 	

Each of the eight hotels which we own and operate in Hong Kong have obtained the relevant licences as required under the Hotel and Guesthouse Accommodation Ordinance, save for our Lan Kwai Fong Hotel @ Kau U Fong, which is in the process of renewing its licence as required under the Hotel and Guesthouse Accommodation Ordinance. We have been advised by our legal advisor as to Hong Kong title issues that under the Hotel and Guesthouse Accommodation Ordinance, if the application for renewal of a hotel licence is made before the expiry of the hotel licence and the hotel licence expires prior to the determination of such application, unless such application is withdrawn, or the hotel licence is cancelled or suspended by the Hotel and Guesthouse Authority, the hotel licence shall remain in effect, as if the hotel licence had not been expired, until the determination by the relevant government authority of such application. Please see the section headed “Industry and Regulatory Overview — Regulatory Overview of the Hong Kong Hotel Industry” in this prospectus for further information. In addition, of our eight operating hotels in Hong Kong, four were converted from commercial or residential buildings, namely, Cosmopolitan Hotel, Cosmo Hotel, Central Park Hotel and Dorsett Far East Hotel. For further information regarding the licences and permits required for our operations in Hong Kong, please see the section headed “Industry and Regulatory Overview — Regulatory Overview of the Hong Kong Hotel Industry”.

Our site acquisition process is summarised as follows:



Due to recent developments in Hong Kong’s government policy to encourage investors to revitalise existing industrial buildings, a policy exempting the land premium payable on any change of use of existing buildings aged 15 years or above and situated in “Industrial”, “Commercial” or “OU(B)” zones has been implemented. This special measure is valid for three years effective from 1 April 2010. We have made use of this policy to convert a building into our proposed Dorsett Regency Kwai Chung, Hong Kong, which is scheduled to commence operations in June 2012. We intend to continue to seek investment opportunities to make use of this policy by purchasing existing industrial buildings and developing them into hotels.

SUMMARY

For further information, please see the section headed “Business — Hotel Portfolio Acquisition Strategy” in this prospectus.









Our design-led hotels are characterised by their modern and distinctive interior designs tailored to customer preferences and the specific positioning of each of our brands, by their effective use of space and by the personalised and attentive service provided by our experienced and highly trained staff. Our achievements have also been recognised by external sources. For example, our Lan Kwai Fong Hotel @ Kau U Fong was awarded “The Best Boutique Hotel in Asia” by Travel Weekly in 2007 and “Hong Kong’s Leading Boutique Hotel” and “Asia’s Leading Boutique Hotel” by World Travel Awards in 2008 and 2009, respectively. Our Cosmopolitan Hotel was named one of the few “Comfortable Hotels in Hong Kong” by the “Michelin Hong Kong & Macau Guide” 2009 and 2010 and our Central Park Hotel was a finalist in the World Travel Awards’ “Hong Kong’s Leading Boutique Hotel” category in 2008. Our Dorsett Johor Hotel was awarded the “Johor Tourism Award-Gem’s Award” for 2009.

We are also currently implementing a branding strategy to refresh and streamline our brands to better appeal to our target market segments and to serve as a platform for our expansion into the hotel management business.

During the Track Record Period, we operated our hotels under our “Cosmopolitan”, “Cosmo”, “Dorsett” and “Grand Dorsett” brands as well as individual boutique hotel names such as our Lan Kwai Fong Hotel @ Kau U Fong, Central Park Hotel, Cosmo Hotel and Yue Shanghai Hotel.



We believe that there is currently an absence of “Asian grown” hotel brand names of quality and scale, and we believe there is tremendous potential for us to build a strong Asian brand platform from which we can expand our hotel portfolio internationally.

Our aim is to target the highest value customer segments within each category of the hotels that we operate, and to develop a suite of appealing brands that we can strategically deploy depending on the location of the hotel and the target segments most suited to that location. We expect that our hotels will be re-branded to the following brands:

Existing brands	Key characteristics	New brands
	Upscale, modern design business hotel with stylish facilities	
	Design-led boutique hotel with individual style and character	<i>Boutique Series by</i> 
	Reliable mid-scale business hotel with design, technology and service	
	Good value hotel with living space and a home-style service	

For further information regarding our branding strategy see the section headed “Business — Our Brands” in this prospectus.

SUMMARY

As at the Latest Practicable Date, our trademark “KHI Kosmopolito”  No. 301599959 had been registered in Hong Kong and we are entitled to full rights in the registration of our trademark “KHI Kosmopolito” , which shall be deemed effective from the date of our application, 28 April 2010 as advised by Woo, Kwan, Lee & Lo. For further information on our intellectual property rights, please see the section headed “Statutory and General Information — B. Further Information About The Business — 2. Intellectual property rights” in Appendix VI to this prospectus and the section headed “Business — Intellectual Property” in this prospectus.

Under our rebranding initiative, we have recently established a series of new brands and we have begun making applications to register corresponding trademarks in the Asia Pacific Region and will continue to register our trademarks in all relevant jurisdictions to protect our intellectual property rights in these brands. If we fail to register our trademarks, we will either (i) modify our trademarks which we have currently designed under the rebranding initiative to satisfy trademark requirements; (ii) continue to operate our hotels under the existing brands; or (iii) establish new brands.








The following table shows the details of our trademarks registered or pending registration in relation to our rebranding initiative:

Brand name	Word marks/Logo marks	Registered	Trademark registration status	
			Published pending registration (1)	Applied for pending registration (2)
Hotel Kosmopolito and Boutique Series by Kosmopolito		Hong Kong Macau	Australia Singapore	Indonesia Malaysia PRC Taiwan
		Macau		Indonesia Malaysia PRC Taiwan
Dorsett Regency		Hong Kong	Australia Singapore	
				
		Hong Kong Singapore		
				

Notes:

- 1
 - (a) for the marks applied in Australia, such trademarks have been published in the Australian Official Journal of Trademarks issued by the Commissioner of Patents for the purposes of the Trade Marks Act 1995;
 - (b) for the marks applied in Hong Kong, such trademarks have been accepted by the Registrar of Trademark under section 42 of the Trade Marks ordinance (Cap. 559 of the Laws of Hong Kong) and are published in the Hong Kong Intellectual Property Journal;
 - (c) for the marks applied in Macau, details are published in the Official Gazette of the Macau Special Administrative Region; and
 - (d) for the marks applied in Singapore, such trademarks have been published in the Trade Marks Journal Singapore published by the Intellectual Property Office of Singapore published in accordance with the Trade Marks Rules.
- 2 Application has been submitted to the relevant trademark registry.

SUMMARY

Brand name	Word marks/Logo marks	Trademark registration status		
		Registered	Published pending registration ⁽¹⁾	Applied for pending registration ⁽²⁾
	A 	Hong Kong		
	B 			
		Macau PRC Taiwan		
		Macau PRC Taiwan		Malaysia
Silka.....	Silka		Hong Kong Macau Singapore	Australia Indonesia Malaysia PRC Taiwan
	(A) 		Macau	Australia Indonesia Taiwan
	(A) 		Singapore	Hong Kong Malaysia
	(B) 			

Notes:

- 1
 - (a) for the marks applied in Australia, such trademarks have been published in the Australian Official Journal of Trademarks issued by the Commissioner of Patents for the purposes of the Trade Marks Act 1995;
 - (b) for the marks applied in Hong Kong, such trademarks have been accepted by the Registrar of Trademark under section 42 of the Trade Marks ordinance (Cap. 559 of the Laws of Hong Kong) and are published in the Hong Kong Intellectual Property Journal;
 - (c) for the marks applied in Macau, details are published in the Official Gazette of the Macau Special Administrative Region; and
 - (d) for the marks applied in Singapore, such trademarks have been published in the Trade Marks Journal Singapore published by the Intellectual Property Office of Singapore published in accordance with the Trade Marks Rules.
- 2 Application has been submitted to the relevant trademark registry.

SUMMARY

To ensure that the intellectual property rights will be obtained for our new brands, we conducted searches on our word marks prior to submitting our applications to ensure that no such word marks had been previously registered. If our searches prove inaccurate, we may be subject to claims from other parties if we have infringed their intellectual property rights. With regard to our logo marks, we designed unique logos to ensure that our logos could be registered. Should we be unable to register the relevant intellectual property rights to our new brands, we will consider our options and are prepared to develop new word marks and logo marks.

To leverage the substantial experience of our management and employees, we have recently entered into a letter of intent to manage a third party hotel which we expect to operate under our “Hotel Kosmopolito” brand in Huangshi, Hubei Province, China, with approximately 400 rooms. Our PRC legal advisor has advised us that the letter of intent is legally binding. We are also in the process of seeking additional opportunities in the hotel management business in China and other regions of the Asia Pacific. In addition, in further pursuit of an asset-light business model, we have had preliminary non-binding discussions with independent third parties regarding the sale of The Mercer by Kosmopolito in which we would retain the right to manage the hotel via a management agreement between the buyer of the hotel and us. We do not currently have any plans to sell any of our other hotels but may, from time to time, enter into discussions with potential buyers going forward. If we sell any of our hotels in the future, we will make an announcement pursuant to Rule 13.09 of the Listing Rules. We also have had, and expect to continue to have, discussions with independent third parties regarding opportunities to become lessee and operator of additional hotels. We believe that the asset-light and cost-effective nature of the hotel management business will help grow our brand distribution and revenues without requiring substantial capital expenditures or significant costs. For further information on our strategy to expand into the hotel management business see the section headed “Business — Strategies — Expand our hotel management business” in this prospectus.

SUMMARY

The following table shows the hotels we currently own and operate, the hotels we have under planning or development, the third-party hotels we are contracted to manage by commencement date or expected commencement date and applicable approvals and licences for our Hong Kong hotels:

Hotel name/ expected hotel name ¹	Location	Type	Target market segment/ target market segment	Total rooms/ expected number of rooms	Commencement/ expected commencement	Building Authority approval ²		Hotel and Guesthouse Licence	
						Occupation permit	Conversion approved	Status	Expiry date
Hong Kong Owned and operated Cosmopolitan Hotel Central Park Hotel	Wan Chai Sheung Wan	Conversion Conversion	mid-scale boutique	454 142	January 2005 April 2005	Obtained on 14 July 1978 Obtained on 7 January 1998	9 December 2002 Building Authority confirmed ³ that approval was not required	Obtained Obtained	19 January 2012 15 July 2011
Dorsett Kowloon Hotel	Tai Kok Tsui	New build	value	141	May 2005	Obtained on 23 February 2005	N/A	Obtained	31 December 2010
Cosmo Hotel Lan Kwai Fong Hotel @ Kau U Fong Dorsett Far East Hotel	Wan Chai Central Tsuen Wan	Conversion New build Conversion	boutique boutique value	142 162 240	October 2005 March 2006 October 2006	Obtained on 5 December 1997 Obtained on 30 December 2005 Obtained on 5 January 1966	9 March 2005 N/A 12 September 2006	Obtained Under renewal Obtained	15 October 2012 8 May 2010 ⁴ 30 September 2010 ⁵
Dorsett Seaview Hotel	Yau Ma Tei	Acquired as hotel	value	268	January 2007 ⁶	Obtained on 17 June 1993	N/A	Obtained	30 June 2011
Owned and under development Cosmo Kowloon Hotel The Mercer by Kosmopolito	Tai Kok Tsui Sheung Wan	New build New build	mid-scale boutique	285 55	July 2010 April 2011	Obtained on 22 February 2010 will be obtained upon completion and satisfactory inspection by the Building Authority	N/A N/A	Obtained will be obtained	15 July 2011 N/A
Dorsett Regency Kennedy Town, Hong Kong	Kennedy Town	New build	mid-scale	217	April 2011	will be obtained upon completion and satisfactory inspection by the Building Authority	N/A	will be obtained	N/A
Dorsett Regency Kwun Tong, Hong Kong	Kwun Tong	New build	mid-scale	380	December 2011	will be obtained upon completion and satisfactory inspection by the Building Authority	N/A	will be obtained	N/A
Dorsett Regency Kwai Chung, Hong Kong	Kwai Chung	Conversion	mid-scale	506	June 2012	will be obtained upon completion and satisfactory inspection by the Building Authority	N/A	will be obtained	N/A
Hong Kong total				2,992					

Notes:

- 1 The hotel names may change in future pursuant to our rebranding initiative. Details of such are set out in the section headed "Business — Our Brands" in this prospectus.
- 2 Hotels that involve structural work and have been converted from commercial or residential use to hotel use require approval from the Building Authority for conversion work. Buildings that have been demolished and subsequently constructed require the Building Authority to approve the building plans and to issue an occupation permit. Buildings that have been acquired as an existing hotel without carrying out any building works do not require Building Authority approval.
- 3 The conversion of office use to hotel use of Central Park Hotel involved non-structural works under section 41(3) of the Buildings Ordinance. The Building Authority confirmed on 14 May 2004 that the change of use from office to hotel only required the approval of the Hotel and Guesthouse Accommodation Authority of the Home Affairs Department which granted the Hotel and Guesthouse Licence to Central Park Hotel.
- 4 We have made an application to renew the Hotel and Guesthouse Licence. We have been advised by our legal advisor as to Hong Kong title issues that under the Hotel and Guesthouse Accommodation Ordinance, if the application for renewal of a hotel licence is made before the expiry of the hotel licence and the hotel licence expires prior to the determination of such application, unless such application is withdrawn, or the hotel licence is cancelled or suspended by the Hotel and Guesthouse Authority, the hotel licence shall remain in effect, as if the hotel licence had not been expired, until the determination by the relevant government authority of such application. Please see the section headed "Industry and Regulatory Overview — Regulatory Overview of the Hong Kong Hotel Industry" in this prospectus for further information.
- 5 We have made an application for a renewal of the Hotel and Guesthouse Licence on 21 June 2010 and received an acknowledgement on 25 June 2010, prior to the expiration of the Hotel and Guesthouse Licence.
- 6 Acquired the property as a distressed asset by purchasing the debt of a previous owner in 2000 and subsequently converted our interest in the debt to equity in January 2007.

SUMMARY

Hotel name/expected hotel name ¹	Location	Target market segment/expected target market segment	Total rooms/expected number of rooms	Commencement/expected commencement
China				
<i>Owned and operated</i>				
Wuhan Cosmopolitan Hotel	Wuhan	mid-scale	384 ²	June 2008 ³
Yue Shanghai Hotel	Shanghai	boutique	264	February 2010
<i>Owned and under development/planning</i>				
Hotel Kosmopolito City Centre, Chengdu	Chengdu	upscale	547	June 2011
<i>Contracted to acquire and under planning</i>				
Dorsett Regency CBD, Zhongshan ⁴	Zhongshan	mid-scale	416	September 2011
<i>To be managed by us</i>				
Hotel Kosmopolito Huangshi	Huangshi	upscale	400	2013
China total			<u>2,011</u>	

Notes:

- ¹ The hotel names may change in future pursuant to our rebranding initiative. Details of such are set out in the section headed "Business — Our Brands" in this prospectus.
- ² Wuhan Cosmopolitan Hotel is currently under renovation. Room numbers specified are estimates following completion of all renovations.
- ³ Wuhan Cosmopolitan Hotel was acquired by us in 2007. It was then closed for renovation and re-commenced its operations in June 2008.
- ⁴ As at the Latest Practicable Date, our acquisition had not been completed. We were in the process of obtaining the title certificates for Dorsett Regency CBD, Zhongshan.

SUMMARY

Hotel name/expected hotel name ¹	Location	Target market segment/expected target market segment	Total rooms/expected number of rooms	Commencement/expected commencement
Malaysia				
<i>Owned and operated</i>				
Dorsett Regency Hotel Kuala Lumpur	Kuala Lumpur	mid-scale	320	April 1998
Grand Dorsett Subang Hotel	Subang	upscale	478 ²	February 2007 ³
Grand Dorsett Labuan Hotel	Labuan	upscale	178	September 2007 ⁴
Maytower Hotel	Kuala Lumpur	mid-scale	179	October 2008
Dorsett Johor Hotel	Johor	value	252	October 2008
Singapore				
<i>Owned and under planning</i>				
Dorsett Regency "On New Bridge", Singapore	Singapore	mid-scale	285	June 2013
South East Asia total			1,692	

Notes:

- ¹ The hotel names may change in the future pursuant to our rebranding initiative. Details of such initiative are set out in the section headed "Business — Our Brands" in this prospectus.
- ² Grand Dorsett Subang Hotel is currently undergoing renovations in phases. Room numbers specified are estimates following completion of all renovations.
- ³ Grand Dorsett Subang Hotel was acquired by us in February 2007 but was operated under the management of an independent third party prior to our acquisition.
- ⁴ Grant Dorsett Labuan Hotel was acquired by us in September 2007 but was operated under the management of an independent third party prior to our acquisition.

SUMMARY

The following table shows the target/expected market segment, number of floors, GFA, RevPAR, ARR and occupancy rate of each of our hotels:

Hotel name/expected hotel name ¹	Target market segment/expected target market segment	Number of Floors	GFA ² (sq.ft.)	RevPar (HK\$) Year ended 31 March		ARR (HK\$) Year ended 31 March		Occupancy Rate (%) Year ended 31 March	
				2008	2009	2008	2009	2008	2009
Hong Kong									
Owned and operated									
Cosmopolitan Hotel	mid-scale	22	171,095	830	791	654	944	855	83.8
Central Park Hotel	boutique	24	51,076	479	661	539	883	725	79.5
Dorsett Kowloon Hotel	value	23	34,554	715	500	386	495	402	74.8
Cosmo Hotel	boutique	25	59,699	775	754	601	890	745	97.6
Lan Kwai Fong Hotel @ Kau U Fong	boutique	36	60,773	1,166	1,127	964	1,392	1,322	87.1
Dorsett Far East Hotel	value	17 ³	55,761	369	417	333	419	363	76.6
Dorsett Seaview Hotel	value	21	65,286	481	511	421	494	443	88.3
Cosmo Kowloon Hotel	mid-scale	25	67,002	N/A	N/A	N/A	N/A	N/A	97.2
Owned and under development									
The Mercer by Kosmopolito	boutique	N/A	37,941	N/A	N/A	N/A	N/A	N/A	N/A
Dorsett Regency Kennedy Town, Hong Kong	mid-scale	N/A	73,271	N/A	N/A	N/A	N/A	N/A	N/A
Dorsett Regency Kwun Tong, Hong Kong	mid-scale	N/A	119,277	N/A	N/A	N/A	N/A	N/A	N/A
Dorsett Regency Kwai Chung, Hong Kong	mid-scale	N/A	214,680	N/A	N/A	N/A	N/A	N/A	N/A
Target market segment/expected target market segment									
Hotel name/expected hotel name ¹	Target market segment/expected target market segment	Number of Floors	GFA (sq.ft.)	RevPar (RMB) Year ended 31 March		ARR (RMB) Year ended 31 March		Occupancy Rate (%) Year ended 31 March	
				2008	2009	2010	2008	2009	2010
China									
Owned and operated									
Wuhan Cosmopolitan Hotel	mid-scale	19 ⁴	724,489	N/A	85	107	N/A	230	213
Yue Shanghai Hotel	boutique	18 ⁵	170,003	N/A	N/A	180	N/A	N/A	502
Owned and under development/planning									
Hotel Kosmopolito City Centre, Chengdu	upscale	N/A	727,829	N/A	N/A	N/A	N/A	N/A	N/A
Contracted to acquire and under planning									
Dorsett Regency CBD, Zhongshan ⁶	mid-scale	N/A	457,072	N/A	N/A	N/A	N/A	N/A	N/A
To be managed by us									
Hotel Kosmopolito Huangshi	upscale	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Target market segment/expected target market segment									
Hotel name/expected hotel name ¹	Target market segment/expected target market segment	Number of Floors	GFA (sq.ft.)	RevPar (MYR) Year ended 31 March		ARR (MYR) Year ended 31 March		Occupancy Rate (%) Year ended 31 March	
				2008	2009	2010	2008	2009	2010
Malaysia									
Owned and operated									
Dorsett Regency Hotel Kuala Lumpur	mid-scale	30	298,726	134	143	144	162	184	189
Grand Dorsett Subang Hotel	upscale	22 ⁷	465,691	177	167	137	242	250	236
Grand Dorsett Labuan Hotel	upscale	9	232,124	188	208	198	245	265	261
Maytower Hotel	mid-scale	33 ⁸	60,529	N/A	80	105	N/A	192	138
Dorsett Johor Hotel	value	10	94,766	N/A	45	72	N/A	117	112
Target market segment/expected target market segment									
Hotel name/expected hotel name ¹	Target market segment/expected target market segment	Number of Floors	GFA (sq.ft.)	RevPar (S\$) Year ended 31 March		ARR (S\$) Year ended 31 March		Occupancy Rate (%) Year ended 31 March	
				2008	2009	2010	2008	2009	2010
Singapore									
Owned and under planning									
Dorsett Regency "On New Bridge" Singapore	mid-scale	N/A	178,001	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- 1 The hotel names may change in future pursuant to our rebranding initiative. Details of such are set out in the section headed "Business — Our Brands" in this prospectus.
- 2 Includes land and building, furniture and fixtures, and other assets of the hotel.
- 3 Includes furniture and fixtures, and other assets of the hotel.
- 4 Includes furniture and fixtures, and other assets of the hotel.
- 5 Includes furniture and fixtures, and other assets of the hotel.
- 6 As at the Latest Practicable Date, our acquisition had not been completed and we were in the process of obtaining the title certificates for Dorsett Regency CBD, Zhongshan.
- 7 Grand Dorsett Subang Hotel is comprised of two hotel towers consisting of eight-floors and 14-floors, respectively, which share a three-floor podium. Hotel rooms are located on the fourth to eighth floor and fourth to 14th-floor of the two hotel towers, respectively.
- 8 Maytower hotel is comprised of a 33-floor building, of which the hotel portion is comprised of lobby and hotel rooms are located on floors 21 to 30.

SUMMARY

OUR STRENGTHS

We believe that our success to date and our ability to compete effectively in the future are primarily driven by the following combination of factors:

- Our ability to identify sites that provide significant opportunities for value accretion;
- Our ability to deliver strong returns from our hotel portfolio;
- Our hotels in operation and under planning or development make us one of the largest hotel operators in Hong Kong in terms of the number of rooms;
- We have an experienced management team and highly trained and customer-oriented staff; and
- We have successfully established a portfolio of diversified hotel products.

STRATEGIES

Supported by our growing Asian platform, our aim is to become one of the most respected Asian hotel companies, renowned for delivering shareholder returns above industry averages — driven by our strong operating performance and growing hotel management pipeline. In particular, we intend to adopt the following principal strategies in order to achieve our aim:

- continue to identify sites and acquisition opportunities in strategic locations;
- expand our hotel management business;
- leverage our experience with, and knowledge of, the Chinese tourism market to build our presence in China and undertake an opportunistic expansion in China and other regions of the Asia Pacific; and
- develop and strengthen our brands to increase customer loyalty.

SUMMARY

PROPOSED SPIN-OFF OF THE GROUP FROM FEC

FEC has concluded that the Group's business has grown to a size which merits a separate listing and that such listing will be beneficial to the Group for the following reasons:

- (a) it provides flexibility and a separate fund raising platform for the Group in raising future funds from the capital markets to support its growth as well as acquisitions;
- (b) it essentially separates the business of property development from the business of hotel investment, operation, management and development. Such segregation enables investors and financiers to appraise the strategies, functional exposure, risks and returns of the hotel investment, operation, management and development business separately and may attract new investors who are seeking investment opportunities in a group with specialised expertise and a business focus in the hotel industry in China and other regions of the Asia Pacific. Investors will have the choice to invest in either one or both of the business models;
- (c) it will enable the management teams of the FEC Group and the Group to focus on the respective core business of the two groups, thereby enhancing efficiency in their respective decision-making processes and responsiveness to market changes;
- (d) FEC intends to maintain a more than 50% equity interest in the Company. Accordingly, FEC will continue to benefit from any potential upside in the hotel investment, operation, management and development business to be owned by the Group through consolidation of financial results generated by the Group; and
- (e) as a listed company, the Company will be able to offer an equity based incentive program (such as a share option scheme or share award scheme) to its employees that correlates directly to the performance of the hotel investment, operation, management and development business. The Company would therefore be in a better position to motivate its employees with incentive programs that are closely aligned with the objective of value creation for the Shareholders.

SUMMARY

SUMMARY OF FINANCIAL INFORMATION AND RECENT OPERATING PERFORMANCE

Results of Operations

The following table sets out the Total Available Room Nights, Total Occupied Room Nights, occupancy rate, ARR, RevPAR of our hotels in Hong Kong, Malaysia and China during the three years ended 31 March 2008, 2009, 2010, the six months ended 30 September 2009 and 31 March 2010 and the three months ended 30 June 2009 and 2010, respectively.

	Year ended 31 March			Six months ended		Three months ended	
				30 September	31 March	30 June	30 June
	2008	2009	2010	2009	2010	2009	2010
Hong Kong Total							
Total Available Room Nights	563,725	562,695	551,045	269,787	281,258	136,191	140,052
Total Occupied Room Nights	501,214	496,278	459,192	202,615	256,577	98,137	124,600
Occupancy rate	88.9%	88.2%	83.3%	75.1%	91.2%	72.1%	89.0%
ARR(HK\$)	771	769	672	587	739	623	724
RevPar(HK\$)	685	678	560	441	675	449	644
Malaysia Total							
Total Available Room Nights	278,526	388,692	467,565	234,423	233,142	116,571	111,930
Total Occupied Room Nights	215,229	258,631	321,721	158,002	163,719	78,219	85,128
Occupancy rate	77.3%	66.5%	68.8%	67.4%	70.2%	67.1%	76.1%
ARR(HK\$)	485	494	424	436	412	435	441
RevPar(HK\$)	375	329	292	294	289	292	336
China Total							
Total Available Room Nights	–	51,260	66,242	23,790	42,452	11,830	43,701
Total Occupied Room Nights	–	19,019	32,301	11,446	20,855	5,660	25,587
Occupancy rate	–	37.1%	48.8%	48.1%	49.1%	47.8%	58.6%
ARR(HK\$)	–	258	267	247	277	242	581
RevPar(HK\$)	–	96	130	119	136	116	340
Total							
Total Available Room Nights	842,251	1,002,647	1,084,852	528,000	556,852	264,592	295,683
Total Occupied Room Nights	716,443	773,928	813,214	372,063	441,151	182,016	235,315
Occupancy rate	85.1%	77.2%	75.0%	70.5%	79.2%	68.8%	79.6%
ARR(HK\$)	685	665	558	513	596	530	606
RevPar(HK\$)	583	513	418	361	472	365	482

SUMMARY

Our results of operations in Hong Kong were negatively affected by the global financial crisis starting from the second half of the year ended 31 March 2009 and the outbreak of H1N1 in the first half of the year ended 31 March 2010 as occupancy rate and ARR's dropped to 75.1% and HK\$587, respectively, in the first half of year ended 31 March 2010. We have seen a strong recovery in both occupancy and ARR's since the second half of the year ended 31 March 2010. The occupancy and ARR's increased to 91.2% and HK\$739, respectively, in the second half of the year ended 31 March 2010, primarily due to the increase of business and leisure travellers in that period.

In Malaysia, the Total Available Room Nights increased during the Track Record Period due to the commencement of operations of Grand Dorsett Labuan Hotel in the year ended 31 March 2008 and Maytower Hotel and Dorsett Johor Hotel in the year ended 31 March 2009, thereby increasing our revenue during the Track Record Period. Our key performance indicators and results of operations for the year ended 31 March 2009 and the year ended 31 March 2010 were impacted by the global financial crisis and the outbreak of H1N1 and there are still uncertainties regarding the economic conditions and the demand for travel in our key markets for the remainder of 2010 and beyond.

Our first hotel in China, Wuhan Cosmopolitan Hotel, commenced operations in the year ended 31 March 2009. Our Total Revenue, Total Available Room Nights and occupancy rate in China increased for the fiscal year ended 31 March 2010 due to the improvement of operations for Wuhan Cosmopolitan Hotel and the opening of Yue Shanghai Hotel.

SUMMARY

Adjusted EBITDA

The following table sets forth selected data (except for Adjusted EBITDA and Adjusted EBITDA margin) from our combined statements of comprehensive income for the periods presented, which have been derived from, and should be read in conjunction with, our financial information, including the notes thereto, included in the Accountants' Report set forth in Appendix I to this prospectus.

Adjusted EBITDA is profit before taxation, interest income, finance costs, depreciation and amortisation, pre-opening expenses, management fees (which have been discontinued), change in fair value of investment properties, change in fair value of derivative financial instruments and other non-recurring items. Adjusted EBITDA is used by management as the primary measure of operating performance of our Group's properties and to compare the operating performance of our Group's properties with those of our competitors. However, Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit or as an indicator of our operating performance and other combined operations or cash flow data or as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this prospectus may not be comparable to other similarly titled measures of other companies.

	Year ended 31 March		
	2008	2009	2010
	HK\$'000		
Revenue	633,635	681,905	616,253
Depreciation and amortisation	(56,290)	(65,027)	(68,325)
Management fees to Sheraton	(5,903)	(5,322)	(2,239)
Operating costs	(187,782)	(207,829)	(213,944)
Gross profit	383,660	403,727	331,745
Other income	3,645	2,406	3,162
Administrative expenses	(126,772)	(160,495)	(166,886)
Management fees to FEC	(31,691)	(29,537)	(28,169)
Pre-opening expenses	(1,432)	(1,876)	(6,517)
Change in fair value of investment properties ..	21,807	(6,304)	3,486
Other gains and losses	63,859	(19,071)	(4,590)
Finance costs	(56,185)	(90,225)	(76,612)
Profit before taxation	256,891	98,625	55,619
Income tax expense	(30,415)	(11,948)	(9,806)
Profit for the year	226,476	86,677	45,813
Adjusted EBITDA ¹	317,833	313,552	238,105
Adjusted EBITDA margin ²	50.2%	46.0%	38.6%

Notes:

¹ Adjusted EBITDA is profit before taxation, interest income, finance costs, depreciation and amortisation, pre-opening expenses, management fees (which have been discontinued), change in fair value of investment properties, change in fair value of derivative financial instruments and other non-recurring items. Adjusted EBITDA is used by management as the primary measure of operating performance of our Group's properties and to compare the operating performance of our Group's properties with those of our competitors. For further details, please refer to the sub-section headed "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Adjusted EBITDA" in this prospectus.

² Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue.

SUMMARY

The following table sets out our revenue in Hong Kong, Malaysia and China for the periods indicated.

	Year ended 31 March					
	2008		2009		2010	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Hong Kong						
Room revenue	386,319	91.4%	381,532	91.4%	308,689	90.8%
Food and beverage revenue	9,374	2.2%	11,535	2.8%	10,679	3.1%
Other revenue	17,754	4.2%	15,452	3.7%	12,072	3.6%
Total Rental Revenue	<u>9,376</u>	<u>2.2%</u>	<u>8,890</u>	<u>2.1%</u>	<u>8,473</u>	<u>2.5%</u>
Total	<u>422,823</u>	<u>100.0%</u>	<u>417,409</u>	<u>100.0%</u>	<u>339,913</u>	<u>100.0%</u>
Malaysia						
Room revenue	104,433	49.8%	127,867	53.9%	136,364	56.4%
Food and beverage revenue	90,999	43.4%	97,182	41.0%	94,246	39.0%
Other revenue	10,028	4.8%	7,508	3.2%	6,130	2.5%
Total Rental Revenue	<u>4,156</u>	<u>2.0%</u>	<u>4,555</u>	<u>1.9%</u>	<u>5,042</u>	<u>2.1%</u>
Total	<u>209,616</u>	<u>100.0%</u>	<u>237,112</u>	<u>100.0%</u>	<u>241,782</u>	<u>100.0%</u>
China						
Room revenue	–	–	4,902	17.9%	8,615	24.9%
Food and beverage revenue	–	–	935	3.4%	2,008	5.8%
Other revenue	–	–	698	2.5%	1,247	3.6%
Total Rental Revenue	<u>1,196</u>	<u>100.0%</u>	<u>20,849</u>	<u>76.1%</u>	<u>22,688</u>	<u>65.7%</u>
Total	<u>1,196</u>	<u>100.0%</u>	<u>27,384</u>	<u>100.0%</u>	<u>34,558</u>	<u>100.0%</u>
Total						
Room revenue	490,752	77.5%	514,301	75.4%	453,668	73.6%
Food and beverage revenue	100,373	15.8%	109,652	16.1%	106,933	17.4%
Other revenue	27,782	4.4%	23,658	3.5%	19,449	3.2%
Total Rental Revenue	<u>14,728</u>	<u>2.3%</u>	<u>34,294</u>	<u>5.0%</u>	<u>36,203</u>	<u>5.9%</u>
Total	<u>633,635</u>	<u>100.0%</u>	<u>681,905</u>	<u>100.0%</u>	<u>616,253</u>	<u>100.0%</u>

SUMMARY

Syndicated Loan

For the years ended 31 March 2008, 2009 and 2010, the amount outstanding under the Syndicated Loan was nil, HK\$1.9 billion and HK\$1.9 billion, respectively. As at 31 July 2010, the amount outstanding under the Syndicated Loan was HK\$1.9 billion.

The principal amounts outstanding under the Syndicated Loan bear interest at floating interest rates with reference to the Hong Kong Interbank Offer Rate Interest plus a margin of 1.5% per annum. Interest is payable quarterly. The Syndicated Loan is repayable in full on maturity which is September 2013. It is secured by certain properties of our Group and is guaranteed by our Company, certain of our subsidiaries and, prior to Listing, by FEC. The Syndicated Loan is also, prior to Listing, secured by a charge given by Ample Bonus over its shares in the Company.

Under the Syndicated Loan, we and the FEC Group (including our Group) were subject to certain financial ratio requirements and other covenants. Since entering into the Syndicated Loan, the FEC Group and our Group have been in compliance with all financial ratio requirements. Based on the compliance reports submitted by FEC to the facility agent under the Syndicated Loan, compliance with the debt service coverage ratio outlined below has historically been on the basis of the FEC Group's EBITDA being sufficient to meet the minimum DSCR of equal to or greater than 2:1, notwithstanding that the Syndicated Loan required such compliance to be measured against the EBITDA of the seven hotels named in the Syndicated Loan (being (i) Dorsett Far East Hotel; (ii) Dorsett Kowloon Hotel; (iii) Central Park Hotel; (iv) Cosmo Hotel; (v) Cosmopolitan Hotel; (vi) Dorsett Seaview Hotel; and (vii) Lan Kwai Fong Hotel @ Kau U Fong). The facility agent, on behalf of the lenders, has confirmed that the compliance reports historically submitted by FEC, and in particular the use of the EBITDA of the FEC Group (including our Group) to meet the DSCR ratio, was and is acceptable.

The following table summarises the financial ratio requirements we were subject to under our Syndicated Loan before the terms were amended and the calculation of such financial ratios as at and for the periods indicated:

	As at and for the six months ended 30 September 2008	As at and for the 12 months ended 31 March 2009	As at and for the six months ended 30 September 2009	As at and for the 12 months ended 31 March 2010
Loan-to-value Ratio not to exceed 47% ¹	45%	46%	46%	43%
Debt service coverage ratio ("DSCR") equal or greater than 2:1 ²	2.59:1	5.32:1	6.92:1	7.55:1

Notes:

- 1 The value of the assets used to calculate the denominator in the Loan-to-value Ratio under the Syndicated Loan is based on the market value of the following properties of our Group as at and for the periods indicated above: (i) Dorsett Far East Hotel; (ii) Dorsett Kowloon Hotel; (iii) Central Park Hotel; (iv) Cosmo Hotel; (v) Cosmopolitan Hotel; (vi) Dorsett Seaview Hotel; and (vii) Lan Kwai Fong Hotel @ Kau U Fong. For further information, please see the section headed "Risk Factors — Risks Relating To Our Business — If we breach our undertaking to maintain certain loan covenant ratios under our Amended Syndicated Loan, we may be required to repay all our indebtedness under the Amended Syndicated Loan and other bank borrowings on an accelerated basis" in this prospectus.
- 2 DSCR under our Syndicated Loan is the consolidated EBITDA of the FEC Group (including our Group) for the financial quarter ending immediately prior to an interest payment date and the three preceding financial quarters divided by aggregate actual finance costs, as specified under our Syndicated Loan, for the four interest periods immediately following such interest payment date.

SUMMARY

We amended the terms of the Syndicated Loan with the lenders of the Syndicated Loan on 17 September 2010. Pursuant to the Amended Syndicated Loan, FEC shall cease to be a guarantor on the date on which the underwriting agreements in respect of the Global Offering become unconditional and immediately prior to the commencement of trading in the Shares, the charge given by Ample Bonus over its shares in the Company will be released on the date on which the underwriting agreements in respect of the Global Offering become unconditional and immediately prior to the commencement of trading in the Shares and upon the Listing Date, the financial ratio requirements previously applicable to the FEC Group (including our Group) will only apply to our Group.

The following table summarises the financial ratio requirements we will be subject to under our Amended Syndicated Loan upon the Listing Date:

Financial Ratio	Threshold
Loan-to-value Ratio ⁽¹⁾	≤ 47%
Consolidated tangible net worth ⁽²⁾	≥ HK\$2,200.0 million
Consolidated total liabilities ⁽³⁾	≤ 120% of consolidated tangible net worth
Consolidated total net debt ⁽⁴⁾	≤ 75% of consolidated tangible net worth
Consolidated EBITDA ⁽⁵⁾	≥ 200% of consolidated net finance charges
DSCR ⁽⁶⁾	≥ 2:1

Notes:

- 1 The value of the assets used to calculate the denominator in the Loan-to-value Ratio under the Amended Syndicated Loan is based on the market value of the following properties of our Group: (i) Dorsett Far East Hotel; (ii) Dorsett Kowloon Hotel; (iii) Central Park Hotel; (iv) Cosmo Hotel; (v) Cosmopolitan Hotel; (vi) Dorsett Seaview Hotel; and (vii) Lan Kwai Fong Hotel @ Kau U Fong. For further information, please see the section headed "Risk Factors – Risks Relating To Our Business – If we breach our undertaking to maintain certain loan covenants under our Amended Syndicated Loan, we may be required to repay all our indebtedness under the Amended Syndicated Loan and other bank borrowings on an accelerated basis" in this prospectus.
- 2 The value of consolidated tangible net worth of the Group is determined by using the aggregate amounts of paid up or credited as paid up issued ordinary share capital of the Group and any amount standing to the credit of the Group's reserves, including amounts credited to the share premium account and the market value of the properties as described under footnote 1 above in this prospectus, but subtracting (i) any debit balance on the consolidated profit and loss account of the Group, (ii) (to the extent included) goodwill (including goodwill arising on consolidation) or intangible assets, (iii) interests of non Group members in Group subsidiaries or minority interests in subsidiaries, (iv) (to the extent included) any provision for tax, deferred tax or bad debts, (v) (to the extent included) amounts attributable to a revaluation of investment properties, (vi) if applicable, any amount attributable to redeemable shares redeemed prior to September 2013, and (vii) any amount in respect of any dividend or distribution declared, recommended or made by any member of the Group to the extent such dividend or distribution is payable to a non member of the Group and not provided for in the most recent financial statements.
- 3 Consolidated total liabilities means the aggregate of all indebtedness which would be treated as a liability of the Group, including any amount raised by the issuance of redeemable shares which are redeemable before September 2013 but excluding redeemable shares redeemable solely at the option of the relevant issuer and excluding any intra-Group indebtedness.
- 4 Consolidated total net debt means the aggregate amount of all obligations of the Group in respect of borrowings, as defined under the Amended Syndicated Loan, excluding any such obligations due to any other member of the Group and deducting the aggregate amount of freely available cash held by any member of the Group, such that no amount shall be included or excluded more than once.
- 5 Consolidated EBITDA means, for any relevant period, as defined under the Amended Syndicated Loan, the consolidated operating profits of the Group for that relevant period before taxation plus (i) consolidated net finance charges, as defined under the Amended Syndicated Loan, (ii) accrued interest owing to any member of the Group, (iii) exceptional or extraordinary items, (iv) profits of any Group member attributable to minority interests, (v) amortisation of goodwill or other intangible assets and (vi) depreciation of tangible assets.
- 6 The aggregate amount of our consolidated EBITDA, as defined under the Amended Syndicated Loan and summarised under footnote 6 above, for the financial quarter ending immediately prior to an interest payment date and the three preceding financial quarters divided by aggregate actual finance costs, as defined under the Amended Syndicated Loan, for the four interest periods immediately following such interest payment date.

SUMMARY

During the term of the Amended Syndicated Loan, we are required to certify compliance with the financial ratio requirements in the Amended Syndicated Loan as at 31 March and 30 September in each financial year. Part of the certification process is the commissioning of a valuation report in respect of the hotel properties in the Amended Syndicated Loan which are subject to the Loan-to-value Ratio covenant. The valuation is conducted by a valuer selected by us applying the same bases and assumptions as set forth in Appendix IVa to this prospectus. Under the terms of the Amended Syndicated Loan, while the compliance certification is done by reference to 31 March and 30 September, the valuations used for these certifications are by reference to the annual valuations obtained as part of our audit for each financial year ended 31 March. In the normal course, valuations of our properties may fluctuate by reference to the market conditions as at time of valuation. Based on the property valuation as of 30 June 2010 set forth in Appendix IVa to this prospectus and an outstanding principal amount under the Syndicated Loan of HK\$1.9 billion as of 30 June 2010, our Loan-to-value Ratio was approximately 43% as of 30 June 2010, which represented a buffer of approximately 4% to our Loan-to-value Ratio threshold of 47%.

Other covenants in the Syndicated Loan restrict our ability to create encumbrances on our properties or assets, make investments, dispose assets, incur additional indebtedness, guarantee indebtedness, effect a merger and change the nature or scope of our business operations. We continue to be subject to these restrictions and covenants under the Amended Syndicated Loan.

If we are unable to comply with the restrictions and covenants under the Amended Syndicated Loan, there could be a default under the terms of the Amended Syndicated Loan. In the event of a default under the Amended Syndicated Loan, the holders of the debt could terminate their commitments to lend to us, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements. Furthermore, our Amended Syndicated Loan contains cross-acceleration or cross-default provisions. As a result, any default under our other loans may cause the acceleration of or result in a default, under our Amended Syndicated Loan.

We monitor our compliance with the financial ratios and covenants under our Syndicated Loan on a regular basis. Our president, Mr. MOK Kwai Pui, Bill (莫貴標), has been primarily responsible for monitoring our compliance with the financial ratios and covenants prior to Listing. Subsequent to Listing, our senior management and our chief financial officer, Mr. CHU, Chee Seng (朱志成), will be primarily responsible for monitoring our compliance with these financial ratios and covenants. We are required to provide the facility agent for the Amended Syndicated Loan with compliance certificates which set out computations as to our compliance with the financial ratios under the Amended Syndicated Loan in conjunction with our consolidated financial statements we provide the facility agent for every 12 month period ended and as at 31 March and for every six month period ended and as at 30 September.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Global Offering payable to us (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK\$2.40 per Share, being the mid-point of the proposed Offer Price range of HK\$2.04 to HK\$2.75 per Share, will be approximately HK\$604 million. We currently intend to apply these net proceeds for the following purposes:

- approximately HK\$483 million (approximately 80% of the net proceeds payable to our Company) to continue the expansion of our hotel portfolio.

SUMMARY

The Company is in the process of identifying hotel sites and other hotel or project acquisition opportunities in Hong Kong, China, Singapore and other regions in the Asia Pacific. We expect to pursue one or more of these opportunities within six months of the Listing Date. The actual opportunities pursued will depend on, among other things, whether the Company is successful in any public tender or bidding processes (where applicable) and the final pricing of the sites or projects involved. The Company currently expects that any hotels developed pursuant to such acquisitions, if not existing hotels, will be completed within two to three years from the date of acquisition.

- approximately HK\$121 million (approximately 20% of the net proceeds payable to our Company) for the purposes of our expansion into the hotel management business, which will incorporate our rebranding initiative.

Part of the funding will be directed towards investments in hotels that we will operate for independent third parties, which is necessary to secure long term management contracts. The form of investment may either be through minority equity investments or hotel refurbishment/rebranding costs. Additionally, we will create a number of showcase properties as part of our rebranding initiative, namely Hotel Kosmopolito City Centre, Chengdu, Lan Kwai Fong Hotel @ Kau U Fong, Dorsett Regency Hotel Kuala Lumpur, Cosmopolitan Hotel and Dorsett Seaview Hotel.

The Company does not currently have any intention to expand into Japan or the Maldives because the Company believes that Japan has higher operating costs and a substantially different operating environment to our other markets and the Maldives is geographically distant from our other operating markets.

For further information regarding our use of proceeds see the section headed "Future Plans and Use of Proceeds" in this prospectus.

To the extent that the net proceeds from the Global Offering are not sufficient to fund the uses set forth above, we intend to fund the balance through a variety of means including cash generated from our operations and bank financing. We currently believe that the net proceeds from the issue of new Shares, when combined with such alternate sources of financing, are sufficient for the uses set forth above.

In the event that the Over-allotment Option is exercised in full and based on the mid-point of the indicative Offer Price range, we estimate that we will receive additional net proceeds from the issue of additional new Shares of HK\$94 million, deducting underwriting fees and estimated expenses payable by us. The additional proceeds received from the exercise of the Over-allotment Option from the issue and allotment of up to 40,500,000 additional new Shares by the Company will be applied to working capital and other general corporate purposes.

In the event that the Offer Price is finally determined at the lowest end of the indicative Offer Price range, being HK\$2.04 per Offer Share, the net proceeds, payable to us, from the issue of new Shares will decrease by approximately HK\$93 million to approximately HK\$511 million, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range). In such case, we will adjust our allocation of the proceeds for the above purposes on a pro rata basis.

SUMMARY

In the event that the Offer Price is finally determined at the highest end of the indicative Offer Price range, being HK\$2.75 per Offer Share, the net proceeds, payable to us, of the issue of new Shares will increase by approximately HK\$92 million to approximately HK\$696 million, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range). Our Directors intend to apply such additional net proceeds for working capital purposes.

To the extent that the net proceeds from the Global Offering and the Over-allotment Option, if exercised, are not immediately applied for the above purposes, we will deposit the net proceeds into interest-bearing bank accounts.

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder from the Offer for Sale or pursuant to the exercise of the portion of the Over-allotment Option granted by the Selling Shareholder. Assuming the Over-allotment Option is not exercised and the Offer Price is HK\$2.40 per Share (being the midpoint of the stated offer price range of HK\$2.04 to HK\$2.75 per Share), the Selling Shareholder will receive total net proceeds of approximately HK\$611 million. If the Over-allotment Option is exercised in full, the Selling Shareholder's total net proceeds will increase to HK\$704 million based on the mid-point of the indicative Offer Price range of HK\$2.40 per Share.

For further information regarding our use of proceeds see the section headed "Future Plans and Use of Proceeds" in this prospectus.

PROFIT FORECAST

The following unaudited pro forma forecast earnings per Share for the six months ending 30 September 2010 has been prepared on the basis set out in notes (2) and (3) below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 April 2010. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Unaudited forecast combined profit attributable to equity holders of our Company for the six months ending 30 September 2010 ^{(1) (2)}	not less than HK\$32.2 million
Unaudited pro forma forecast earnings per Share ⁽³⁾	not less than HK1.61 cents

Notes:

- 1 We have undertaken to the Stock Exchange that the interim report for the six months ending 30 September 2010 will be audited pursuant to Rule 11.18 of the Listing Rules.
- 2 The bases and assumptions on which the forecast combined profit attributable to equity holders of our Company for the six months ending 30 September 2010 has been prepared are set out in Appendix III to this prospectus.
- 3 The calculation of the unaudited pro forma forecast earnings per Share is based on the unaudited forecast combined profit attributable to equity holders of our Company for the six months ending 30 September 2010 of HK\$32.2 million (including one-off Global Offering and Listing expenses of approximately HK\$19 million), assuming the Capitalisation Issue and the Global Offering were completed on 1 April 2010 and a total of 2,000,000,000 Shares were in issue and outstanding during the entire six-month period, without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

SUMMARY

OFFER STATISTICS¹

	Based on an Offer Price of HK\$2.04	Based on an Offer Price of HK\$2.75
Market capitalisation of our Shares ²	HK\$4,080 million	HK\$5,500 million
Unaudited pro forma adjusted net tangible assets per Share (before adjustment for Capitalisation Issue) ³	HK\$0.35	HK\$0.44
Unaudited pro forma adjusted net tangible assets per Share (after adjustment for Capitalisation Issue) ⁴	HK\$1.28	HK\$1.37
Historical pro forma price/earnings multiple ⁵	89.1 times	120.1 times

Notes:

- 1 All statistics in this table assume that the Over-allotment Option is not exercised.
- 2 The calculation of the market capitalisation of the Shares is based on the assumption that 2,000,000,000 Shares will be in issue and outstanding immediately following the completion of the Global Offering.
- 3 The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" to this prospectus, and on the basis that 2,000,000,000 Shares will be in issue and outstanding immediately following the completion of the Global Offering.
4. The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" to this prospectus, taking into account the Capitalisation Issue, and on the basis that 2,000,000,000 Shares will be in issue and outstanding immediately following the completion of the Global offering.
- 5 The calculation of the historical pro forma price/earnings multiple is based on the basic earnings per share for the year ended 31 March 2010, assuming a total of 2,000,000,000 shares were issued and outstanding during the entire year.

SUMMARY

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. Under the Share Option Scheme, certain persons are expected to be granted share options on the Listing Date to subscribe for Shares. The principal terms of the Share Option Scheme and further details of the grantees are summarised in the section headed "D. Share Option Scheme" in Appendix VI to this prospectus.

The proposal to grant such share options to the grantees as set out in the section headed "D. Share Option Scheme" in Appendix VI to this prospectus was approved by the Board (including the independent non-executive Directors) on 10 September 2010. Pursuant to the terms of the Share Option Scheme which are compliant with Note 1 to Rule 17.03(9) of the Listing Rules, the exercise price of such share options expected to be granted on the Listing Date to the grantees shall be determined based on the higher of (i) the closing price of the Shares on the Listing Date and (ii) the Offer Price.

The number of underlying Shares pursuant to the share option for each grantee equals the fixed value determined and approved by the Board as set out in the section headed "D. Share Option Scheme" in Appendix VI to this prospectus, divided by the Offer Price. Assuming an Offer Price of HK\$2.40 Per Share, being the mid-point of the proposed Offer Price range of HK\$2.04 to HK\$2.75 per Share as stated in this prospectus, the number of underlying Shares pursuant to the share options expected to be granted under the Share Option Scheme on the Listing Date will amount to 28,058,329 Shares, representing approximately 1.40% of the issued Shares immediately following the completion of the Global Offering and the Capitalisation Issue but assuming that the Over-allotment Option is not exercised.

For illustrative purpose only (since no share options will be exercised until at least the first anniversary date of the Listing Date), if all share options were exercised immediately following the completion of the Global Offering and the Capitalisation Issue but assuming that the Over-allotment Option is not exercised, this would have a dilutive effect on the shareholdings of our Shareholders of approximately 1.38% assuming the total issued share capital of the Company is only enlarged by the Shares so issued pursuant to the exercise of the aforesaid share options. There will not be any dilutive effect on the forecasted earnings per Share for the six-month period ending 30 September 2010 as the expected date of grant (being the Listing Date) falls outside such forecasted period. However, as the share options expected to be granted on the Listing Date will be exercisable for a period of up to 8 years from the expected date of grant (being the Listing Date) any such dilution and impact on earnings per Share will be staggered over several years.

Assuming that all of the share options granted under the Share Option Scheme had been exercised in full as at 1 April 2010 and that an aggregate of 2,000,000,000 Shares (being the number of Shares to be issued pursuant to the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised)), and the aforementioned 28,058,329 Shares which may be issued upon the exercise in full of the share options granted pursuant to the Share Option Scheme, were in issue as at 1 April 2010, the earnings per Share attributable to equity holders of the Company for the forecasted period ending 30 September 2010 would have been diluted from approximately HK1.61 cents per Share to approximately HK1.59 cents per Share.

Pursuant to the Listing Rules, an announcement will be made on or about the Listing Date in relation to the actual number of share options to be granted to employees of the Company when such information is available.

The share options granted under the Share Option Scheme will not be exercisable within the first twelve months from the Listing Date. The Directors will not exercise any share options granted under the Share Option Scheme to the extent that the percentage of the Shares in the public hands will be less than the public float requirements under the Listing Rules.

SUMMARY

DIVIDEND POLICY

Our Directors will declare dividends, if any, in Hong Kong dollars with respect to Shares on a per share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to our Shareholders' approval. Considering our financial position, our Board currently intends, subject to the above limitations, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute to our Shareholders approximately 30% of any distributable profit (excluding net fair value gains or losses on investment properties) for the financial year ending 31 March 2011. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in such year or in any given year.

As at 31 March 2010, there were no reserves available for distribution to the equity holders of our Company.

UNAUDITED PRO FORMA NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had been taken place on 31 March 2010 and based on the net tangible assets attributable to equity holders of our Company as at 31 March 2010 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group after the completion of the Global Offering.

	Audited combined net tangible assets of the Group as at 31 March 2010¹	Estimated net proceeds from the Global Offering²	Unaudited pro forma adjusted net tangible assets of the Group^{3, 4}	Unaudited pro forma adjusted net tangible assets per Share^{4, 5}
	HK\$'000	HK\$'000	HK\$'000	HK\$
Based on an Offer Price of HK\$2.04 per Share	184,005	510,627	694,632	0.35
Based on an Offer Price of HK\$2.75 per Share	184,005	695,618	879,623	0.44

Notes:

- ¹ The audited combined net tangible assets of the Group as at 31 March 2010 is extracted from the Accountants' Report included in Appendix I to this prospectus.
- ² The estimated net proceeds from the Global Offering are based on 270,000,000 shares at the respective low and high-ends of the indicative Offer Price range of HK\$2.04 and HK\$2.75 per Share, respectively after deduction of underwriting fee and other related expenses payable by us, and take no account of any Shares which may be issued by us pursuant to the Over-allotment Option.
- ³ Based on the valuation reports as at 30 June 2010 as set out in Appendix IV to this prospectus, our Group's hotel portfolio had a revaluation surplus up to 30 June 2010, of approximately HK\$4,987.0 million. The unaudited pro forma adjusted net tangible assets has not taken into account of this revaluation surplus nor will the Group incorporate the revaluation surplus in its future financial statements. If the revaluation surplus up to 30 June 2010 is to be incorporated in the Group's future financial statements, additional annual depreciation and amortisation of approximately HK\$120.0 million would be charged to profit or loss.
- ⁴ Does not take into account the effect of the Capitalisation Issue, which would increase the unaudited net tangible assets by HK\$1,860 million and HK\$0.93 per Share, respectively.
- ⁵ The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and assuming that 2,000,000,000 Shares were issued immediately following the completion of Global Offering after taking into account the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

SUMMARY

RISK FACTORS

There are certain risks and considerations relating to an investment in the Offer Shares, details of which are set out in the section headed “Risk Factors” in this prospectus. Set out below is a summary of these risks and considerations:

Risks relating to our business

- If we breach our undertaking to maintain certain loan covenant ratios under our Amended Syndicated Loan, we may be required to repay all our indebtedness under the Amended Syndicated Loan and other bank borrowings on an accelerated basis
- We may be unable to successfully implement our future expansion plans
- We may be unable to continue to identify attractive sites or buildings for new hotels
- Our success is dependent on the retention of our senior management and experienced employees
- A majority of our revenue comes from our Hong Kong operations
- The development of new hotels is subject to a number of risks beyond our control, including insufficient growth in demand for hotel rooms to justify the investment
- We do not possess the relevant title certificate for Dorsett Regency CBD, Zhongshan
- We may be unable to obtain the funding required to implement future developments
- There is no assurance that we will not have a high gearing level
- The Group’s current liabilities exceeded its current assets
- The interests of our Controlling Shareholders may be inconsistent with those of our minority shareholders
- Our limited operating history in China makes it difficult to evaluate our future prospects and results of operations
- We are in breach of some of our land grant terms and may be subject to enforcement action by the Hong Kong government
- Our rebranding initiative may not achieve desired results
- We may not be able to register our existing brand names and those brand names intended to be used under our rebranding initiative
- An unfavourable change in the PRC Individual Visitation Scheme may reduce demand for our hotels in Hong Kong

SUMMARY

- Our insurance coverage may be insufficient to protect us against potential liabilities arising during the course of our operations
- Accidents, injuries or prohibited activities in our hotels may adversely affect our reputation and subject us to liability
- We intend to refurbish or further develop our existing properties which could result in cost overruns or disruptions of our hotel operations
- We expect to face competition for management agreements and/or management agreements may contain restrictive provisions, including restrictions on competition
- We may be required to pay income tax on capital gains from the transfer of equity interests in our PRC subsidiaries held by our offshore subsidiaries

Risks relating to the hotel industry

- The hotel industry is subject to intense and growing competition
- The hotel industry is cyclical and particularly sensitive to economic conditions and business travel
- Our financial and operating performance may be adversely affected by epidemics, adverse weather conditions, natural disasters and other catastrophes, the threat of terrorist events and the occurrence of international or political crises
- The seasonality of the hotel industry could have a material adverse effect on our revenues and financial condition
- Our co-operation with third-party websites and other hotel reservation intermediaries and travel consolidators may adversely affect our margins and profitability
- Our hotel licences are subject to renewal
- Changes in the economic and political environment in the PRC and policies adopted by the PRC government to regulate its economy may affect the business, operating results and financial condition of the Group
- Government control of currency and future movements in exchange rates may affect our ability to remit dividends

SUMMARY

Risks relating to the Global Offering

- There has been no prior public market for our Shares
- The market price of our Shares following the Global Offering may be volatile
- We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering
- Our Share price may be affected if additional Shares are sold by our Controlling Shareholders or are issued by us
- You may face difficulties in protecting your interests because we are incorporated under the laws of the Cayman Islands and these laws may provide different protections to minority shareholders than the laws of Hong Kong
- Industry statistics contained in this prospectus may not be reliable

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

Companies within our Group

“Billion Century”	Billion Century Holdings Limited (億創集團有限公司), a limited liability company incorporated in Hong Kong on 16 May 2007 which is 100% indirectly owned by our Company through Full Benefit. It is an investment holding company
“Caragis”	Caragis Limited, a limited liability company incorporated in Hong Kong on 31 October 1991 which is 100% directly owned by our Company. Its principal activity is property holding and it jointly holds the Central Park Hotel with Vicsley
“Charter Joy”	Charter Joy Limited (捷彩有限公司), a limited liability company incorporated in Hong Kong on 12 May 1994 which is 100% directly owned by our Company. Its principal activity is property investment and the operation of the Dorsett Seaview Hotel
“Chengdu Far East”	Far East Dorsett Hotel Management (Cheng Du) Co., Ltd. (遠東帝豪酒店管理(成都)有限公司), a limited liability company incorporated in the PRC on 30 October 2006 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Speedy Time. Its principal activity is hotel management and operation, property development and management and it holds the Hotel Kosmopolito City Centre, Chengdu
“Ching Chu (Shanghai)”	Ching Chu (Shanghai) Real Estate Development Co., Ltd. (錦秋(上海)置業發展有限公司), a limited liability company incorporated in the PRC on 20 January 2000 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Top Trend Developments. Its principal activity is lease of owned property, property and carpark management and the operation and management of the Yue Shanghai Hotel and Dorsett Regency CBD, Zhongshan
“Company” or “our Company”	Kosmopolito Hotels International Limited (麗悅酒店集團有限公司), formerly known as Hong Kong Hotel REIT Holdings Limited and Dorsett International Group Limited, an exempted company incorporated in the Cayman Islands on 23 January 2007 with limited liability

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“Complete Delight”	Complete Delight Limited, a limited liability company incorporated in the BVI on 3 May 2006 which is 100% directly owned by our Company. It is an investment holding company and its principal activity is the operation of the Dorsett Far East Hotel
“Cosmopolitan Hotel Limited”	Cosmopolitan Hotel Limited (麗都大酒店有限公司), formerly known as Aik Land Limited and Cosmopolitan Hotel Limited (大都會酒店有限公司), a limited liability company incorporated in Hong Kong on 23 October 1981 which is 100% directly owned by our Company. Its principal activity is the operation of the Cosmopolitan Hotel
“Dorsett Hotels & Resorts International”	Dorsett Hotels & Resorts International Limited, formerly known as Microdate Technology Limited (微日科技有限公司), a limited liability company incorporated in Hong Kong on 21 January 2000 which is 100% directly owned by our Company. It is an investment holding company and holds most of the trademarks related to the Group
“Dorsett Regency Hotel (M)”	Dorsett Regency Hotel (M) Sdn. Bhd., formerly known as Marone Corporation (M) Sdn. Bhd. and Rockman’s Regency (M) Sdn. Bhd., a limited liability company incorporated in Malaysia on 20 June 1990 which is 100% directly owned by our Company. Its principal activity is the operation of the Dorsett Regency Hotel Kuala Lumpur
“Double Advance”	Double Advance Group Limited, a limited liability company incorporated in the BVI on 12 May 2006 which is 100% directly owned by our Company. It is an investment holding company and its principal activity is the operation of the Dorsett Kowloon Hotel
“Eldonstead Investments”	Eldonstead Investments Limited, a limited liability company incorporated in the BVI on 26 January 2007 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Rosicky. It is an investment holding company
“Esmart Management”	Esmart Management Limited (嘉誼管理有限公司), a limited liability company incorporated in Hong Kong on 3 January 2001 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Havena. Its principal activity is hotel management

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“Esteem Tactic”	Esteem Tactic Sdn. Bhd., a limited liability company incorporated in Malaysia on 17 November 2009 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Subang Jaya. It is a general trading company
“Eternity Profits”	Eternity Profits Limited, a limited liability company incorporated in the BVI on 6 January 2006 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Jade River Profits. It is an investment holding company
“Everkent Development”	Everkent Development Limited (遠勤發展有限公司), a limited liability company incorporated in Hong Kong on 28 February 1989 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Havena. Its principal activity is investment and the development of the Dorsett Regency Kwun Tong, Hong Kong
“Excel Chinese”	Excel Chinese International Limited (卓雄國際有限公司), a limited liability company incorporated in Hong Kong on 5 June 2007 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Havena. It is an investment holding company and its principal activity is the development of The Mercer by Kosmopolito
“Full Benefit”	Full Benefit Limited, an exempted company incorporated in the Cayman Islands on 23 June 2006 which is 100% directly owned by our Company. It is an investment holding company
“Grand Expert”	Grand Expert Limited (駿宏有限公司), a limited liability company incorporated in Hong Kong on 2 December 1998 which is 100% directly owned by our Company. Its principal activity is the operation of the Cosmo Hotel
“Havena”	Havena Holdings Limited, a limited liability company incorporated in the BVI on 18 January 2008 which is 100% directly owned by our Company. It is an investment holding company
“Hong Kong (SAR) Hotel”	Hong Kong (SAR) Hotel Limited (香港(特區)酒店有限公司), formerly known as Aniwell Investments Limited (安鴻投資有限公司), a limited liability company incorporated in Hong Kong on 16 February 1993 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Havena. It is a corporation and its principal activity is the development of the Dorsett Regency Kennedy Town, Hong Kong

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“Hong Kong Hotel REIT Finance”	Hong Kong Hotel REIT Finance Company Limited, formerly known as Hanta Investment Limited (誠昌投資有限公司), a limited liability company incorporated in Hong Kong on 1 August 2007 which is 100% directly owned by our Company. Its principal activity is financing
“Hotel of Lan Kwai Fong”	The Hotel of Lan Kwai Fong Limited (香港蘭桂坊酒店有限公司), formerly known as Ocean Leader Development Limited, a limited liability company incorporated in Hong Kong on 17 January 1997 which is 100% directly owned by our Company. It is an investment company and its principal activity is the operation of the Lan Kwai Fong Hotel @ Kau U Fong
“Jade River Profits”	Jade River Profits Limited, a limited liability company incorporated in the BVI on 16 February 2006 which is 100% directly owned by our Company. It is an investment holding company
“Kosmopolito Hotels International (S)”	Kosmopolito Hotels International (Singapore) Pte Limited, formerly known as Dorsett Hotel Management Services (Singapore) Pte. Ltd., a limited private company incorporated in Singapore on 10 February 2010 which is 100% directly owned by our Company. Its principal activity is hotel management and consultancy services
“Kosmopolito Hotels International Services”	Kosmopolito Hotels International Services Limited, formerly known as Strong Crown Development Limited (昌冠發展有限公司), Maple Gardens Building Management Limited (碧豪苑物業管理有限公司), Far East Consortium Project Management Services Limited (遠東發展策劃管理有限公司) and Dorsett Hotel Management Services Limited (帝豪酒店管理有限公司), a limited liability company incorporated in Hong Kong on 4 April 1991 which is 100% directly owned by our Company. Its principal activity is hotel management
“Merlin Labuan”	Merlin Labuan Sdn. Bhd., formerly known as Merlin Inn (Trengganu) Sdn. Bhd., a limited liability company incorporated in Malaysia on 11 November 1983 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Eldonstead Investments. Its principal activity is the operation of the Grand Dorsett Labuan Hotel

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“Panley”	Panley Limited (柏倡有限公司), a limited liability company incorporated in Hong Kong on 6 December 2007 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Havena. It is an investment holding company and its principal activity is the development of Dorsett Regency Kwai Chung, Hong Kong
“Richfull International”	Richfull International Investment Limited (富多國際投資有限公司), a limited liability company incorporated in Hong Kong on 3 January 2006 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Grand Expert. It is an investment holding company
“Rosicky”	Rosicky Limited, a limited liability company incorporated in the BVI on 19 July 2006 which is 100% directly owned by our Company. It is an investment holding company
“Ruby Way”	Ruby Way Limited, a limited liability company incorporated in Hong Kong on 4 May 1982 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Havena. It is a corporation and its principal activity is the development and operation of the Cosmo Kowloon Hotel
“Shanghai Li Yue Management”	Shanghai Li Yue Hotel Management Co., Ltd. (麗悅酒店管理(上海)有限公司), a limited liability company incorporated in the PRC on 9 September 2009 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Ching Chu (Shanghai). Its principal activity is hotel property management
“Speedy Time”	Speedy Time Holdings Limited (永捷集團有限公司), a limited liability company incorporated in Hong Kong on 2 March 2006 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Full Benefit. It is an investment holding company
“Subang Jaya”	Subang Jaya Hotel Development Sdn. Bhd., a limited liability company incorporated in Malaysia on 30 December 1978 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Wanchope. Its principal activity is operation of the Grand Dorsett Subang Hotel
“Success Range”	Success Range Sdn. Bhd., a limited liability company incorporated in Malaysia on 18 April 2006 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Eternity Profits. Its principal activity is operation of the Dorsett Johor Hotel

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“Tang Hotel”	Tang Hotel Pte. Ltd., a limited private company incorporated in Singapore on 29 April 2010 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Tang Hotel Investments. Its principal activity is hotel operations and management
“Tang Hotel Investments”	Tang Hotel Investments Pte. Ltd., formerly known as Mayfer Investments Pte Ltd and Leedon Investments Pte Ltd, a limited private company incorporated in Singapore on 15 August 1987 which is 100% directly owned by our Company. Its principal activity is the development of residential property and Dorsett Regency “On New Bridge”, Singapore
“Tang Suites”	Tang Suites Pte. Ltd., a limited private company incorporated in Singapore on 10 December 2009 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Tang Hotel Investments. Its principal activity is investment and trading
“Top Trend Developments”	Top Trend Developments Limited, a limited liability company incorporated in the BVI on 22 September 2000 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Wonder China. It is an investment holding company
“Total Win Profits”	Total Win Profits Limited, a limited liability company incorporated in the BVI on 18 November 2005 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Jade River Profits. It is an investment holding company
“Venue Summit”	Venue Summit Sdn. Bhd., a limited liability company incorporated in Malaysia on 7 April 2006 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Total Win Profits. Its principal activity is operation of the Maytower Hotel
“Vicsley”	Vicsley Limited, a limited liability company incorporated in Hong Kong on 22 February 1994 which is 100% directly owned by our Company. It is a corporation and its principal activity is property holding and it jointly holds the Central Park Hotel with Caragis
“Wanchope”	Wanchope Limited, a limited liability company incorporated in the BVI on 19 July 2006 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Rosicky. It is an investment holding company

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“Wonder China”	Wonder China Investments Limited, a limited liability company incorporated in the BVI on 15 September 2000 which is 100% directly owned by our Company. It is an investment holding company
“Wuhan Far East”	Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司), a limited liability company incorporated in the PRC on 25 June 2007 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Billion Century. Its principal activity is hotel operation and management, food and beverage and other related services and the operation of the Wuhan Cosmopolitan Hotel
“Wuhan Hong Kong and Macau Centre”	Wuhan Hong Kong and Macau Centre Property Management Co., Ltd. (武漢港澳中心物業管理有限公司), a limited liability company incorporated in the PRC on 14 May 2002 which is 100% owned by our Company through our wholly-owned subsidiary, Wuhan Far East. Its principal activity is property management, business management and consulting service
“Wuhan Li Yue Management”	Wuhan Li Yue Hotel Management Co., Ltd. (武漢麗悅酒店管理公司), a limited liability company incorporated in the PRC on 19 May 2009 which is 100% indirectly owned by our Company through our wholly-owned subsidiary, Wuhan Far East. Its principal activity is hotel management
<i>General</i>	
“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Amended Syndicated Loan”	the Syndicated Loan as amended pursuant to (i) a deed of amendment entered into by Hong Kong Hotel REIT Finance with a consortium of lenders dated 17 September 2010, (ii) a deed of amendment entered into by Double Advance with a consortium of lenders dated 17 September 2010 and (iii) a deed of amendment entered into by Complete Delight with a consortium of lenders dated 17 September 2010
“Ample Bonus”	Ample Bonus Limited, a limited liability company incorporated in the BVI on 3 May 2006 which is 100% directly owned by FEC. It is the sole direct controlling shareholder of our Company and the Selling Shareholder

DEFINITIONS

“Application Form(s)”	WHITE, YELLOW, GREEN and BLUE Application Form(s) or, where the context so requires, any of them
“Articles of Association” or “Articles”	the articles of association of our Company, conditionally adopted on 10 September 2010 and as amended from time to time, a summary of which is set forth in Appendix V to this prospectus
“associates”	has the meaning ascribed thereto under the Listing Rules
“Assured Entitlement(s)”	the entitlement of a Qualifying FEC Shareholder to apply for Reserved Shares under the Preferential Offering on the basis of 15 Reserved Shares for every whole multiple of 1,000 FEC Shares (one board lot of FEC Shares) held by each Qualifying FEC Shareholder as at 5:00 p.m. on the Record Date
“ BLUE Application Form(s)”	the form of application for the Reserved Shares for use by the Qualifying FEC Shareholder under the Preferential Offering
“Board of Directors” or “Board”	the board of directors of our Company
“boutique”	is a hotel concept, which is normally characterised by a relatively small room count, good location, and are often conversions of existing buildings with modern and distinctive interior designs. The unique characteristics of a boutique hotel often are tailored to a specific customer type. A high level of personalised and attentive service drives performance level. Boutique hotels further differentiate themselves by providing a strong food and beverage offering. Usually only basic or very limited meeting facilities are provided
“Building Ordinance”	the Building Ordinance of Hong Kong (Chapter 123 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Business Day”	any day (other than Saturday, Sunday or public holiday) in Hong Kong on which banks in Hong Kong are generally open for normal banking business
“BVI”	British Virgin Islands

DEFINITIONS

“Capitalisation Issue”	the issue of 1,730,000,000 Shares to Ample Bonus or such persons as it may direct subject to and simultaneous with the completion of the Global Offering by way of capitalisation of a net loan balance of HK\$1,859.8 million (represented by amounts due to Parent Entities of HK\$2,416.3 million offset by amounts due from Parent Entities of HK\$556.5 million as of 31 March 2010) due from our Company to FEC, such Shares ranking pari passu in all respects with the existing Share referred to in the section headed “Statutory and General Information — A. Further Information About Us — 3. Written Resolutions of our Shareholders” in Appendix VI to this prospectus
“CAGR”	compound annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China National Tourism Administration”	a subordinate association to the State Council headquartered in Beijing. Its primary responsibilities include, but are not limited to, planning and coordinating the development of the tourism agencies, establishing and organizing the implementation of market development strategies for domestic tourism, establishing policies on travel to Hong Kong, Macau and Taiwan, organizing the implementation and guiding the promotion of the tourist market in Hong Kong, Macao and Taiwan
“Companies Law”	the Companies Law (2010 Revision), (as consolidated and amended from time to time) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“connected person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means the controlling shareholders of our Company, being Ample Bonus and FEC
“Cornerstone Investor”	Chow Tai Fook Nominee Limited, who entered into a corporate investor agreement, dated 2 September 2010, with the Company and the Joint Global Coordinators, details of which are set out in the section headed “Cornerstone Investor” in this prospectus
“Credit Suisse”	Credit Suisse (Hong Kong) Limited
“Deed of Indemnity”	deed of indemnity dated 10 September 2010 entered into between the Controlling Shareholders in favour of the Company, details of which are set out in the section headed “Statutory and General Information — E. Other Information — 1. Indemnity”
“Deed of Non-Competition Undertaking”	deed of non-competition undertaking dated 10 September 2010 given by Tan Sri Dato’ David Chiu (邱達昌) and FEC in favour of the Company
“Director(s)”	the director(s) of our Company
“Dorsett International (M)”	Dorsett International Sdn. Bhd., a limited liability company incorporated in Malaysia on 12 December 2008 which is 100% indirectly owned by FEC. It is a dormant company
“DSCR”	the aggregate amount of consolidated EBITDA, as defined under the Syndicated Loan or Amended Syndicated Loan (as the case may be), for the financial quarter ending immediately prior to an interest payment date and the three preceding financial quarters divided by aggregate actual finance costs, as specified under Syndicated Loan or Amended Syndicated Loan (as the case may be), for the four interest periods immediately following such interest payment date
“FDI”	Foreign Direct Investment
“FEC”	Far East Consortium International Limited, an exempted company incorporated in the Cayman Islands on 3 April 1990 and listed on the Stock Exchange (under the stock code 35), and the indirect controlling shareholder of our Company through our sole shareholder, Ample Bonus

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“FEC Development (M)”	FEC Development (Malaysia) Sdn. Bhd., a limited liability company incorporated in Malaysia on 30 June 1990 which is 100% indirectly owned by FEC
“FEC Group” or “Parent Entities”	FEC and its subsidiaries (other than the Group)
“FEC Shares”	ordinary shares of nominal value HK\$0.10 each in the share capital of FEC
“FECL”	Far East Consortium Limited (遠東發展有限公司), a company incorporated in Hong Kong on 28 September 1978 which is 100% indirectly owned by FEC
“GDP”	gross domestic product
“Giovanna Holdings”	Giovanna Holdings Limited, a limited liability company incorporated in BVI on 28 October 2009 which is 100% indirectly owned by FEC through FECL and is inactive.
“Global Offering”	the Hong Kong Public Offering, the International Offering and the Preferential Offering
“ GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider designated by the Company
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the business carried on by such subsidiaries or (as the case may be) their predecessors
“Hotel and Guesthouse Accommodation Ordinance”	the Hotel and Guesthouse Accommodation Ordinance of Hong Kong (Chapter 349 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“ HK eIPO White Form ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of HK eIPO White Form at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website at www.hkeipo.hk
“HKSCC”	Hong Kong Securities Clearing Company Limited

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“HKSCC Nominees”	HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars”, “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Public Offering”	the offer of Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Offer Shares”	the 54,000,000 Shares (subject to adjustment) being offered by us for subscription pursuant to the Hong Kong Public Offering
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Tourism Board” or “HKTB”	a statutory body, which was founded on 1 April 2001 under the Hong Kong Tourism Board Ordinance (Chapter 302 of the Laws of Hong Kong). The primary responsibilities of the HKTB are to market and promote Hong Kong as a destination worldwide and to enhance the experiences of its visitors, including making recommendations to the Hong Kong government and other relevant bodies on the range and quality of visitor facilities. It also supports the industry by conducting extensive research into visitor profiles, preferences, spending and length of stay. This research data, along with other information that can help trade partners plan their marketing and development activities more effectively, is shared with the industry through a dedicated HKTB website, PartnerNet, and other relevant channels
“Hong Kong Underwriters”	the several underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 27 September 2010 relating to the Hong Kong Public Offering entered into among us, the Selling Shareholder, FEC, the Hong Kong Underwriters and the Joint Global Coordinators
“HVS”	HVS, Hong Kong Office, an independent market consultant on the hotel industry

DEFINITIONS

“independent third party/parties”	person(s) or company/companies which is (are) not a connected person(s) (as defined in the Listing Rules) of our Company
“International Offering”	the conditional placing by the International Underwriters of the International Offer Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares, as further described in the section headed “Structure of the Global Offering — The International Offering” in this prospectus
“International Offer Shares”	the 187,374,000 new Shares initially being offered by the Company for subscription and the 270,000,000 Shares being offered by the Selling Shareholder under the Offer for Sale at the Offer Price for subscription under the International Offering together, where relevant, with any Shares that may be issued or sold pursuant to any exercise of the Over-allotment Option and subject to adjustment and re-allocation as described in the section headed “Structure of the Global Offering — The International Offering” in this prospectus
“International Underwriters”	the several underwriters of the International Offering expected to enter into the International Underwriting Agreement to underwrite the International Offering and the Preferential Offering
“International Underwriting Agreement”	the International Underwriting Agreement relating to the International Offering and the Preferential Offering and to be entered into between us, FEC, the Selling Shareholder, the Joint Global Coordinators and the International Underwriters on or around 4 October 2010
“Joint Bookrunners”, “Joint Lead Managers”, “Joint Global Coordinators” and “Joint Sponsors”	Credit Suisse, Morgan Stanley and RBS (in alphabetical order)
“JPY”	Japanese Yen, the lawful currency of Japan
“Latest Practicable Date”	21 September 2010, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange

DEFINITIONS

“Listing Date”	the date on which dealings in the Shares first commence on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Loan-to-value Ratio”	the ratio, expressed as a percentage of (a) the aggregate amount outstanding under the Syndicated Loan or Amended Syndicated Loan (as the case may be) to (b) the aggregate market value of the seven hotels we own and currently operate in Hong Kong, namely Cosmopolitan Hotel, Central Park Hotel, Dorsett Kowloon Hotel, Cosmo Hotel, Lan Kwai Fong Hotel @ Kau U Fong, Dorsett Far East Hotel and Dorsett Seaview Hotel
“Malaysian Valuation and Property Services Department”	a department under the Malaysia Ministry of Finance which advises the government and its agencies on matters relating to the valuation of real estate, property development and management. It provides property consultancy services, including valuation of land and buildings required for feasibility studies, court proceedings, arbitration or other purposes, as well as property transaction information. It assists Malaysia’s Ministry of Finance in the implementation of policies in relation to property, collects, publishes and disseminates property information, provides training in areas relating to property valuation and property services and carries out research and development in the field of real estate. It also provides property transaction information
“Maytower Hotel”	Maytower Hotel & Serviced Residences, commonly referred to as Maytower Hotel
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company, adopted on 23 January 2007 and as amended from time to time
“mid-scale”	is equivalent to a hotel ranging from a high mid two-star hotel to four-star in the PRC and Malaysia and a High Tariff B to mid Medium Tariff Hotel in Hong Kong and are full-service hotels and select-service hotels with a comparatively lower room rate and more efficient layout than upscale
“Morgan Stanley”	Morgan Stanley Asia Limited
“Offer for Sale”	the offer for sale of the Sale Shares by the Selling Shareholder at the Offer Price as further described in the section headed “Structure of the Global Offering — The International Offering” in this prospectus

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“Offer Price”	the final Hong Kong dollar price per Share (exclusive of brokerage of 1%, SFC transaction levy of 0.003%*, and Stock Exchange trading fee of 0.005%) of not more than HK\$2.75 and expected to be not less than HK\$2.04, such price to be agreed upon by the Selling Shareholder, us and the Joint Global Coordinators (on behalf of the Underwriters) on or before the Price Determination Date
“Offer Shares”	the Hong Kong Offer Shares, the International Offer Shares (including the Sale Shares) and the Reserved Shares, together (where applicable) with any Shares issued and sold pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by the Company and the Selling Shareholder to the International Underwriters under the International Underwriting Agreement exercisable by the Joint Global Coordinators on behalf of the International Underwriters pursuant to which the Joint Global Coordinators may require the Company to issue and allot up to 40,500,000 additional new Shares and the Selling Shareholder to sell up to 40,500,000 additional Shares, together representing in aggregate up to 15% of the initial number of Offer Shares, at the Offer Price
“Overseas FEC Shareholders”	registered holders of FEC Shares whose addresses on the register of members of FEC were outside Hong Kong, the PRC, France, Macau and New Zealand as at 5:00 p.m. on the Record Date
“Permitted Mixed Development”	(i) the development of any hotel within Plaza Damas 3 and Cheras Central, both in Malaysia, which is currently being developed by one of Tan Sri Dato David Chiu’s associates, Malaysia Land Properties Sdn. Bhd., and (ii) a mixed development project (i.e. comprising both a residential and commercial development), which does not include a hotel development as part of its development plans
“PRC” or “China”	the People’s Republic of China and, except where the context requires and only for the purpose of this prospectus, references in this prospectus to the PRC or China do not include Taiwan, Hong Kong or Macau Special Administrative Region of the PRC, unless otherwise stated

* SFC transaction levy of 0.003% to come into effect on 1 October 2010

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“Preferential Offering”	the preferential offer to Qualifying FEC Shareholders for subscription of the Reserved Shares on an assured basis at the Offer Price on and subject to the terms and conditions stated herein and in the BLUE Application Form
“Price Determination Date”	the date, expected to be on or around 4 October 2010 but no later than 7 October 2010 on which the Offer Price is fixed for the purposes of the Global Offering
“Property Valuers”	DTZ Debenham Tie Leung Limited and Raine & Horne International Zaki + Partners Sdn. Bhd.
“QIBs”	qualified institutional buyers within the meaning of Rule 144A
“Qualifying FEC Shareholder(s)”	registered holders of FEC Shares, whose shareholders’ names appear on the register of members of FEC as holding 1,000 or more FEC Shares as at 5:00 p.m. on the Record Date, other than the Overseas FEC Shareholders
“RBS”	The Royal Bank of Scotland N.V., Hong Kong Branch
“Record Date”	17 September 2010, being the record date for ascertaining the Assured Entitlements
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation of the business comprising our Group, as described in the section headed “Statutory and General Information — A. Further Information About Us — 4. Reorganisation” in Appendix VI to this prospectus
“Reserved Shares”	the 28,626,000 Shares being offered pursuant to the Preferential Offering, representing approximately 5.3% of the Shares initially available under the Global Offering, subject to re-allocation to the International Offering as described in the section headed “Structure of the Global Offering — The Preferential Offering” in this prospectus
“Restricted Activity”	hotel investment, operation, management and development (save for any Permitted Mixed Development)
“Ringgit”, “RM” or “MYR”	Malaysian Ringgit, the lawful currency of Malaysia
“RMB” or “Renminbi”	Renminbi Yuan, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act

DEFINITIONS

“Sale Shares”	the 270,000,000 Shares being offered for sale by the Selling Shareholder under the International Offering together, where relevant, with up to 40,500,000 Shares which may be sold pursuant to the Over-allotment Option
“SAT”	the State Administration of Taxation of the PRC (中國國家稅務總局)
“Securities and Futures Commission” or “SFC”	the Securities and Futures Commission of Hong Kong
“Selling Shareholder”	Ample Bonus
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“SGD” or “S\$”	Singapore dollars, the lawful currency of Singapore
“Shanghai Ching Chu Trading”	Shanghai Ching Chu Trading Market Operations and Management Co., Ltd. (上海錦秋集貿市場經營管理有限公司), a limited liability company incorporated in the PRC on 22 November 2004 which is 100% directly owned by Shanghai Chingchu Property Development, a subsidiary of FEC
“Shanghai Chingchu Property Development”	Shanghai Chingchu Property Development Co., Ltd. (上海錦秋房地產有限公司), a sino-foreign equity joint venture with limited liability incorporated in the PRC on 24 April 1997 which is 98.2% indirectly owned by FEC through Far East Consortium China Investment Limited (遠東發展中國投資有限公司)
“Share(s)”	ordinary shares issued by our Company, with a nominal value of HK\$0.10 each, traded in HK dollars and for which application have been made for the granting of listing, and permission to deal in, on the Main Board of the Stock Exchange
“Share Option Scheme”	the share option scheme conditionally adopted by our Company pursuant to a resolution passed by its shareholders on 10 September 2010, a summary of the principal terms of which is set out in “Statutory and General Information — Share Option Scheme” in Appendix VI to this prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Singapore”	The Republic of Singapore

DEFINITIONS

“Stabilising Manager”	Credit Suisse
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilising Manager (or its affiliates acting on its behalf) and Ample Bonus, pursuant to which Ample Bonus will agree to lend up to 81,000,000 Shares to the Stabilising Manager on terms set forth therein
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it in section 2 of the Companies Ordinance
“substantial shareholder”	a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any of our general meetings
“Syndicated Loan”	our HK\$1.9 billion syndicated loan comprising (i) a term loan facility entered into by Hong Kong Hotel REIT Finance for a principal amount of up to HK\$1,663,315,000 arranged by a consortium of lenders pursuant to an agreement dated 11 September 2008, (ii) a term loan facility entered into by Double Advance for a principal amount of up to HK\$101,656,000 arranged by a consortium of lenders pursuant to an agreement dated 11 September 2008 and (iii) a term loan facility entered into by Complete Delight for a principal amount of up to HK\$135,029,000 arranged by a consortium of lenders pursuant to an agreement dated 11 September 2008
“Tourism Malaysia”	The Tourist Development Corporation of Malaysia (TDC) was established on 10 August 1972 as an agency under the former Ministry of Trade and Industry by an act of parliament. Its full focus is on promoting Malaysia domestically and internationally. Tourism Malaysia also publishes statistics on the tourism industry ranging from tourist arrivals, receipts, and average occupancy rates of hotels regularly
“Track Record Period”	the period comprising the three financial years ended 31 March 2010
“Underwriters”	collectively, the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

DEFINITIONS

“United States” or “U.S.”	The United States of America, including the District of Columbia, its territories and possessions
“upscale”	is equivalent to a high four-star or low five-star hotel in the PRC and Malaysia and a share of High Tariff A hotels in Hong Kong, normally associated with high-quality and are mostly full-service hotels with moderate to high room rates. More efficient layout, less comprehensive services and amenities and often inferior location compared to upper upscale and luxury hotels
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“value”	is equivalent to a hotel ranging from a mid two-star to a one-star hotel in the PRC and Malaysia and a mid Medium Tariff Hotel or a Tourist Guesthouse in Hong Kong and normally only provide basic, sometimes shared amenities
“ WHITE Application Form(s)”	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicants’ own name
“ YELLOW Application Form(s)”	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	per cent

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency between the Chinese names of the PRC entities mentioned in this prospectus and their English translations, the Chinese names shall prevail.

GLOSSARY

Note: There is no global standard of star-rating scheme and star-rating schemes can vary significantly from country to country. The below definitions are a generalisation based on the Chinese and Malaysian system.

“One-star hotel”	the lowest star rating of a total of 5 star ratings and usually only provides breakfast
“Two-star hotel”	the fourth highest star rating of a total of 5 star ratings and provides slightly more amenities and charges a slightly higher room rate than a one-star hotel and usually only provides breakfast
“Three-star hotel”	the third highest star rating of a total of 5 star ratings and provides comparatively more amenities, more rooms and higher room rate than a two-star hotel; usually a full-service or select-service hotel with at least one three-meal restaurant and beverage outlet and room service
“Four-star hotel”	the second highest star rating of a total of 5 star ratings and provides comparatively more amenities, more rooms and higher room rate than a three-star hotel; generally with swimming pool, more comprehensive meeting facilities and a greater variety of food offered
“Five-star hotel”	the highest star rating of a total of 5 star ratings and provides the widest range of services and amenities and charges a comparatively higher room rate than a four-star hotel
“average room rate” or “ARR”	the room revenue of a hotel or hotels (including related service charges) during a period divided by the Total Occupied Room Nights of such hotel or hotels during the corresponding period
“EBITDA”	profit before taxation, interest income, finance costs, depreciation and amortisation
“EBITDA margin”	EBITDA divided by revenue
“F&B”	food and beverage
“GFA”	gross floor area
“GOP” or “gross operating profit”	Total Revenue less the Hotel Operating Expenses
“GOP margin”	GOP divided by revenue

GLOSSARY

“High Tariff A”	hotels with a composite score between 3.00 and 3.99 according to the Hong Kong Tourism Board classification system, where the score is based on facilities, location, staff-to-room ratio, achieved room rate and business mix. This is the highest standard of hotel classification by the Hong Kong Tourism Board for hotels in Hong Kong of a total of four ratings
“High Tariff B”	hotels with a composite score between 2.00 and 2.99 according to the Hong Kong Tourism Board classification system, where the score is based on facilities, location, staff-to-room ratio, achieved room rate and business mix. This is the second highest standard of hotel classification by the Hong Kong Tourism Board for hotels in Hong Kong of a total of four ratings
“Hotel Operating Expenses”	the expenses which constitute an operating expense in nature, including but not limited to (i) cost of sales; (ii) payroll and related expenses by hotel rooms, food and beverage, administrative and general, sales and marketing, and repair and maintenance departments, and (iii) other departmental expenses
“Individual Visitation Scheme” or “IVS”	the scheme introduced by the PRC government on 28 July 2003 to allow travellers from China to visit Hong Kong and Macau on an individual basis. Prior to 28 July 2003, PRC residents usually could only travel to Hong Kong on business visas or in group tours. Under the initial stage of the scheme, citizens of Beijing, Shanghai and eight Guangdong provincial cities could apply for visas to visit Hong Kong individually. The scheme was extended to 21 cities of Guangdong in July 2004, and to nine other cities in Jiangsu, Zhejiang and Fujian provinces in July 2004. It has since been extended to residents of numerous additional cities in China
“Medium Tariff”	hotels with a composite score between 1.00 and 1.99 according to the Hong Kong Tourism Board classification system, where the score is based on facilities, location, staff-to-room ratio, achieved room rate and business mix. This is the third highest standard of hotel classification by the Hong Kong Tourism Board for hotels in Hong Kong of a total of four ratings
“MICE”	meetings, incentives, conventions and exhibitions

GLOSSARY

“occupancy rate”	Total Occupied Room Nights of a hotel or hotels during a period divided by the Total Available Room Nights
“Revenue per Available Room” or “RevPAR”	room revenue of a hotel or hotels (including related service charges) during a period divided by the Total Available Room Nights of such hotel or hotels during the same period
“Total Available Room Nights”	all room nights available for sale excluding those under renovation
“Total Occupied Room Nights”	all room nights sold and including room nights provided to guests on a complimentary basis
“Total Rental Revenue”	rent and other charges paid by tenants under their lease agreements
“Total Revenue”	revenue including (i) room revenue; (ii) food and beverage revenue; (iii) Total Rental Revenue; and (iv) other revenue including income from laundry service, telephone service, etc.
“Total Staff-to-Room Ratio”	the ratio of a hotel company’s number of full-time employees over the total number of available hotel rooms at the hotels that are owned or leased by a company, the hotel rooms owned by a company’s franchisees and hotel rooms owned by third parties and managed by a company under a hotel management contract are not included in the count of total number of available rooms
“Tourist Guesthouse”*	hotels with a composite score of 0.99 or below according to the Hong Kong Tourism Board classification system, where the score is based on facilities, location, staff-to-room ratio, achieved room rate and business mix. This is the lowest standard of hotel classification by the Hong Kong Tourism Board for hotels in Hong Kong of a total of four ratings. Tourist Guesthouses are classified by HKTB using the list provided by Home Affairs Department

* We do not operate any Tourist Guesthouses. This is for your information only.

RISK FACTORS

This offering involves certain risks. Prior to making an investment decision, you should carefully consider all of the information in this prospectus, including, but not limited to, the risk factors described below. Our business could be materially and adversely affected by any of the risks and uncertainties described below. The trading price of our Shares may decline due to any of these risks and uncertainties and may cause you to lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

If we breach our undertaking to maintain certain loan covenant ratios under our Amended Syndicated Loan, we may be required to repay all our indebtedness under the Amended Syndicated Loan and other bank borrowings on an accelerated basis

The loan facilities and borrowings entered into or guaranteed by us or our subsidiaries contain financial ratio undertakings and restrictive financial covenants. Failure on our part to comply with, or obtain waivers concerning, such undertakings and covenants may cause our and our subsidiaries' lenders (as the case may be) to accelerate our repayment obligations. For example, under our Amended Syndicated Loan, among other financial ratio undertakings and restrictive financial covenants, our wholly-owned subsidiaries, Hong Kong Hotel REIT Finance, Double Advance and Complete Delight, each agreed as borrower under separate term loan agreements, that the aggregate amount outstanding under the Amended Syndicated Loan shall not exceed a certain percentage of the aggregate market value of the seven hotels, namely Cosmopolitan Hotel, Central Park Hotel, Dorsett Kowloon Hotel, Cosmo Hotel, Lan Kwai Fong Hotel @ Kau U Fong, Dorsett Far East Hotel and Dorsett Seaview Hotel, we own and currently operate in Hong Kong (the "Loan-to-value Ratio"). If the Loan-to-value Ratio is exceeded, the facility agent designated under the Amended Syndicated Loan shall, unless waived by all the lenders, determine the amount outstanding under the Amended Syndicated Loan, together with any and all interest accrued in respect of such amount, to be repaid within 90 days of the provision of notice, unless within 19 days of the default we pay the requisite amount so that our Loan-to-value Ratio is decreased to an acceptable level. As at 30 June 2010, the Loan-to-value Ratio was approximately 43%, close to the maximum-allowed Loan-to-value Ratio of 47% under the Syndicated Loan. Because the value of our hotel properties in Hong Kong under the Amended Syndicated Loan fluctuates from time to time, there can be no assurance that it will not decrease more than expected as a result of factors outside of our control, such as economic and political developments, regulatory changes or the outbreak of any severe contagious disease or pandemic within Hong Kong or any neighbouring region. During the term of the Amended Syndicated Loan, we are required to certify compliance with the covenants in the Amended Syndicated Loan as at 31 March and 30 September in each financial year. Part of the certification process is the commissioning of a valuation report in respect of the hotel properties in the Amended Syndicated Loan which are subject to the loan-to-value ratio covenant. The valuation is conducted by a valuer selected by us applying the same bases and assumptions as set forth in Appendix IVa to this prospectus. Under the terms of the Amended Syndicated Loan, while compliance certification is done by reference to 31 March and 30 September, the valuations used for these certifications are by reference to the annual valuations obtained as part of our audit for each financial year ended 31 March. In the normal course, valuations of our properties may fluctuate by reference to the market conditions as at time of valuation. Furthermore, the Syndicated Loan required compliance with a minimum debt service coverage ratio. Based on the compliance reports submitted by FEC to the facility agent under the Syndicated Loan, compliance with the debt service coverage ratio was historically on the basis of the EBITDA of the FEC Group (including our Group) being sufficient to meet the minimum DSCR of equal to greater than 2:1, notwithstanding that the Syndicated Loan required such compliance to be measured against the EBITDA of the seven hotels named in the Syndicated Loan. The facility agent, on behalf of the lenders, has confirmed

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that the compliance reports historically submitted by FEC, and in particular the use of the EBITDA of the FEC Group (including our Group) to meet the DSCR, was and is acceptable. If we breach the Loan-to-value Ratio or DSCR undertakings or any other undertaking under the Amended Syndicated Loan, we may be required to obtain waivers from our lenders or repay our Amended Syndicated Loan and other bank borrowing facilities in full pursuant to cross-default provisions. We have not breached any financial ratios under the Syndicated Loan during the Track Record Period. For more information regarding the Syndicated Loan and the Amended Syndicated Loan, please see the section headed “Financial Information — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources” in this prospectus.

We may be unable to successfully implement our future expansion plans

We have experienced substantial growth in our operations and hotel numbers since our inception. Since the acquisition of our first hotel in 1998, the Dorsett Regency Hotel Kuala Lumpur consisting of 320 rooms, we have grown our hotel portfolio to 15 hotels with a combined total of 3,889 rooms, assuming all renovations are completed. We also have a further seven hotels in various stages of planning or development and intend to continue to expand our hotel portfolio in both existing and new markets. Our expansion within markets where we already have a presence may have an unintentional adverse effect on the financial performance of our hotels in operation in those markets as our new and existing hotels in the same market segment and proximity may compete with each other, which may lead us to engage in competitive practices such as lower room rates in order to attract guests and, as a result, negatively affect our overall results of operations. Expansion into new markets may also cause certain of our non-financial key performance indicators to decline, such as our aggregate ARR, occupancy rate and RevPAR, as new markets may have lower ARR than markets in which we currently have a presence and our new hotels tend to have a lower occupancy rate than our more mature hotels.

Our growth has placed substantial demands on our managerial, financial, operational and other resources. In order to manage our future expansion plans and ensure that our hotels are developed and operated to the consistent and high standards expected by our customers, we must continue to improve and expand upon each of these resources. In particular, one of our future strategies is to expand our hotel management business including seeking opportunities where we would be both the lessee and operator of a hotel. To date, each of our hotels has been operated primarily on a stand-alone basis and we have not developed or codified consistent management practices, guidelines, procedures and standards across our hotels. Similarly, we have not yet developed standardised training materials and procedures for our management and operational staff across our hotel portfolio, nor do we currently have an excess body of trained management employees capable of being deployed in new hotels. Our success in this business is therefore significantly dependent on our ability to improve and codify our management practices and hire and train sufficient management and operational staff as well as our ability to successfully negotiate and sign hotel management agreements with hotel owners. If we are unable to successfully manage our planned future growth, including the expansion of our hotel management business, we may be unable to recoup costs spent developing and initiating such growth, which may have a material adverse effect on our financial conditions and results of operations.

We may be unable to continue to identify attractive sites or buildings for new hotels

Our growth and ability to increase Shareholders’ value has been, and in the future will be, significantly dependent upon our ability to locate and acquire existing buildings or sites for hotel development at prices that enable us to enjoy an attractive return on investment and maintain high profit margins. Property prices in the markets we operate have, in general, experienced a broad increase over the past few years. Additionally, competition among developers, investors and other market participants, including competing hotel developers and operators, to acquire attractive sites

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and buildings has increased. If we cannot acquire sites or buildings at sufficiently attractive prices, we may either need to defer expansion plans until prices return to attractive levels or accept higher acquisition costs. A higher acquisition cost for a hotel or site necessarily demands higher revenue levels from that hotel or site if we are to maintain our profit margins. There can be no assurance that we will continue to be successful at identifying and acquiring such sites or buildings, or that we will be able to generate sufficient revenues from the sites or buildings that we acquire to maintain our profit margins, which may have a material adverse effect on our expansion plans, our financial conditions and our results of operations.

Our success is dependent on the retention of our senior management and experienced employees

Our ability to compete and succeed in our industry is dependent on us retaining the services of our senior management team, which is mainly comprised of our general managers. The group of experienced hoteliers constituting our senior management has been and will be pivotal to our success. Further, our expansion into hotel management and the credibility we have with hotel owners who may potentially select us to manage their hotels is significantly reliant on our ability to retain the services of our senior management. We cannot assure you that we will be able to retain any of our employees. As our general managers are responsible for running the day-to-day operations of our hotels, if one or more of our general managers were unable or unwilling to continue in their present positions, or if they join a competitor or form a competing company, we may not be able to replace them easily, our business may be significantly disrupted and our financial condition and results of operations may be materially and adversely affected.

In addition, competition for hotel staff, particularly those with high quality experience, is intense. Our hotel staff interact with our guests and are critical to maintaining our consistent and high-quality accommodations and services, as well as enhancing our brands and reputation. We must recruit and train qualified managerial and other employees on a timely basis to keep pace with our planned future growth. There may be a limited supply of such qualified individuals in some of the markets in which we currently operate and other markets into which we intend to expand. We compete against other companies that have substantially more established brand names that may potentially be perceived to be more attractive than our brand name, and that may offer greater compensation, benefits and potential for career advancement and international exposure. If we fail to recruit, train and retain qualified managers and other employees, the quality of our services may decrease in one or more of our hotels and we may be unable to implement our expansion plans, which in turn may have a material adverse effect on our brand, our business, and our financial condition and results of operations. We may also suffer long-term damage to customer recognition of our hotel brands as a result of any perceived or real deterioration in the standards that we aspire to maintain.

A majority of our revenue comes from our Hong Kong operations

We rely on our Hong Kong operations for a majority of our revenues and profits. During each of the three years comprising the Track Record Period, revenues generated from our hotels in Hong Kong accounted for 66.7%, 61.2% and 55.2% of our Total Revenue, respectively. As such, our revenues and results of operations are substantially dependent on conditions in Hong Kong, in general, and demand for hotel rooms in Hong Kong, in particular. A broad range of developments in Hong Kong and any neighbouring region, including:

- economic and political developments in Hong Kong and other neighbouring regions, such as the PRC;

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- regulatory changes, including changes to visa requirements or other restrictions imposed on foreign tourists traveling to Hong Kong by either the Hong Kong government or other governments; and
- the outbreak of any severe contagious disease or pandemic within Hong Kong, any neighbouring region or key feeder markets,

may have a significant and/or prolonged impact on travel to Hong Kong and, as a result, our business, results of operations and financial condition.

The development of new hotels is subject to a number of risks beyond our control, including insufficient growth in demand for hotel rooms to justify the investment

In order to keep our business competitive and realise future growth, we are, and will be, undertaking significant capital investment to increase our hotel room portfolio. In particular, we currently have seven hotels in various stages of planning or development. We also regularly review additional opportunities to add to our hotel room portfolio. Further, it can take up to two years from site or building acquisition to completion of a new hotel, and demand for hotel rooms in a particular location may change significantly between us making a decision to develop a new hotel and that hotel commencing operations. If future demand for our hotels does not match the growth in our hotel room portfolio, we may experience lower occupancy than expected or be required to adopt lower room rates to attract customers, which may result in us not being able to achieve a satisfactory return on our capital and have a material adverse impact on our financial condition and results of operations.

New project development and property conversions are also subject to a number of additional risks, many of which are outside our control, including:

- market or site deterioration after acquisition;
- the possibility of discovering previously undetected defects or problems at a site or property to be converted;
- the possibility of construction or conversion delays or cost overruns due to delayed regulatory approvals, inclement weather, labour or material shortages, work stoppages and the unavailability of construction and/or long-term financing;
- natural disasters, social disorder and other extraordinary events; and
- political and regulatory risks.

The occurrence of any of these events could have a material adverse effect on the financial performance of any new hotel we develop.

We do not possess the relevant title certificate for Dorsett Regency CBD, Zhongshan

As at 30 June 2010, we held four properties with an aggregate gross floor area of approximately 2,079,393 square feet in the PRC. Of these, there is one property with an aggregate gross floor area of approximately 457,072 square feet with respect to which we do not have the relevant title

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certificates, namely the proposed site of our Dorsett Regency CBD, Zhongshan hotel. We have obtained the relevant building ownership and title certificates for the remaining three properties with an aggregate gross floor area of approximately 1,622,321 square feet.

The Company entered into a title transfer arrangement in order to obtain the relevant title certificates in respect of Dorsett Regency CBD, Zhongshan. However, as at the Latest Practicable Date, the relevant title transfer process had not been completed and the relevant title certificates had not been obtained. If we fail to obtain the relevant title certificate with respect to the above premises in Zhongshan, we may need to discontinue plans for our proposed hotel or find a suitable alternative site for it, which may result in costs that we may be unable to recover and have a material adverse effect on our financial position.

We may be unable to obtain the funding required to implement future developments

The acquisition and refurbishment of existing hotels and the redevelopment of sites into new hotels both require substantial amounts of capital. We have historically funded these activities through a combination of debt financing, cashflow from existing operations and advances from Parent Entities. Our capital investment for the years ended 31 March 2008, 2009 and 2010 was HK\$1.1 billion, HK\$0.9 billion and HK\$0.9 billion, respectively. For the years ended 31 March 2008, 2009 and 2010, we generated net cash from operating activities in the amount of HK\$317.2 million, HK\$249.2 million and HK\$209.5 million for the years ended 31 March 2008, 2009 and 2010, respectively. In addition, we received HK\$684.1 million and HK\$283.8 million in net advances from Parent Entities for the years ended 31 March 2008 and 2010, respectively. We also raised net new bank borrowings in the amount of HK\$236.5 million, HK\$1,692.9 million and HK\$556.4 million in the years ended 31 March 2008, 2009 and 2010, respectively. If we are unable to fund any acquisitions or redevelopments in the future from existing operating cashflows and/or proceeds from the Global Offering, any such activities will be highly dependent upon our ability to obtain additional debt financing. Obtaining additional debt financing is, in turn, subject to a variety of uncertainties, including:

- our financial condition, cashflow position, leverage position and credit rating;
- general market conditions for financing activities;
- general operating environment within the hotel industry; and
- our Share price.

External financing may not be available in a timely manner, on acceptable terms, or at all. Failure to obtain external financing on acceptable terms to meet our funding needs may prevent us from implementing our plans to grow our hotel portfolio or refurbish our existing hotels, which may have a material adverse impact on our competitiveness in the industry, our ability to grow our revenues, and our results of operations.

There is no assurance that we will not have a high gearing level

The hotel development business is capital intensive in nature. We have historically financed our development costs through a combination of debt financing, cashflow from existing operations and advances from Parent Entities. As at 31 March 2010, we had approximately HK\$3,534 million of total secured bank borrowings consisting of a non-current portion of approximately HK\$3,005

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million and a current portion of approximately HK\$529 million. We also had HK\$184 million of total equity as at the same date. Our gearing ratio (total secured bank borrowings as a percentage of total equity) was 19.2 times as at 31 March 2010 (or 1.7 times if adjusted for the capitalisation of approximately HK\$1,859.8 million of a net amount due to Parent Entities pursuant to the Capitalisation Issue). Most of our debt has been incurred for hotel development.

Our high level of indebtedness may adversely affect our future strategy and operations in a number of ways, including:

- reducing the funds available to us for other purposes due to our debt servicing obligations;
- limiting our ability to obtain adequate financing for working capital and capital expenditures for our projects on terms which will enable us to achieve a reasonable return; and
- hindering our ability to withstand competitive pressures or adjust rapidly, if at all, to changing market conditions.

There can be no assurance that our level of indebtedness and restrictions resulting therefrom will not materially and adversely affect our ability to finance our future operations or capital needs, successfully operate our business, engage in other business activities or pay dividends.

The Group's current liabilities exceeded its current assets

As at 31 March 2010, the Group had net current liabilities of approximately HK\$2,321.3 million, which comprised primarily of amounts due to Parent Entities of HK\$2,416.3 million, secured bank borrowings in the amount of HK\$528.6 million and creditors and accruals in the amount of HK\$123.6 million, as well as current assets of HK\$747.4 million, which included bank balances and cash of HK\$93.6 million. We cannot assure you that we will always be able to raise the necessary funding to meet our working capital requirements and capital funding commitments. Our net current liabilities may continue to persist and we may not be able to raise adequate funding for our short-term needs, which may then have an adverse effect on our business operations and financial position.

The interests of our Controlling Shareholders may be inconsistent with those of our minority shareholders

Immediately following the Global Offering, our Controlling Shareholders will be Ample Bonus and FEC. As at the Latest Practicable Date, FEC held more than 50% of our Shares through its wholly-owned subsidiary Ample Bonus, thereby giving FEC the ability to control actions that require majority Shareholders' approval. If the interests of any of our Controlling Shareholders conflict with the interests of our other Shareholders, or if any of our Controlling Shareholders chooses to cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, those other Shareholders could be disadvantaged by the actions that any of our Controlling Shareholders choose to pursue. In addition, each of our Controlling Shareholders has entered into a Deed of Non-Competition Undertaking in our favour pursuant to which it has agreed not to engage in the businesses of hotel development, operation or management or acquire existing hotels for investment purposes. The restrictions in this Deed of Non-Competition Undertaking will terminate if FEC's interest in our Company falls below 30%. If these non-competition restrictions are terminated, FEC may compete with us in the future. We cannot assure you that any conflicts of interest or overlap of business activities and operations between FEC and us will not materially and adversely affect our financial condition, results of operations and prospects.

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Our limited operating history in China makes it difficult to evaluate our future prospects and results of operations

One of our principal future strategies is the expansion of our hotel portfolio in China, including through management agreements. However, we have a limited operating history in the China market, with our first hotel having commenced operations in China in June 2008. Our limited operating history in China makes it difficult to evaluate our prospects in that market. You should consider our future prospects in the China market in light of the risks and challenges encountered by a company with a limited operating history. These risks and challenges include, among others:

- the uncertainties associated with our ability to continue our growth and maintain profitability;
- improving and preserving our competitive position in the hotel industry;
- offering consistent and high-quality accommodations and services to retain and attract guests;
- implementing our strategy and modifying it from time to time to respond effectively to competition and changes in customer preferences;
- maintaining our relationships with third-party wholesalers;
- limited awareness of our hotel brands and customer loyalty; and
- recruiting, training and retaining qualified managerial and other personnel.

If we are unsuccessful in addressing any of these risks or challenges, our business may be materially and adversely affected.

We are in breach of some of our land grant terms and may be subject to enforcement action by the Hong Kong government

As at the Latest Practicable Date, we had breached the land grant terms for our Central Park Hotel and Lan Kwai Fong Hotel @ Kau U Fong by entering into an agreement with our tenant at each of the hotels to operate the restaurants called “Wagyu Kaiseki Den” and “Celebrity Cuisine”, respectively. We have made an application for a modification of the land grant terms and an enquiry to the Director of Lands for Central Park Hotel and Lan Kwai Fong Hotel @ Kau U Fong, respectively, for permission to operate a restaurant in each of those hotels. A modification of the land grant terms for Central Park Hotel has been issued and registered; however, the modification of the government lease of Lan Kwai Fong Hotel @ Kau U Fong has not been obtained. We intend to make an application to the Director of Lands regarding the modification of the lease for the Lan Kwai Fong Hotel @ Kau U Fong upon receiving guidance from the Director of Lands. We are unable to determine the likely enforcement action that the Hong Kong government may take regarding the land grant breaches conducted prior to the receipt of the modified land grant terms, but we have been advised that possible enforcement actions include entering and re-possessing our Central Park Hotel and Lan Kwai Fong Hotel @ Kau U Fong. Our legal advisor as to title of Hong Kong properties has advised us that the probability of re-possession of our Central Park Hotel and Lan Kwai Fong Hotel @ Kau U Fong is highly unlikely. Other possible penalties are the termination of the agreement with our tenants or payment of a waiver fee for previous breaches. Depending on the enforcement action taken by the Hong Kong government, this may adversely affect our financial condition, results of operations and prospects.

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Our rebranding initiative may not achieve desired results

We recently commenced a rebranding initiative in order to develop a more cohesive and engaging portfolio of brands, to better align our brands according to our target customer segments, to update our brands to more effectively meet a number of key industry trends as well as to serve as a platform for our expansion into the hotel management business. However, we cannot guarantee that our rebranding initiative will achieve these aims or result in a sustained or increased level of business for our hotels. Our customers may prefer the brands that we operated our hotels under prior to the rebranding initiative or may not associate our new brands with the hotels that we operated prior to the rebranding, which may adversely impact our occupancy rates, repeat customer levels and our revenues. Furthermore, the rebranding initiative may disrupt ongoing marketing initiatives for individual hotels as we transition from existing brands to new brands. We therefore cannot assure you that our rebranding initiative will not have a material adverse effect on our results of operations.

We may not be able to register our existing brand names and those brand names intended to be used under our rebranding initiative

During the Track Record Period, we operated our hotels under our “Cosmopolitan”, “Cosmo”, “Dorsett” and “Grand Dorsett” brands as well as individual boutique hotel names such as our Lan Kwai Fong Hotel @ Kau U Fong, Central Park Hotel, Cosmo Hotel and Yue Shanghai Hotel. We believe our brands, trade names and trademarks are critical to our success. During the Track Record Period, we have been able to operate our hotels using existing intellectual property rights with the exception of the brand name “Cosmopolitan”, which cannot be registered as a trademark in Hong Kong and the brand name “Maytower” used for Maytower Hotel. We are therefore unable to prevent one or more other parties from using the same brand name to market hotels. Prior to the completion of our rebranding initiative, we will continue to rely on the “Cosmopolitan” brand to market our flagship Hong Kong Cosmopolitan Hotel and Wuhan Cosmopolitan Hotel to customers and our “Maytower” brand name to market our Maytower Hotel. Any use by a third party of the “Cosmopolitan” and “Maytower” brand may impact customer perception of our hotels using the “Cosmopolitan” name and Maytower Hotel, respectively. In particular, customers may believe that other hotels using the same brand name are related to ours, and customer recognition of and confidence in our brand may be negatively impacted if any services or amenities offered in third-party hotels are below the standards offered by our “Cosmopolitan” brand hotels and Maytower Hotel. As part of our rebranding initiative, we will rebrand our existing hotels under the “Hotel Kosmopolito”, “Boutique Series by Kosmopolito”, “Dorsett” and “Silka” brands. We have registered or have made an application to register these brands as trademarks in Hong Kong, the PRC and Malaysia. If we are unable to secure the relevant trademark rights to our new brands, we will be required to design other brands as part of our rebranding initiative. If we are unable to secure the intellectual property rights to our existing hotels and/or brands used in our rebranding initiative, it may have a negative impact on our ability to effectively market our hotels and the occupancy rate, revenues and profitability at our hotels.

An unfavourable change in the PRC Individual Visitation Scheme may reduce demand for our hotels in Hong Kong

The increase in tourists from the PRC following the deregulation by the PRC government of the grant of visas for individual PRC residents in certain cities of the PRC to visit Hong Kong has had a positive impact on our hotel operations in Hong Kong. Tourists from the PRC account for a substantial proportion of all visitors to Hong Kong. Any adverse change in the policy of the PRC government, for example, by tightening its control over the grants of visas for visiting Hong Kong or

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expanding the scope of the Individual Visitation Scheme to allow PRC tourists to visit other countries and regions, may reduce the number of PRC tourists to Hong Kong and the demand for our hotel services in Hong Kong. If the number of visitors from the PRC or elsewhere fails to increase, as anticipated, or decreases in the future, our existing business and business prospects in Hong Kong may be adversely affected.

Our insurance coverage may be insufficient to protect us against potential liabilities arising during the course of our operations

Our operations may be affected by a number of risks, including business interruption or potential damage to our facilities and equipment caused by inclement weather, human error, terrorist attack, pollution, labour disputes or war. In addition, we face risks relating to our provision of services to customers, including damage to customers' property. We do not maintain insurance against all risks associated with our industry, either because we have deemed it commercially unfeasible to do so, or because our insurers have carved certain risks out of their standard policies. These risks include, but are not limited to, events such as the loss of any business resulting from negative effects on the changing business cycles and the loss of business arising from increased competition or supply of rooms. Should an incident occur in relation to which we have inadequate insurance coverage, our business, financial position and operating results could be materially and adversely affected. Further, we cannot assure you that we will be able to renew existing insurance coverage on commercially reasonable terms, or at all.

Accidents, injuries or prohibited activities in our hotels may adversely affect our reputation and subject us to liability

There are inherent risks of accidents, injuries or prohibited activities (such as illegal drug use, gambling, violence or prostitution by guests) taking place in hotels. The occurrence of one or more accidents, injuries or prohibited activities at any of our hotels could adversely affect our safety reputation among guests, harm our brand, decrease our overall occupancy rates, and increase our costs by requiring us to implement additional safety measures. In addition, if accidents, injuries or prohibited activities occur at any of our hotels, we may be held liable for costs or damages and fines. Our current property and liability insurance policies may not provide adequate or any coverage for such losses, and we may be unable to renew our insurance policies or obtain new insurance policies without increases in premiums and deductibles or decreases in coverage levels, or at all. The Company has not experienced any material accidents, injuries or prohibited activities in its hotels during the Track Record Period.

We intend to refurbish or further develop our existing properties which could result in cost overruns or disruptions of our hotel operations

In order to improve and maintain the conditions of our hotels, we conduct refurbishments of our hotels. These refurbishments may be more costly than expected and are subject to risk of delays and cost overruns. In addition, even though the operations of hotels under refurbishment or development may not need to be closed down entirely, there may be instances where refurbishment or development would seriously disrupt hotel operations and adversely affect the revenues of the relevant hotels. The disruptions and other risks associated with refurbishments and further development or our failure to improve and maintain the conditions of the hotels could have an adverse effect on our business, financial condition and results of operations.

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We expect to face competition for management agreements and/or management agreements may contain restrictive provisions, including restrictions on competition

One of our principal growth strategies is to focus on the expansion of our hotel management business including seeking opportunities where we would be both the lessee and operator of a hotel. In pursuing this strategy, we will compete with international, regional and local hotel management companies and brand franchisers, some of which may have more established brand names, stronger operating platform and greater financial resources than we do. We believe that we compete with our competitors in the hotel management business in the following areas:

- image of our hotels and brand
- scale of our operations
- resources offered
- profitability of our hotel management plan
- available capital

As a result, in order for us to expand our business activities by entering into additional management agreements, we may be required to offer more attractive terms to hotel owners than contemplated. In addition, some of our hotel management agreements may contain provisions permitting termination of the agreement under certain circumstances and restricting our ability to manage other hotels within specific geographic areas surrounding some of the hotels we manage. These restrictions could have a material adverse effect on our business, financial condition, profitability and results of operations.

We may be required to pay income tax on capital gains from the transfer of equity interests in our PRC subsidiaries held by our offshore subsidiaries

In connection with the PRC Enterprise Income Tax Law which came into effect on 1 January 2008, the Ministry of Finance (財政部) and SAT jointly issued, on 30 April 2009, the *Circular on Issues Concerning Process of Corporate Income Tax in Enterprise Restructuring Business (Cai Shui [2009] No. 59)* (《關於企業重組業務企業所得稅處理若干問題的通知》) (財稅[2009] 59號), which became effective retrospectively on 1 January 2008. During the year ended 31 March 2010, in preparation for the Global Offering, our Group and its subsidiaries commenced the Reorganisation. For more details of the Reorganisation, please refer to the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus. The transfer of equity interests in certain PRC subsidiaries indirectly held by offshore subsidiaries of our Group to other offshore subsidiaries of our Group is subject to an income tax of 10% on capital gains which may be determined as the difference between the fair value of the equity interests transferred and the cost of investment. On 10 December 2009, the SAT issued the *Notice on Strengthening the Management on Corporate Income Tax for Non-resident Enterprises Equity Transfer (Guo Shui Han [2009] No. 698)* (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》)(國稅函[2009]698號), which became effective retrospectively on 1 January 2008. The notice clarified the definition cost of investment and other relevant details on Enterprise Income Tax management regarding the share transfer of a PRC resident enterprise by non-PRC resident enterprises directly or indirectly. We have not made any provision for the payment of any income tax on any capital gain that may arise under the above circular and notice as it is currently unclear how the relevant PRC tax authorities will implement or

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enforce the above circular and notice and whether such income tax on capital gains treatment will be subject to further change. In the event that we are required to pay the income tax on capital gains by the relevant PRC tax authorities, our tax liability may increase and our net profits and cash flow may be affected.

RISKS RELATING TO THE HOTEL INDUSTRY

The hotel industry is subject to intense and growing competition

Our success is substantially dependent on our ability to compete in an industry characterised by intense and growing competition. Our competitors range from operators of single guesthouses and hotels located in the vicinity of ours, to local hotel chains with multiple hotels, to established property developers who have entered the hotel industry, and to large international hotel chains operating multiple hotels under a variety of brand names. Competition for longer-stay guests is also increasingly arising from a proliferating number of operators of serviced apartments. The competition to attract customers is primarily based on the location of the hotel, price, property size, quality of rooms, amenities and facilities, customer brand recognition and loyalty, geographic coverage quality of services provided, and relationship with travel agents and third party wholesalers. Many of our competitors have operated in the industry for substantially longer periods of time than us and have accumulated more operational, managerial, sales and marketing experience, brand recognition, human resources and financial resources. Further, the barriers to entry into the hotel industry for new participants, particularly in the value and mid-scale categories, are relatively low given the limited capital required to convert or redevelop existing buildings into value and mid-scale hotels. We cannot assure you that some or many of our competitors will not engage in significant building of new hotels in markets in which we operate or plan to operate, which will increase the supply of available hotel rooms in those areas and thereby increase competition and negatively impact occupancy levels and room rates. We also cannot assure you that we will be able to successfully compete against our current and future competitors. In particular, if our more established competitors engage in significant and sustained price discounting to attract customers and we are forced to substantially reduce our own prices to maintain occupancy levels, it would have a material adverse effect on our revenues, profit margins and results of operations.

Furthermore, as a hotel operator, our continued success in maintaining and enhancing the recognition of our brand depends, to a large extent, on our ability to provide consistent and high-quality accommodations and services across our hotel portfolio, and design and introduce new accommodations and services to meet customer demands, as well as our ability to respond to competitive pressures. In addition, we must maintain our hotels' good condition and attractive appearance, which requires ongoing renovations and other improvements, including periodic repair and replacement of furniture, fixtures and equipment. If we are unable to maintain and enhance our brand reputation, our occupancy and room rates may decline, which would adversely affect our business and results of operations.

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The hotel industry is cyclical and particularly sensitive to economic conditions and business travel

Historically, the hotel industry has been cyclical and affected by, among other factors, supply of and demand for comparable properties, the rate of economic growth, interest rates, inflation, and political and economic developments. Deterioration in the global financial markets and economic conditions has reduced, and could continue to reduce, business and consumer travel activities. Our key performance indicators and results of operations for the year ended 31 March 2009 and the year ended 31 March 2010 were impacted by the global financial crisis and the outbreak of H1N1 and there are still great uncertainties regarding the economic conditions and the demand for travel in our key markets for the remainder of 2010 and beyond. In addition to general economic conditions, new hotel room supply is an important factor that can affect the hotel industry's performance, and overbuilding has the potential to further exacerbate the negative impact of an economic slowdown. There can be no assurance that the economies of the countries in which we operate will improve or that hotel property values and rates will not decline or that interest rates will not rise in the future. Turbulence in the international financial markets and economies and prolonged declines in business travel and consumer spending may adversely affect our liquidity and financial condition, including our ability to access the capital markets to meet liquidity needs.

Our financial and operating performance may be adversely affected by epidemics, adverse weather conditions, natural disasters and other catastrophes, the threat of terrorist events and the occurrence of international or political crises

Our financial and operating performance may be adversely affected by epidemics, adverse weather conditions, natural disasters and other catastrophes, the threat of terrorist events and the occurrence of international and political crises, particularly in locations where we have a concentration of hotels. For example, in early 2003, several economies in Asia, including China, were affected by the outbreak of severe acute respiratory syndrome, or SARS. During May and June of 2003, many businesses in China were closed by the PRC government to prevent transmission of SARS. More recently, there has been an outbreak of H1N1 which has affected many regional economies in China. The swine flu outbreak had a negative impact on many businesses in southern China and Hong Kong due to reduced business travel to, from and between Hong Kong and Shenzhen. Losses caused by epidemics, adverse weather conditions, natural disasters and other catastrophes, including SARS, avian flu, swine flu, earthquakes or typhoons, and terrorist events are either uninsurable or too expensive to justify insuring against. In the event an uninsured loss or a loss in excess of insured limits occurs, we could lose all or a portion of the capital we have invested in a hotel, as well as the anticipated future revenue from the hotel. In that event, we might nevertheless remain obligated for any financial obligations related to the hotel. Similarly, war (including the potential for war), terrorist activity (including threats of terrorist activity) and travel-related accidents, as well as geopolitical uncertainty and international conflict, may affect travel and may in turn have a material adverse effect on our business and results of operations. In addition, we may not be adequately prepared in contingency planning or recovery capability in relation to a major incident or crisis, and as a result, our operational continuity may be adversely affected and our reputation may be harmed.

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The seasonality of the hotel industry could have a material adverse effect on our revenues and financial condition

The hotel industry is seasonal in nature and can cause fluctuations in our revenues and financial condition. Our earnings may be adversely affected by factors outside our control in certain markets in which we operate. For example, during the three years ended 31 March 2010, the average revenues from our Hong Kong hotels during June, the month representing our low season, accounted for 6.1% of our total annual revenues from Hong Kong, and the average revenues from our Hong Kong hotels during October, the month representing our high season, accounted for 11.1% of our total annual revenues from Hong Kong. As revenue from our operations in Hong Kong accounted for 66.7%, 61.2% and 55.2% of our Total Revenue for the years ended 31 March 2008, 2009 and 2010, respectively, the seasonality of our operations in Hong Kong led to corresponding seasonal fluctuations in our Total Revenue during the Track Record Period. This seasonality can be expected to cause periodic fluctuations in our hotel room and restaurant revenues, occupancy levels, room rates and operating expenses. We can provide no assurances that our cashflows will be sufficient to offset any shortfalls that occur as a result of these fluctuations, and we may have to enter into short-term borrowings in order to enhance our cashflow position at any time during the financial year. As a result, volatility in our financial performance resulting from the seasonality of the hotel industry could have a material adverse effect on our revenues and financial condition.

Our co-operation with third-party websites and other hotel reservation intermediaries and travel consolidators may adversely affect our margins and profitability

Many of our hotels have contracts with operators of third-party websites and other hotel reservation intermediaries and travel agents to whom some of those hotels pay commissions for such services, either directly (in the form of a percentage of the sale price of a room) or indirectly (by means of offering them a lower room rate that they can then on-sell at a higher rate to their customers). During the three years ended 31 March 2008, 2009 and 2010, we paid aggregate amounts of HK\$10.5 million, HK\$12.0 million and HK\$11.4 million, respectively, to websites and other hotel reservation intermediaries. During the Track Record Period, we did not rely on any particular third-party website or other hotel reservation intermediary or travel consolidator. In particular, some of the leading Internet websites involved in the sale of hotel rooms charge commissions of up to approximately 25% of the cost of a room. If these intermediaries continue to develop their customer bases and the percentage of bookings at our hotels made through their systems becomes even more significant, they may be able to negotiate higher commissions, reduced room rates, or other significant concessions from us, which could adversely affect our margins and profitability.

Our hotel licences are subject to renewal

We currently operate hotels in Hong Kong, China and Malaysia and also expect to commence operation or management of a hotel in Singapore in 2013. In order to conduct our hotel operations, we are required to obtain applicable licences and renew them on an ongoing basis. In particular, we are required to renew our Hotel and Guesthouse Licence for our hotels in Hong Kong as the validity period of our Hotel and Guesthouse Licences range from one year to five years. We do not have automatic rights of renewal to our licences. We cannot assure you that the conditions or requirements we may be required to satisfy or meet will not change or increase from year-to-year. If we are unable to renew our licences in a timely manner or if the relevant government authority does not approve our application for a renewal of our licence, we may be subject to fines or penalties and may be required to cease our hotel operations, which may have a material adverse effect on our financial condition and results of operations.

RISK FACTORS

Changes in the economic and political environment in the PRC and policies adopted by the PRC government to regulate its economy may affect the business, operating results and financial condition of the Group

A substantial portion of our planned future growth is expected to be focused in the PRC. The economy of the PRC differs from the economies of most countries in many respects, including:

- economic structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transforming from a planned economy to a more market-oriented economy. In the past two decades, the PRC government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy.

Government control of currency and future movements in exchange rates may affect our ability to remit dividends

Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on the exchange rates set by the People's Bank of China, which are set daily based on the previous day's interbank foreign exchange market rates in the PRC and current exchange rates on the world financial markets. The official exchange rate for the conversion of Renminbi to U.S. dollars has generally been stable as it is based on a peg. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by 2% against the U.S. dollar. Since then and up to September 17, 2010, the Renminbi has appreciated approximately 20.7% against the U.S. dollar. For the year ended 31 March 2010, approximately 5.6% of our revenues were denominated in RMB, and given our focus on the PRC market going forward we anticipate that this percentage will increase. Since the revenue and profit of our Chinese operations are denominated in Renminbi, any decrease in the value of the Renminbi may affect the value of the profits from our China operations and their contribution towards our ability to pay dividends.

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RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares

Prior to the Global Offering, there was no public market for our Shares. The offer price range for our Shares was the result of negotiations between us, the Selling Shareholders and the Joint Global Coordinators (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the Global Offering or in the future.

The market price of our Shares following the Global Offering may be volatile

The market price and trading volume of our Shares on the Stock Exchange may be volatile. Factors such as variations in our revenues, earnings and cash flows and announcements of new investments, strategic alliances or acquisitions and changes in our rates and markets may result in large and sudden changes in the volume of our Shares traded and price at which our Shares trade. We can give no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant hotel or property operations have experienced substantial price volatility in the past, and it is possible that our Shares will be subject to changes in price that may not be directly related to our financial and business performance.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the Global Offering

Prior to the publication of this prospectus, there has been press and media coverage regarding us and the Global Offering. Such press and media coverage included certain hotel development and operational information, financial information, financial projections, valuations and other information about us that are not contained in this prospectus. There may continue to be additional press and media coverage on us and the Global Offering. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this prospectus.

Our Share price may be affected if additional Shares are sold by our Controlling Shareholders or are issued by us

Our Directors have been granted a general unconditional mandate to issue Shares with an aggregate nominal value of not more than 20% of the aggregate nominal value of the ordinary share capital immediately following the Listing of our Shares on the Stock Exchange. Our Company and our Controlling Shareholders are subject to certain restrictions under the Listing Rules on issuing (in the case of our Company) or disposing (in the case of our Controlling Shareholders) of any of our Shares for a period of six months from the Listing Date. These restrictions on our Company do not, among other things, apply to the grant of any options pursuant to a Share Option Scheme. We cannot assure you that our Controlling Shareholders will not dispose of the Shares held by them or that we will not issue Shares pursuant to the general mandate, upon the expiration of this six month period. We cannot predict the effect, if any, that any future sales of Shares by our

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Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, the issuance of Shares by our Company, or the availability of the general mandate to our Directors, may have on the market price of our Shares. Sales or issuance of substantial amounts of Shares by our Controlling Shareholders or us, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

You may face difficulties in protecting your interests because we are incorporated under the laws of the Cayman Islands and these laws may provide different protections to minority shareholders than the laws of Hong Kong

Our corporate affairs are governed by our Memorandum of Association and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. Such differences may mean that our minority Shareholders may have different protections than they would have under the laws of Hong Kong.

Industry statistics contained in this prospectus may not be reliable

Statistical and other information relating to the hotel industry contained in this prospectus has been compiled from various industry-related sources that we generally believe to be reliable including official government sources. Statistics derived from multiple sources may not be prepared on a comparable basis. Neither the Underwriters or any of their affiliates or advisors, nor we or any of our affiliates or advisors, have verified the accuracy of the information from official government sources and make no representation as to the accuracy of information derived from these sources.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

CONTINUING CONNECTED TRANSACTIONS

The Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver in relation to our continuing connected transactions between the Group and FECL under Chapter 14A of the Listing Rules. For further details, please refer to the section headed “Connected Transactions” in this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. These forward-looking statements include, but are not limited to, statements relating to our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. Any statements contained in this prospectus that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, in some cases you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “would,” “could,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “continue” or the negative of these terms or other comparable terminology. Such forward-looking information involves important risks and uncertainties. These risks and uncertainties include, but are not limited to:

- our operations and business prospects;
- future developments, trends and competition in the hotel industry;
- projects under development or planning;
- our strategy, business plans, objectives and goals;
- our capital expenditure plans;
- our dividend distribution plans;
- the prospective financial information regarding our business;
- our future financial condition and results of operations;
- the amount and nature of, and potential for, future development of our business;
- general economic conditions; and
- changes to regulatory and operating conditions in the markets in which we operate.

Furthermore, these forward-looking statements merely reflect our current view with respect to future events and are not a guarantee of future performance. Our financial condition may differ materially from the information contained in the forward-looking statements due to a number of factors, including, without limitation, factors disclosed under “Risk Factors” and elsewhere in this prospectus. Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation and do not intend to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Because of these risks, uncertainties or assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which, together with the Preferential Offering, forms part of the Global Offering. For applicants under the Hong Kong Public Offering and Preferential Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering and Preferential Offering.

The Listing of our Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholder and us on the Price Determination Date.

The International Offering (including the Offer for Sale) and the Preferential Offering are expected to be underwritten by the International Underwriters.

For further information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting" in this prospectus.

SELLING RESTRICTIONS

Each person acquiring Offer Shares will be required to confirm, or by his acquisition of Offer Shares be deemed to confirm, that such person is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made save as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares and Reserved Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Selling Shareholder, the Joint Sponsors, the Joint Bookrunners, the Joint Global Coordinators, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for Hong Kong Offer Shares and Reserved Shares are set out in the section of this prospectus headed "How to Apply for Hong Kong Offer Shares and Reserved Shares" and on the relevant Applications Forms.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, including the Offer Shares, any Shares which may be sold or issued pursuant to the exercise of the Over-allotment Option and any share options under the Share Option Scheme. Dealings in our Shares on the Stock Exchange are expected to commence on Monday, 11 October 2010. None of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are advised to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in our Shares. None of us, the Joint Sponsors, the Joint Bookrunners, the Joint Global Coordinators, the Selling Shareholder, the Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of Shares resulting from the subscription, purchase, holding or disposal of, or dealing in, Shares.

OVER-ALLOTMENT AND STABILISATION

The Company and the Selling Shareholder are expected to grant the Over-allotment Option to the International Underwriters under the International Underwriting Agreement, exercisable by the Joint Global Coordinators on behalf of the International Underwriters. The Over-allotment Option will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering and Preferential Offering, which is Wednesday, 3 November 2010. Pursuant to the Over-allotment Option, the Joint Global Coordinators may require the Company to issue and allot up to 40,500,000 additional new Shares and the Selling Shareholder to sell up to 40,500,000 additional Shares, being an aggregate of 81,000,000 Shares, representing in aggregate up to 15% of the initial number of Offer Shares, at the Offer Price, to among other things, cover over-allocations in the International Offering, if any. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder from the Offer for Sale or pursuant to the exercise of the portion of the Over-allotment Option granted by the Selling Shareholder. An announcement will be made in the event that the Over-allotment Option is exercised.

In connection with the Global Offering, the Stabilising Manager, or any person acting for it, on behalf of the International Underwriters, may to the extent permitted by applicable laws of Hong Kong, over-allocate and/or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing from the Listing Date and ending on the 30th day after the last day for lodging of applications under the Hong Kong Public Offering and Preferential Offering, being Wednesday, 3 November 2010. Short sales involve the sale by the Stabilising Manager, or any person acting for it of a greater number of Shares than the underwriters are required to purchase in the Global Offering. "Covered" short sales are short sales made in an amount not greater than the Over-allotment Option and a "covered" short position is any short position, including any such position created as a result of any covered short sales or other sales, in an amount not greater than the Over-allotment Option.

The Stabilising Manager may close out any covered short position by exercising the Over-allotment Option to purchase additional Shares, purchasing Shares in the open market or through stock borrowing arrangements or a combination of these means.

In determining the source of the Shares to close out the covered short position, the Stabilising Manager will consider, among other things, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. The stabilising activity which may be taken by the Stabilising Manager or any person acting for it, may include primary and ancillary stabilising actions such as purchasing or agreeing to purchase any of the Offer Shares, exercising the Over-allotment Option, stock borrowing, establishing a short position in the Shares, liquidating long positions in the Shares or offering or attempting to do any such actions. However, there is no obligation on the Stabilising Manager or any person acting for it, to conduct any such stabilising activity, which, if commenced, will be done at the absolute discretion of the Stabilising Manager or any person acting for it, and may be discontinued at any time. Such stabilisation may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules under the SFO. The number of our Shares that may be over-allocated will not exceed the number of our Shares that may be issued and allotted by the Company and sold by the Selling Shareholder under the Over-allotment Option, namely an aggregate of 81,000,000 Shares, representing up to 15% of the Shares initially available under the Global Offering.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v) above. Stabilising actions conducted by the Stabilising Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilisation.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Stabilising Manager or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilising Manager or any person acting for it which may also take place during the stabilising period, may have an adverse impact on the market price of the Shares;
- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period, which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on Wednesday, 3 November 2010, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering and Preferential Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and
- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

We will procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules under the SFO will be made within seven days of the expiration of the stabilising period.

For the purpose of covering any covered short position, including any covered short position created by over-allocations, the Stabilising Manager or any person acting for it may borrow from Ample Bonus up to 81,000,000 Shares, equivalent to the maximum number of Shares to be sold and issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

expected to be entered into between the Stabilising Manager and Ample Bonus. The loan of Shares by Ample Bonus pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules which restricts the disposal of Shares by the Controlling Shareholders subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the provisions of Rule 10.07(3) of the Listing Rules:

- (i) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering;
- (ii) the maximum number of Shares that may be borrowed from Ample Bonus must not exceed the maximum number of Shares that may be issued upon the full exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Ample Bonus or its nominees, as the case may be, on or before the third Business Day following the earlier of (a) the last day for exercising the Over-allotment Option, and (b) the date on which the Over-allotment Option is exercised in full;
- (iv) the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- (v) no payments will be made to Ample Bonus by the Stabilising Manager in relation to the Stock Borrowing Agreement.

HONG KONG BRANCH REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by its principal registrar, Butterfield Fulcrum Group (Cayman) Limited, in the Cayman Islands and our branch register of members will be maintained by its branch registrar, Tricor Investor Services Limited, in Hong Kong.

No stamp duty is payable by applicants in the Global Offering. The current rate of stamp duty in Hong Kong is HK\$2 for every HK\$1,000 (or part thereof) of the consideration or, if higher, the fair value of the Shares being sold or transferred.

Dealings in the Shares registered on our Hong Kong branch register of members will be subject to Hong Kong stamp duty.

PROCEDURE FOR APPLYING FOR HONG KONG OFFER SHARES AND RESERVED SHARES

The procedure for applying for Hong Kong Offer Shares and Reserved Shares is set out in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this prospectus and on the relevant Applications Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PRACTICE NOTE 15 OF THE LISTING RULES

The Global Offering has been approved by the shareholders of FEC at an extraordinary general meeting of the shareholders of FEC held on 17 September 2010. FEC is required to comply with the requirements of Practice Note 15 of the Listing Rules which, among other things, require us to offer the Assured Entitlements to Qualifying FEC Shareholders. For further details of the Assured Entitlements, please refer to the section headed "Structure of the Global Offering — The Preferential Offering" in this prospectus.

Unless otherwise stated in this prospectus, amounts denominated in U.S. dollars, RMB, MYR, SGD and JPY have been translated, for the purpose of illustration only, in this prospectus at the following rates:

HK\$1.00 : US\$0.1288

HK\$1.00 : RMB0.8648

HK\$1.00 : MYR0.3997

HK\$1.00 : SGD0.1718

HK\$1.00 : JPY11.0370

No representation is made that U.S. dollars, RMB, MYR, SGD or HKD amounts referred to herein could have been or can be converted into U.S. dollars, RMB, MYR, SGD or HKD, as the case may be, at any particular rate or at all.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. MOK, Kwai Pui Bill (莫貴標)	Block A, 2/F The Hacienda 90 Repulse Bay Road Hong Kong	Chinese
Mr. CHU, Chee Seng (朱志成)	Apt/Block 128 Lorong Ah Soo #11-300, Singapore 530128 Singapore	Singaporean
Mr. LAI, Wai Keung (賴偉強)	Flat C, 32/F, Tower 2 38 Sung Wong Toi Road Sky Tower Ma Tau Kok, Kowloon Hong Kong	Chinese
Ms. CHIU, Wing Kwan Winnie (邱詠筠)	House 3, Lancaster Place 23 La Salle Road Kowloon Tong, Kowloon Hong Kong	Chinese
Non-Executive Directors		
Tan Sri Dato' CHIU, David (邱達昌)	House 3, Lancaster Place 23 La Salle Road Kowloon Tong, Kowloon Hong Kong	Chinese
Mr. IP, Hoi Wah Edmond (葉海華)	29 Leonie Hill #10-02 Horizon Towers West Singapore 239228 Singapore	Singaporean
Mr. HOONG, Cheong Thard (孔祥達)	5/F, Flat A, Kennedy Heights 10-18 Kennedy Road, Mid Levels Hong Kong	Malaysian
Mr. CHAN, Chi Hing (陳志興)	Flat B, 26/F Block 5 Royal Peninsula 8 Hung Lai Road Hung Hom, Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Independent Non-Executive Directors		
Mr. SHEK, Lai Him Abraham (石禮謙)	Flat C, 13/F, Dragon View 39 Macdonnell Road, Central Hong Kong	Chinese
Mr. TO, Peter (杜彼得)	8/F Block J, Scenic Villas 20 Scenic Villa Drive Hong Kong	Chinese
Dr. LIU, Ngai Wing (廖毅榮)	Flat A, 17/F Kingsford Height 17 Babington Path Hong Kong	Chinese
Senior Management		
Mr. YIP, Shu Kiong (葉樹強)	Kosmopolito Hotels International Ltd 350 Orchard Road #21-07 Shaw House Singapore 238868	Singaporean
Mr. TANG, Seng Mun	Suite 7-23-28 Maytower Hotel Serviced Apartments 7 Jalan Munshi Abdullah 50100 Kuala Lumpur Malaysia	Malaysian
Ms. CHAN, Siu Fong Anita (陳小芳)	387-397 Queen's Road East Wan Chai Hong Kong 375-377 Queen's Road East Wan Chai Hong Kong	Chinese
Ms. KWAN, Shuk Wah Rebecca (關淑華)	3 Kau U Fong Central, Hong Kong 263 Hollywood Road Central Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Address	Nationality
Mr. KWONG, Wing Cheung (鄺永祥)	48 Anchor Street Tai Kok Tsui Kowloon Hong Kong	Chinese
	268 Shanghai Street Yaumatei Kowloon Hong Kong	
Mr. CHENG, Wai Ching (鄭維政)	135-143 Castle Peak Road Tsuen Wan Kowloon Hong Kong	Chinese
Ms. TOH, Lai Fong Christina	172 Jalan Imbi 55100 Kuala Lumpur Malaysia	Malaysian
Ms. HENG, Jasmine Binh Abdullah	Jalan SS12/1 Subang Jaya 47500 Malaysia	Malaysian
Mr. WILFRED, Anthony Hubert	462 Jalan Merdeka 87029 Labuan F.T Malaysia	Malaysian
Mr. LEE, Soo Wah Clement	Lot 101375 Jalan Masai Lama Mukim Plentong 81750 Johor Bahru Malaysia	Malaysian
Mr. LAI, Siuw Hong	7 Jalan Munshi Abdullah 50100 Kuala Lumpur Malaysia	Malaysian
Mr. AU, Tat Ming Gary (歐達明)	88 Tai Kok Tsui Road Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Global Coordinators, Joint
Bookrunners, Joint Lead
Managers and Joint Sponsors
(in alphabetical order)**

Credit Suisse (Hong Kong) Limited
45/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

Morgan Stanley Asia Limited
Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

The Royal Bank of Scotland N.V., Hong Kong Branch
38/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Legal Advisors to our Company

as to Hong Kong law:

Richards Butler
in association with Reed Smith LLP
20th Floor, Alexandra House
16-20 Chater Road
Central
Hong Kong

as to U.S. law:

Reed Smith LLP
20th Floor, Alexandra House
16-20 Chater Road
Central
Hong Kong

as to Singapore law:

Lee & Lee
5 Shenton Way
#07-00 UIC Building
Singapore
068808

as to Malaysian law:

Messrs. Syed Alwi, Ng & Co
18th Floor, Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200
Kuala Lumpur
Malaysia

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

as to PRC law:

Commerce & Finance Law Offices
6th Floor, NCI Tower
A12 Jianguomenwai Avenue
Chaoyang District
Beijing
100022
PRC

as to Cayman Islands and BVI law:

Maples and Calder
53rd Floor, The Center
99 Queen's Road Central
Central
Hong Kong

*as to the title of Hong Kong properties and as to
the status of Hong Kong trademark application
no. 301599959 owned by Dorsett Hotels & Resorts
International as set out in this prospectus:*

Woo, Kwan, Lee & Lo
25/F, Jardine House
1 Connaught Place
Central
Hong Kong

Legal Advisors to the Underwriters

as to Hong Kong and U.S. law:

Paul, Hastings, Janofsky & Walker
21st and 22nd Floors, Bank of China Tower
1 Garden Road
Central
Hong Kong

as to PRC law:

Jun He Law Offices
20th Floor, China Resources Building
8 Jianguomenbei Avenue
Beijing
100005
PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Reporting Accountants

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway Road
Admiralty
Hong Kong

Property Valuers

DTZ Debenham Tie Leung Limited
16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

Raine & Horne International Zaki + Partners Sdn. Bhd.
Perpetual 99
Jalan Raja Muda
Abul Aziz
50300 Kuala Lumpur
Malaysia

Independent Market Consultant

HVS, Hong Kong Office
21/F New World Tower One
18 Queen's Road Central
Hong Kong

Receiving Bankers

The Hongkong and Shanghai Banking Corporation
Limited
1 Queen's Road Central
Hong Kong

Industrial and Commercial Bank of China (Asia)
Limited
33/F, ICBC Tower
3 Garden Road
Central
Hong Kong

CORPORATE INFORMATION

Registered office	P. O. Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Headquarter and principal place of business in Hong Kong	375 Queen's Road East Wan Chai Hong Kong
Company's website address	www.kosmohotels.com (information on this website does not form part of the prospectus)
Company secretary	Mr. MOK, Kwai Pui Bill (莫貴標), <i>HKICPA, AICPA</i>
Authorised representatives	Mr. MOK, Kwai Pui Bill (莫貴標) Block A, 2/F The Hacienda 90 Repulse Bay Road Hong Kong Mr. CHU, Chee Seng (朱志成) Apt/Block 128 Lorong Ah Soo #11-300, Singapore 530128 Singapore
Audit committee	Dr. LIU, Ngai Wing (廖毅榮) (Chairman) Mr. SHEK, Lai Him Abraham (石禮謙) Mr. TO, Peter (杜彼得)
Remuneration committee	Tan Sri Dato' David CHIU (邱達昌) (Chairman) Mr. MOK, Kwai Pui Bill (莫貴標) Mr. SHEK, Lai Him Abraham (石禮謙) Mr. TO, Peter (杜彼得) Dr. LIU, Ngai Wing (廖毅榮)
Nomination committee	Tan Sri Dato' David CHIU (邱達昌) (Chairman) Mr. CHAN, Chi Hing (陳志興) Mr. SHEK, Lai Him Abraham (石禮謙) Mr. TO, Peter (杜彼得) Dr. LIU, Ngai Wing (廖毅榮)
Business development committee	Mr. IP, Hoi Wah Edmond (葉海華) (Chairman) Mr. MOK, Kwai Pui Bill (莫貴標) Mr. CHU, Chee Seng (朱志成) Mr. YIP, Shu Kiong (葉樹強) Ms. CHIU, Wing Kwan Winnie (邱詠筠)

CORPORATE INFORMATION

Principal bankers

Hong Kong
Cathay United Bank Company, Limited
Hong Kong Branch
Suite 4706, 47th Floor
Central Plaza, 18 Harbour Road
Wanchai
Hong Kong

Citic Ka Wah Bank Limited
Hong Kong Branch
18/F, Somerset House
Taikoo Place
979 King's Road
Hong Kong

Dah Sing Bank, Limited
13/F, Island Place Tower
510 King's Road
North Point
Hong Kong

DBS Bank (Hong Kong) Limited
16/F, The Centre,
99 Queen's Road Central
Central
Hong Kong

Hang Seng Bank Limited
11/F, 83 Des Voeux Road Central
Central
Hong Kong

Nanyang Commercial Bank Limited
9/F, 151 Des Voeux Road Central
Central
Hong Kong

Public Bank (Hong Kong) Limited
Public Bank Centre, 1/F
120 Des Voeux Road C.
Central
Hong Kong

CORPORATE INFORMATION

The Hong Kong and Shanghai Banking Corporation
Limited
Level 9 HSBC Main Building
1 Queen's Road Central
Central
Hong Kong

Wing Hang Bank Limited
Unit 202, 2/F., Eastern Central Plaza
3 Yiu Hing Road
Shau Kei Wan
Hong Kong

Malaysia
Affin Islamic Bank Berhad
17th Floor, Menara Affin
80 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

Affin Bank Berhad
17th Floor, Menara Affin
80 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

OCBC Bank (Malaysia) Berhad
18th Floor, Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur
Malaysia

Public Bank Berhad
Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur
Malaysia

Singapore
The Hong Kong and Shanghai Banking Corporation
Limited
21 Collyer Quay #01-01
HSBC Building Singapore 049320

CORPORATE INFORMATION

China

Agricultural Bank of China Limited
Shanghai Fengxian Branch
1, Renmin Zhonglu
Nanqiao Town
Fengxian District
Shanghai
PRC

DBS Bank (China) Limited Guangzhou Branch
Unit 1006, Fortune Plaza West Tower
118 Ti Yu East Road
Tianhe District
Guangdong 510620
PRC

HSBC Bank (China) Company Limited
Chengdu Branch
101-201, Plaza Central
No.8, Shuncheng Street
Yanshikou
Chengdu
Sichuan 610016
PRC

Principal share registrar and transfer office

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Compliance advisor

Kingsway Capital Limited
5/F, Hutchison House
10 Harcourt Road
Central
Hong Kong

INDUSTRY AND REGULATORY OVERVIEW

Certain information and statistics relating to our industry provided in this section and elsewhere in this prospectus have been derived from official government sources. There can be no assurance that these sources have compiled such data and information on the same basis or with the same degree of accuracy or completeness as is found in other industries or other jurisdictions. Moreover, neither we nor any of our advisors, nor the Underwriter nor any of their advisors, have independently verified this information or these statistics. We make no representation as to the accuracy, completeness or fairness of such official government information.

We commissioned HVS to prepare a market research report on the hotel industry, parts of which have been extracted into this industry overview. HVS Global Hospitality Services is a global consulting and services organisation focused on the hotel, restaurant, shared ownership, gaming, and leisure industries. HVS Consulting & Valuation provides consulting, valuation and research services in the worldwide hotel industry, including market and business research, opportunity assessment, competitor analysis and competitive benchmarking, market entry and growth strategies. The amount of fees of US\$72,000 payable to HVS is not contingent on our Company's approval of its work.

Please see below for a short summary of the sources mentioned in this section:

The Economist Intelligence Unit is part of the Economist Group and is a provider of country, industry and management analysis. Founded in 1946, the Economist Intelligence Unit is a research and advisory firm with more than 40 offices worldwide and offers three kinds of business intelligence: (i) country analysis on more than 200 markets; (ii) industry trends in six key sectors; (iii) latest management strategies and best practices. It provides monthly country reports, five-year country economic forecasts, country risk service reports, industry reports, reports on the 'liveability' of the world's major cities and Quality-of-Life Index.

We have not paid any fees to the Economist Intelligence Unit, Hong Kong Tourism Board, China National Tourism Administration, Tourism Malaysia and Malaysian Valuation and Property Services Department.

Our competitors fall into two broad categories – public companies and private companies. According to HVS, international hotel chains that are publicly traded companies do not break their operating data down to specific hotels and information such as RevPAR and ARR and therefore such information is not available for specific hotels in the markets in which we operate.

As such, we are not in a position to provide specific disclosure on the RevPAR and ARR data of our competitors, and have instead provided general disclosure on industry-wide RevPAR and ARR trends as currently set out in this section.

INDUSTRY AND REGULATORY OVERVIEW

HOTEL INDUSTRY — HONG KONG

HONG KONG

As a special administrative region in China, Hong Kong maintains a strong identity as a global financial centre and popular destination for visitors from around the world.

Key Economic Indicators — Hong Kong

Economic indicators	2005	2006	2007	2008	2009	2010F	2011F	2012F
GDP growth (%)	7.1	7.0	6.4	2.1	-2.7	4.6	3.4	3.4
Personal disposable income (US\$ million).	135,288	141,506	152,693	158,009	154,963	158,005	160,882	163,855
FDI (US\$ billion).	523.2	742.4	1,177.5	816.2	858.2	908.2	951.2	996.2

Source: Economist Intelligence Unit, March 2010

Hong Kong, as one of the most open and trade-dependent economies in the world and a “gateway to China”, is likely to secure strong economic growth in the long-term. The signing of the Closer Economic Partnership Agreement (CEPA) in 2003 with mainland China allows Hong Kong to have preferential access to China’s service industries.

Hong Kong has established itself as the financial centre for capital raising in the primary markets for domestic Chinese companies. Currently, the government foresees greater integration with the Pearl River Delta economies as the biggest potential for sustained growth. With a cooling in, and a diminishing role of, construction activity, Hong Kong has the opportunity to become the service industry’s base to spur the tertiary sector in China. The Hong Kong tourism market is becoming increasingly important as visitors from China benefit from the Individual Visitation Scheme and Hong Kong’s hotels, restaurants and retail outlets are a focal point of mainland consumer spending.

Given the broad appeal of Hong Kong as a tourism destination, the majority of visitors come for multi-purpose or entirely for leisure. Vacation was the single largest purpose of visit to Hong Kong in 2009.

INDUSTRY AND REGULATORY OVERVIEW

Number of Visitors

Number of Visitors to Hong Kong — International and Mainland China

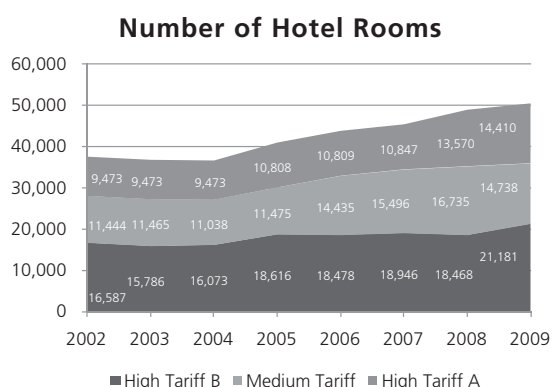
Year	International	% Change	Mainland China	% Change	Total	% Change	Overseas % Share	Mainland China % Share
2000	9,273,632	–	3,785,845	–	13,059,477	–	71.0	29.0
2001	9,276,749	0.0	4,448,583	17.5	13,725,332	5.1	67.6	32.4
2002	9,741,183	5.0	6,825,199	53.4	16,566,382	20.7	58.8	41.2
2003	7,069,628	-27.4	8,467,211	24.1	15,536,839	-6.2	45.5	54.5
2004	9,564,768	35.3	12,245,862	44.6	21,810,630	40.4	43.9	56.1
2005	10,818,017	13.1	12,541,400	2.4	23,359,417	7.1	46.3	53.7
2006	11,659,782	7.8	13,591,342	8.4	25,251,124	8.1	46.2	53.8
2007	12,683,504	8.8	15,485,789	13.9	28,169,293	11.6	45.0	55.0
2008	12,644,613	-0.3	16,862,003	8.9	29,506,616	4.7	42.9	57.1
2009	11,633,923	-8.0	17,956,731	6.5	29,590,654	0.3	39.3	60.7
Growth 2000-09	25.5%		374.3%		126.6%			
CAGR 2000-09	2.6%		18.9%		9.5%			

Source: Hong Kong Tourism Board

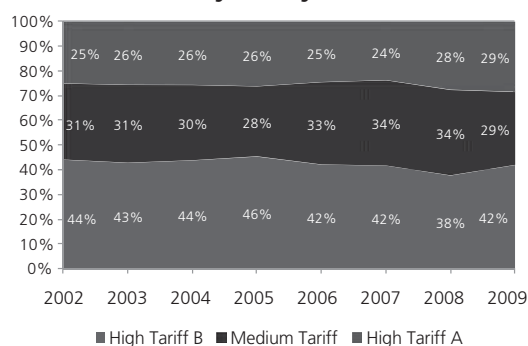
Hong Kong recorded strong growth in the number of visitors, mainly attributable to travellers from mainland China under the IVS. The number of visitors from mainland China increased nearly four-fold between 2000 and 2009. Notably the number of international visitors remained generally stable, given the mature nature of the destination as well as the onset of the financial and economic crisis in key source markets. The above visitor figures include overnight and same-day visitors.

Hotel Market

Hotel Supply in Hong Kong



Market Share Analysis (by Number of Rooms)



Source: Hong Kong Tourism Board

INDUSTRY AND REGULATORY OVERVIEW

Since 2002, High Tariff B and Medium Tariff Hong Kong hotels registered a moderate increase in supply, at a CAGR of 3.6% and 3.7%, respectively, compared with 6.2% in High Tariff A Hong Kong hotels.

In terms of market share by number of rooms, High Tariff B Hong Kong hotels accounted for 42% and Medium Tariff Hong Kong hotels for 29% of the total inventory in 2009, a decrease from 44% and 31% in 2002, respectively.

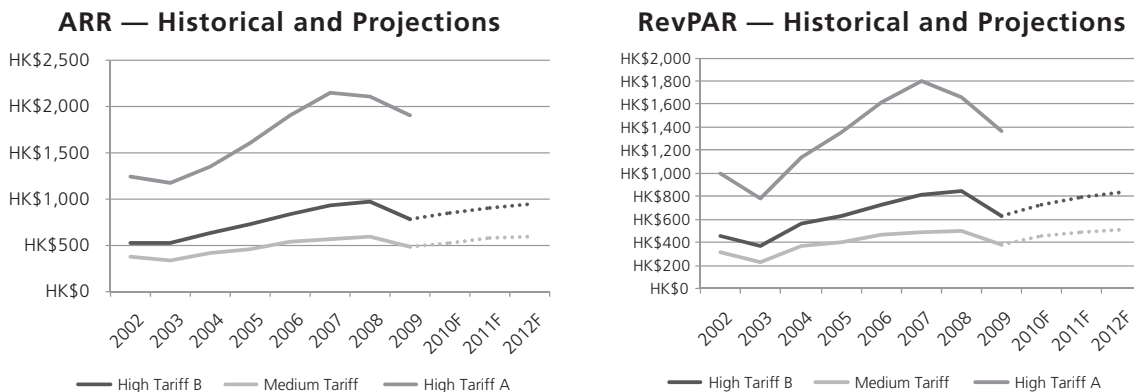
Occupancy

The Hong Kong hotel market benefitted from very high occupancy levels between 2004 and 2007. With the onset of the global financial crisis and the outbreak of H1N1, occupancy levels declined by late 2008 for high-end hotels and by 2009 for the general market. High Tariff B and Medium Tariff hotels registered comparable occupancy trends.

Hong Kong remains one of the most resilient hotel markets in the world with exceptionally high occupancy levels and HVS forecasts a recovery to historical levels by 2012.

In terms of actual market share (by accommodated room nights). High Tariff B hotels registered an increasing market share by accommodated room nights in 2009, mainly attributable to an increase in supply.

ARR and RevPAR



Source: Hong Kong Tourism Board, HVS

The High Tariff B category recorded the strongest growth in average rate between 2002 and 2009 at a CAGR of 5.8%.

RevPAR experienced rapid growth between 2003 and 2007, following the outbreak of severe acute respiratory syndrome, or SARS and benefitting from the global economic expansion. The downward trend in 2009 affected High Tariff A category the most, indicating higher volatility than High Tariff B hotels and Medium Tariff hotels.

INDUSTRY AND REGULATORY OVERVIEW

New Hotel Supply in Hong Kong

Following a period of limited supply growth, Hong Kong expects an increase of 59 hotels and approximately 10,000 rooms between 2010 and 2013. HVS anticipates that the majority of the new hotels and rooms supplied to be oriented towards the High Tariff A and High Tariff B category.

Operating Performance

Gross Operating Profit Margins — Hong Kong Hotels

	2006–2009
High Tariff B	52%–62%
Medium Tariff	48%–60%

Source: HVS

The gross operating profit margins for High Tariff B and Medium Tariff Hong Kong Hotels are forecast to be 54%-60% and 45%-55% in 2010-2012, respectively, compared to 52%-62% and 48%-60% in 2006-2009, respectively.

The number of high-spending PRC visitors continues to grow as more frequent travel is permitted and becomes affordable. Visitors to Hong Kong is composed of a well-rounded mix of corporate, MICE and leisure visitors.

Hong Kong historically enjoyed very healthy occupancy levels in its hotel market; a trend that is anticipated to continue, especially in the High Tariff B and Medium Tariff categories. The forecast of ARR and RevPAR performance for High Tariff B and Medium Tariff Hong Kong hotels also shows solid growth.

HOTEL INDUSTRY — CHINA

CHINA

Key Economic Indicators — China

Economic indicators	2005	2006	2007	2008	2009	2010F
GDP Growth (%)	10.4	11.7	13.0	9.6	8.7	9.6
Personal Disposable Income (US\$ billion)	1,016	1,183	1,472	1,872	2,109	2,397
FDI (US\$ billion)	272.1	292.6	327.1	474.9	576.1	684.8

Source: Economist Intelligence Unit, March 2010

INDUSTRY AND REGULATORY OVERVIEW

China's economic development can be characterised by high growth of GDP, low inflation and continuous fast-growing inflows of foreign direct investment. Since the adoption of the open reform policy in the 1980s, the Chinese economy has grown rapidly. Led by three main industries, especially the secondary industry, and driven by the rapid expansion of foreign trade export and strong fixed asset investment, China's GDP experienced high single-digit to double-digit growth between 2005 and 2009.

For international visitors, sightseeing and leisure remain the most popular purposes for visits to China, followed by meetings and business, driven by a wide range of cultural, natural, and metropolitan treasures and a vibrant economy.

Visitor Arrivals

Number of Visitors to China¹ — International and Domestic

Year	International	% Change	Mainland China	% Change	Total	% Change	Overseas % Share	Mainland % Share
2000	10,160,400	-	744,000,000	-	754,160,400	-	1.3	98.7
2001	11,226,400	10.5	784,000,000	5.4	795,226,400	5.4	1.4	98.6
2002	13,439,500	19.7	878,000,000	12.0	891,439,500	12.1	1.5	98.5
2003	11,402,855	-15.2	870,458,136	-0.9	881,860,991	-1.1	1.3	98.7
2004	16,932,506	48.5	1,102,000,000	26.6	1,118,932,506	26.9	1.5	98.5
2005	20,255,100	19.6	1,212,000,000	10.0	1,232,255,100	10.1	1.6	98.4
2006	22,210,300	9.7	1,394,000,000	15.0	1,416,210,300	14.9	1.6	98.4
2007	26,109,700	17.6	1,610,000,000	15.5	1,636,109,700	15.5	1.6	98.4
2008	24,325,337	-6.8	1,710,000,000	6.2	1,734,325,337	6.0	1.4	98.6
2009	21,937,500	-9.8	1,900,000,000	11.1	1,921,937,500	10.8	1.1	98.9
Growth 2000-09 ...	115.9%		155.4%		154.8%			
CAGR 2000-09		8.9%		11.0%		11.0%		

Note:

1 Excluding Hong Kong, Macau and Taiwan

Source: China National Tourism Administration

China registered impressive growth in visitor arrivals, both internationally and domestically with compound average growth rates at 8.9% and 11.0%, respectively, underline the dynamic character of this emerging market. The number of international visitors are generally more volatile, as they are linked to the global economy and visa restrictions. As a result, the setback in the number of domestic visitors during SARS in 2003 was less severe as compared to the number of international visitors. A similar trend can be observed in 2008 and 2009 with the impact of the financial crisis.

The number of international visitors is expected to recover in the near term, driven by the Shanghai Expo and improving regional demand. Long haul markets are still recovering from the financial crisis and are expected to face a longer recovery period. Many companies have relocated staff to Asia from Europe or North America, which also drives regional demand.

INDUSTRY AND REGULATORY OVERVIEW

Hotel Market

Hotel Supply in China

The star-rated hotel room inventory in China approached 1.6 million in 2008. The compound annual growth observed over the period reviewed is highest among four-star hotels, at 17.1%, followed by five-star hotels, at 15.9%; one- to three-star hotels experienced 7.5% growth. HVS anticipates the four- and five-star segments to continue to gain market share in the medium term.

Hotel Performance in China

Given the strong economic growth in China and positive signals from market participants, HVS forecasts occupancy levels to recover in the short-term. Given the severity of the downturn and significant increase in supply in the five-star category, it is expected that the five-star category will experience a longer recovery period. Meanwhile, four-star hotels will show resilience.

In terms of ARR, HVS projects modest growth, given operators' priority to rebuild occupancy levels.

As compared to the peak level in 2005, RevPAR levels in the five- and four-star hotel segments experienced a decline until 2008, which is attributable to increases in supply in excess of demand. RevPAR projections indicate a recovery by 2012 in the four- and five-star hotel categories to the performance levels recorded in 2007.

Operating Performance

Gross Operating Profit Margins — China Hotels

Category	2006–2009
Five-star hotels.....	40%–48%
Four-star hotels.....	28%–36%

Source: HVS

HOTEL INDUSTRY RESEARCH — SHANGHAI

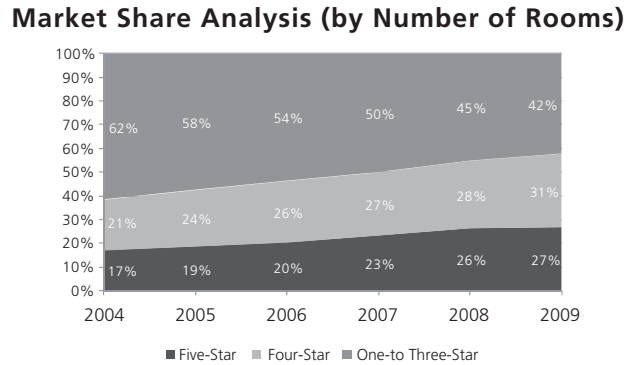
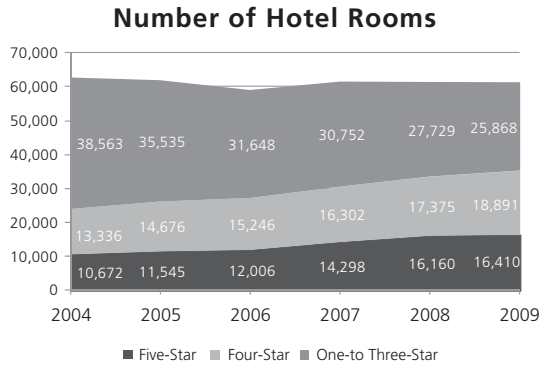
Shanghai remains China's highest performing hotel market. With a mix of high-profile domestic and international demand, high quality hotels and diverse urban attractions, the city continues to command a premium over the majority of its peers.

Number of Visitors

Although the majority of visitors to Shanghai are from the domestic market, the rapid growth in the number of international visitors underlines the popularity of the city as a destination for both leisure and business. The number of international visitors registered a CAGR of 14.8% between 2000 and 2009 and accounted for 4.8% of total visitor arrivals in 2009.

Hotel Market

Hotel Supply in Shanghai



Source: China National Tourism Administration, HVS

The star-rated hotel room inventory in Shanghai was approximately 61,169 rooms in 2009. As the number of rooms in the one- to three-star categories decreased, mainly due to redevelopment, Shanghai reoriented its supply towards the higher end of the market, further supported by the construction boom across the city.

In terms of market share by number of rooms, five-star hotels recorded a 27% and four-star hotels a 31% share in 2009, up from 17% and 21% in 2004, respectively.

Occupancy

The five-star hotel category posted improving occupancy performance between 2004 and 2007. However, given the onset of the financial crisis, increasing supply and travel restrictions, occupancy levels decreased in 2008 and 2009.

In terms of actual market share (by accommodated room nights), the five-star hotel category registered the most significant increase followed by the four-star hotel category.

ARR and RevPAR

In terms of ARR, both five- and four-star hotel categories are projected to remain stable with occupancy steadily increasing.

RevPAR levels have declined in the five- and four-star hotel category from 2005 to 2009 as supplies increased.

INDUSTRY AND REGULATORY OVERVIEW

New Hotel Supply in Shanghai

As a result of the strong hotel market performance in 2005 and 2006 and World Expo 2010 in Shanghai, hotel development experienced increased activity. This trend is expected to continue into the foreseeable future with the addition of 55 hotels and more than 14,000 rooms by the end of 2011, equating to an increase of 23%. The majority of this inventory will enter the market in the four- and five-star hotel categories.

Shanghai is home to China's most important hotel market. Supply in the city is focused more on high-end hotels. Forecasts indicate growth in four- and five-star hotel occupancy rates as new supply is absorbed by the market.

HOTEL INDUSTRY RESEARCH — CHENGDU

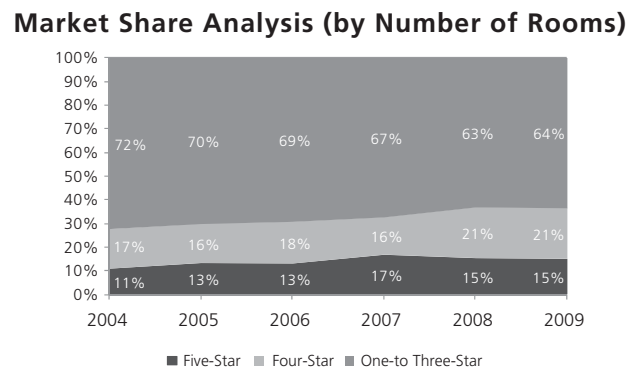
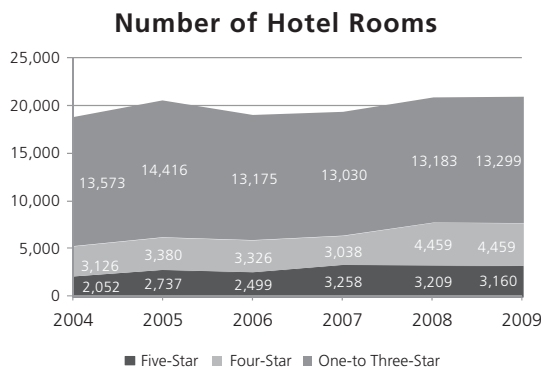
As one of two key cities in China's western provinces, Chengdu is benefitting from strong growth in business activity and a diverse cultural and natural environment.

Visitor Arrivals

Although the majority of visitor arrivals to Chengdu are from the domestic market, growth in the number of international visitors underlines the popularity of the city as a destination for both leisure and business. The number of international visitors registered a CAGR of 10.7% between 2000 and 2009, yet accounted for only 1.2% of total visitors in 2009. The number of visitors experienced a decrease in 2008 as a result of the Sichuan earthquake followed by a strong recovery in 2009. HVS anticipates a full recovery of international visitation to levels registered in 2007 within the short-term.

Hotel Market

Hotel Supply in Chengdu



Source: China National Tourism Administration, HVS

The star-rated hotel room inventory in Chengdu was approximately 20,918 rooms in 2009. Supply in the five- and four-star hotel categories experienced a CAGR of 9.0% and 7.4%, respectively, compared to a generally stable supply in the one- to three-star hotel categories.

INDUSTRY AND REGULATORY OVERVIEW

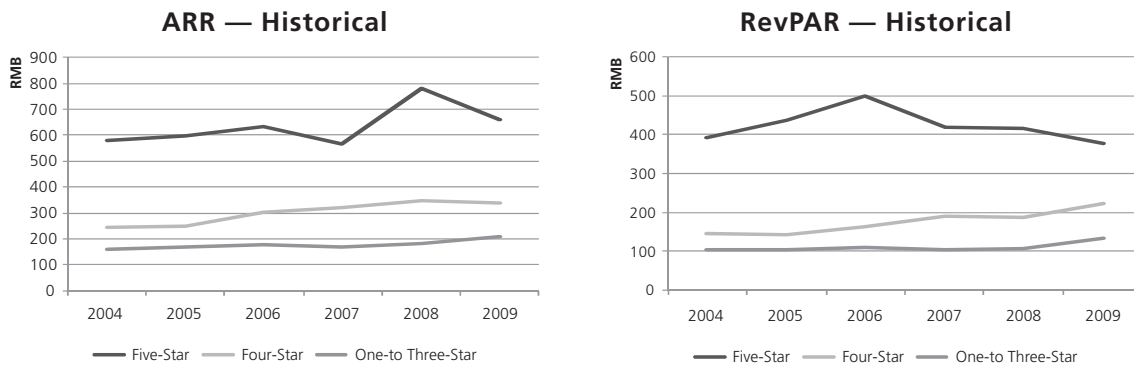
Occupancy

Five-star hotels registered rising occupancy levels between 2004 and 2006 driven by strong demand fundamentals. The entry of new supply into the market, exacerbated by the Sichuan earthquake, resulted in poor occupancy performance in 2008 and modest recovery in 2009. Occupancy levels in the four-star hotel category were among the lowest until 2009, when four-star hotels registered the highest occupancy in the market.

As the majority of new supply is forecast to enter the market in the four-star hotel category, HVS forecasts a moderation in occupancy levels. Occupancy for five-star hotels is forecast to recover and stabilise in the short-term as several new properties will enter the market in this category.

In terms of actual market share (by accommodated room nights), the four-star hotel segment registered the most significant increase, from 15% in 2004 to 22% in 2009. The five-star hotel segment lost earlier gains in market share between 2007 and 2009, from 19% to 14%. As a result of a strong increase in four-star hotels, HVS anticipates a continuing increase in market share. The five-star hotel category is expected to register more moderate growth attributable to a smaller pipeline.

ARR and RevPAR



Source: China National Tourism Administration, HVS

Marketwide ARR for four-star hotels increased modestly over the period observed, from RMB221 in 2004 to RMB301 in 2009. The five-star segment posted a considerable price premium over the four-star hotel category throughout the period observed.

From their peaks in 2006, RevPAR levels in the five-star hotel category declined until 2009; the four-star hotel category exhibits an opposing trend, with RevPAR continuously improving.

New Hotel Supply in Chengdu

Chengdu registered a relatively limited hotel supply in 2009, although ten new hotels are set to open providing approximately an additional 3,000 rooms between 2010 and 2011, equivalent to an increase of 14% over the total supply for the two-year period. However, the majority of supply is expected in the four-star hotel category and only limited supply in the five-star hotel category.

Four and five-star hotels are forecast to increase their market share. While new supply is mainly going to enter the market in the four-star hotel category, five-star hotels are forecast by HVS to enjoy better performance as international visitation increases.

INDUSTRY AND REGULATORY OVERVIEW

HOTEL MARKET RESEARCH — WUHAN

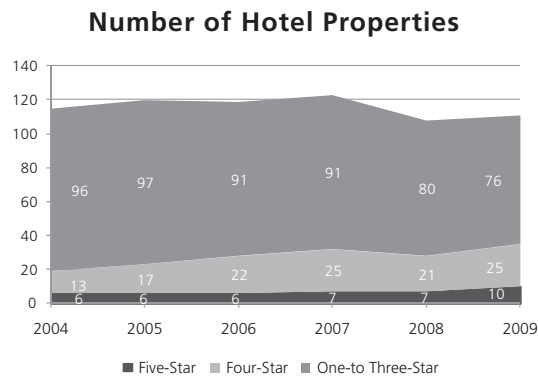
As the key city in central China, Wuhan is benefitting from its role as the political, economic, financial, cultural, educational and transportation centre in the region.

Number of Visitors

Although the vast majority of the visitors to Wuhan are from the domestic market, the number of international visitors grew in tandem. The number of domestic visitors was estimated at approximately 63.6 million in 2009, or 99.0% of the total number of visitors. In line with historic trends, HVS anticipates a continuation of the healthy growth trend in the number of visitors, both internationally and domestically.

Hotel Market

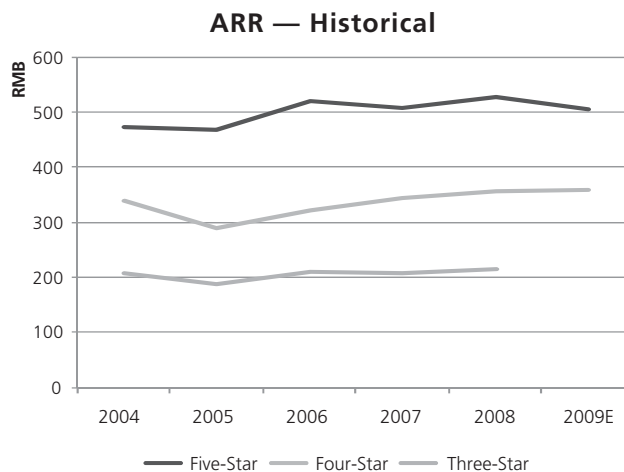
Hotel Supply in Wuhan



Source: China National Tourism Administration, HVS

The Wuhan hotel portfolio consists of 111 hotels in 2009. The number of five-star hotels increased from six to ten and the number of four-star hotels from 13 to 25 from 2004 to 2009, respectively.

ARR



Source: China National Tourism Administration, HVS

INDUSTRY AND REGULATORY OVERVIEW

Both the five- and four-star hotel categories registered generally stable trends in ARR between 2004 and 2009, and forecast to remain stable.

New Hotel Supply in Wuhan

As an area identified for future economic development and growth by the central government, Wuhan enjoyed increased property development activity, including hotels. In 2010 and 2011 alone, 13 new properties with around 2,500 rooms will enter the market. The majority of the new inventory is forecast to be in the five- and four-star hotel categories and will be situated in new districts where there is a lack of supply in quality hotels.

Wuhan's economy features a good mix of domestic and international corporations with a strong foundation in the auto industry. As the new supply is being absorbed in the new district, HVS anticipates marketwide performance to stabilise going forward.

HOTEL INDUSTRY — MALAYSIA

MALAYSIA

Malaysia benefits from an emerging economy backed by a robust manufacturing and trade sector and further has a high biodiversity, appealing to tourists.

Key Economic Indicators — Malaysia

Economic Indicator	2005	2006	2007	2008	2009
GDP Growth (%)	5.3	5.8	6.2	4.6	-1.7
Personal Disposable Income (US\$ million)	68,130	74,251	87,067	100,236	96,039
FDI (US\$ billion)	44.5	53.8	76.7	84.1	88.2

Source: Economist Intelligence Unit, March 2010

In June 2009, Malaysia was jointly ranked in 10th position, with Sweden and Vietnam, as part of the Servcorp International Business Survey of countries perceived to have the ability to survive the global financial crisis the best. In general, Malaysia has remained relatively resilient to the global financial crisis as compared to most countries. Recent indicators and statistics also imply that Malaysia is likely to be on a speedier rebound post-crisis.

Leisure was the dominant purpose for visits to Malaysia in 2009, amounting to 77% of the total visits.

INDUSTRY AND REGULATORY OVERVIEW

Number of Visitors

Number of Visitors to Malaysia — International and Domestic

Year	International	% Change	Domestic	% Change	Total	% Change	International Share
2004	20,009,307	–	27,789,756	–	47,799,063	–	41.9
2005	21,438,462	7.1	29,926,418	7.7	51,364,880	7.5	41.7
2006	22,457,333	4.8	31,900,491	6.6	54,357,824	5.8	41.3
2007	25,394,612	13.1	36,253,589	13.6	61,648,201	13.4	41.2
2008	28,275,844	11.3	40,610,310	12.0	68,886,154	11.7	41.0
2009	28,443,149	0.6	32,920,247	-18.9	61,363,396	-10.9	46.4
Growth 2004-09.	42.1%		18.5%		28.4%		
CAGR 2004-09...		7.3%		3.4%		5.1%	

Source: Tourism Malaysia, HVS

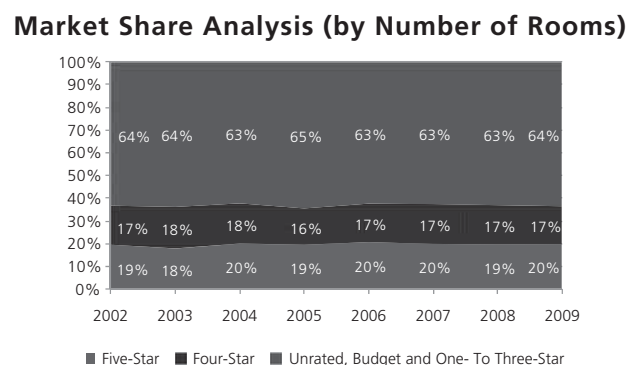
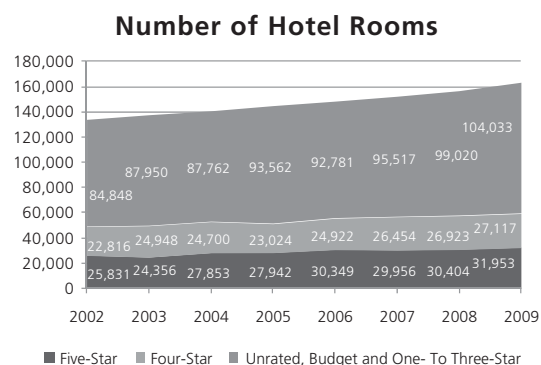
The number of international visitors to Malaysia registered healthy growth between 2004 and 2009, at a CAGR of 7.3%. Throughout the global financial crisis, the number of visitors to Malaysia continued to grow, attributable to an aggressive marketing campaign and political turmoil in alternative destinations. HVS anticipates moderate visitor arrival growth in the short term.

Singapore is the main source market for international visitors to Malaysia, which includes numerous same-day visitors. China is the second largest source market.

HVS anticipates demand from Asia, especially Mainland China and the Middle East to be key drivers of the number of international visitors in the medium term, and a recovery of the number of domestic visitors in the short term and moderate growth from international source markets.

Hotel Market

Hotel Supply in Malaysia



Source: Malaysian Valuation and Property Services Department, HVS

INDUSTRY AND REGULATORY OVERVIEW

The hotel room inventory in Malaysia exceeded 160,000 in 2009. Between 2002 and 2009, nationwide supply registered only moderate growth, at a CAGR of 2.9%, with little deviation across categories.

In terms of market share by number of rooms, five-star hotels accounted for 20% and four-star hotels for 17% of the total inventory in 2009. We anticipate the market share breakdown to be stable going forward.

Hotel Performance in Malaysia

Between 2002 and 2009, occupancy levels for five-, four- and three-star hotels in Malaysia exhibited stable trends. The majority of hotels enjoyed healthy occupancy levels post-SARS.

We have been informed by HVS that no information is available regarding RevPAR and ARR in Malaysia.

Malaysia is forecast to remain a popular tourist destination. Based on its emerging economic status, HVS foresees a recovery in occupancy levels. The main driver of the recovery is expected to be domestic demand, which is forecast to be in line with historical levels in the short term. The rebound in domestic visitor arrivals is anticipated to drive occupancy levels at both four- and five-star hotels.

Operating Performance

Gross Operating Profit Margins — Malaysia Hotels

	2006–2009
Four-star hotel	28%–38%
Five-star hotel.....	36%–46%

Source: HVS

Malaysia's economy has been relatively resilient in the face of the global recession driven by a diversified economy – manufacturing, natural resources, IT and Islamic finance. With the development of appropriate facilities and infrastructure, MICE demand has become increasingly important. At the same time Malaysia enjoys healthy visitation from leisure travellers. Historically, performance of four- and five-star hotels has been relatively stable and is forecast to remain resilient.

INDUSTRY AND REGULATORY OVERVIEW

HOTEL INDUSTRY RESEARCH — GREATER KUALA LUMPUR

Greater Kuala Lumpur (“Kuala Lumpur”) is the heart of Malaysia and with a population of 7.2 million it is the fastest growing metropolitan region in the country, in terms of population as well as economy.

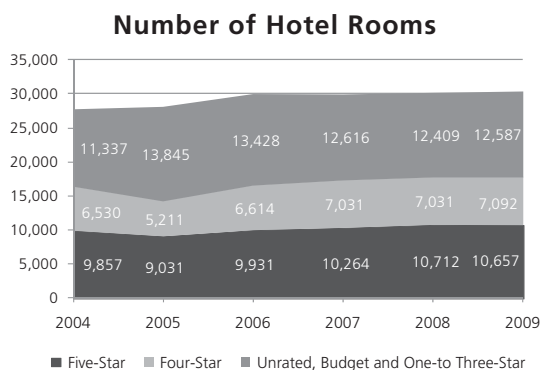
Number of Visitors

The majority of visitors to Kuala Lumpur are from the international market. The number of domestic visitors remains volatile and susceptible to external forces. Growth in the number of international visitors generally slowed over the period reviewed. The number of visitors in 2009 was approximately 15.74 million, a decrease of 4.0% from 2008. HVS anticipates a robust recovery of the number of visitors in the short-term as domestic demand rebounds.

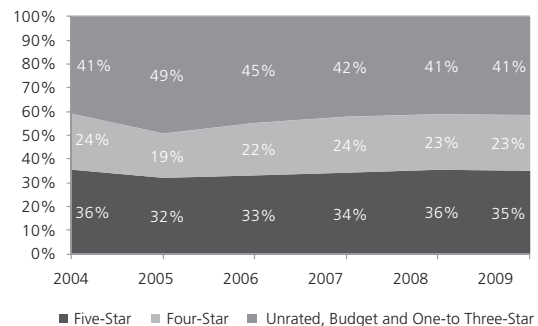
As the capital of Malaysia and the country’s largest city, Kuala Lumpur has an edge over most of its domestic rivals. Given its good connectivity by air, rail, sea and road transportation, Kuala Lumpur has also become a key tourism destination, accounting for more than one third of the number of visitors to the country. As a regional shopping centre, tourism has become one of the key sectors of the local economy. Business, finance and urban tourism are expected to be the main drivers of growth in the short-to-medium term.

Hotel Market

Hotel Supply in Kuala Lumpur



Market Share Analysis (by Number of Rooms)



Source: Malaysian Valuation and Property Services Department, HVS

The total hotel room supply in Kuala Lumpur was approximately 30,336 rooms in 2009. The CAGR for marketwide supply between 2004 and 2009 registered 1.8% with limited deviation across categories.

In terms of market share by number of rooms, five-star hotels accounted for 35% and four-star hotels for 23% of total inventory in 2009. In general, market share ratios remained stable over the period reviewed, given limited growth in supply.

Hotel Performance in Kuala Lumpur

We anticipate a recovery in domestic demand in the short term which will help to support occupancy levels.

INDUSTRY AND REGULATORY OVERVIEW

New Hotel Supply in Kuala Lumpur

HVS anticipates supply to be absorbed by the market as domestic demand recovers and international demand continues to grow, thus maintaining relatively healthy occupancy levels going forward.

Greater Kuala Lumpur is home to Malaysia's most significant economy with strong growth levels. As the nation's capital and most populous city, Kuala Lumpur has established itself as a key business and leisure destination. The local hotel market in Greater Kuala Lumpur registered stable performance historically and is forecast by HVS to continue this trend.

Development of Boutique Hotels

Over the recent past a new trend emerged in the hotel industry. New hotels are more and more often characterised by a niche positioning that targets a certain consumer type, with design features often a strong component. There are four concepts: boutique hotel, themed hotel, lifestyle hotel and design hotel which tend to overlap and have soft boundaries.

In general, boutique hotels compete with traditional brands by featuring a differentiated product and creating brand awareness at the property level. These boutique hotels generally appeal to experienced and frequent travellers that have evolved from the standard hotel experience and are looking for new inspiration and distinct experiences. Boutique hotels typically drives premium pricing by its distinct design, small scale and have a very high service standard, rivalling luxury hotels in their own way.

In Asia, boutique hotels first caught on in Hong Kong and Shanghai. Several attempts have been made to apply these new concepts in other markets with varying degrees of success, as several success factors come into play, including the following:

- (1) location;
- (2) contemporary design;
- (3) distribution; and
- (4) service quality and management

In terms of competition, the boutique segment has carved out customers from the existing mainstream brands by offering an alternative lifestyle proposition. Although there are other boutique hotels in Hong Kong and the PRC, the Company does not necessarily directly compete with them as each boutique hotel has a very different 'lifestyle' offering. At this point, the boutique segment is not a mature segment and customer demand is correlated to the overall market including mainstream brands.

INDUSTRY AND REGULATORY OVERVIEW

Conclusion

Boutique, lifestyle and design hotels are generally conceptualised to obtain a price premium given their perceived value in differentiation and strong locations. As a result of their smaller size, boutique hotels cater more to the market of free independent travellers (FIT) and generally have faster construction and conversion times compared to hotels of similar quality.

According to HVS, demand and opportunities do exist for boutique, lifestyle and design hotels in key cities in Asia. Well executed, a chain that identifies its positioning properly and is attuned to the needs and wants of that customer segment that is seeking out the distinct experience needs to scale and grow with this type of consumer.

HOTEL INDUSTRY — SINGAPORE

Please see the section headed “Business — Competition” in this prospectus for further information.

REGULATORY OVERVIEW OF THE HONG KONG HOTEL INDUSTRY

(a) Hotel and Guesthouse Licence

A hotel and guesthouse licence is a document issued by the Hotel and Guesthouse Accommodation Authority, Home Affairs Department, the only licencing authority to grant Hotel and Guesthouse Licences, which processes all applications for new licences for hotels and guesthouses, their renewal as well as their transfer, under the provisions of the Hotel and Guesthouse Accommodation Ordinance. Based on our enquiries, there is only one type of licence that will be issued by the Hotel and Guesthouse Accommodation Authority of the Home Affairs Department, which is the Hotel and Guesthouse Accommodation Licence.

According to the Hotel and Guesthouse Accommodation Ordinance, a “hotel” and “guesthouse” means any premises being held out in which sleeping accommodation is provided for any person presenting himself who appears able and willing to pay a reasonable sum for the services and facilities provided for a period of less than 28 continuous days. In the Ordinance, “hotel” and “guesthouse” have the same definitions. All new establishments must apply for a licence from the Hotel and Guesthouse Accommodation Authority before commencing operation, provided no certificate of exemption has been issued. In applying for a licence under section 8 of the Hotel and Guesthouse Accommodation Ordinance, an applicant first completes an application form (Form HAD 133) and submits the original and one copy to the Authority (as defined in the Hotel and Guesthouse Accommodation Ordinance) together with the necessary supporting documents.

On receipt of the application, the Authority will contact the applicant for inspection of the premises. The Authority will then issue a letter listing all required upgrading works, enclosing a “Report of Completion” Form. Upon completion of all the works, the applicant must complete the “Report of Completion” and return it to the Authority together with all the certificates and relevant documentation. Upon receipt of the Report of Completion, the Authority will contact the applicant for a final inspection of the premises. Subject to the results of a satisfactory inspection, a licence will be issued. It is the Company’s experience that, if processed quickly, a licence can be obtained in about two to three months. For the hotels located in Hong Kong belonging to the Group, our licence applications have generally taken between three to five months.

When all works are completed to the satisfaction of the Authority and all required certificates and documents have been checked to be in order, the Authority will notify the applicant for payment of the prescribed fee and collection of the licence. The licences are subject to renewal upon their expiration and the validity period of such licences range from 12 to 84 months. A holder of a licence should apply for a renewal not less than three months prior to the expiry of the licence. It is the responsibility of the applicant to ensure that their premises complies with the lease conditions, deed of mutual covenant and other regulations or laws of Hong Kong.

INDUSTRY AND REGULATORY OVERVIEW

As at the Latest Practicable Date, each of our eight hotels currently in operation in Hong Kong has obtained a hotel and guesthouse licence as required under the Hotel and Guesthouse Accommodation Ordinance, save for our Lan Kwai Fong Hotel @ Kau U Fong, which we have submitted an application for, but have not received, a renewed hotel licence, prior to the expiration of its previous hotel licence. We have been advised by our legal advisor as to Hong Kong title issues that under the Hotel and Guesthouse Accommodation Ordinance, if the application for renewal of a hotel licence is made before the expiry of the hotel licence and the hotel licence expires prior to the determination of such application, unless such application is withdrawn, or the hotel licence is cancelled or suspended by the Hotel and Guesthouse Accommodation Authority, the hotel licence shall remain in effect, as if the hotel licence had not been expired, until the determination by the relevant government authority of such application.

(b) Building Authority

The Building Authority is the Director of Buildings under the Buildings Ordinance, which heads the Buildings Department. The Buildings Department is responsible for the enforcement of the Buildings Ordinance and conducts various roles and functions, including, but not limited to, considering and approving the alteration and addition of works for existing buildings, scrutinizing and approving building plans, carrying out audit checks on construction works, monitoring the site safety and issuing occupation permits upon completion of new buildings.

An occupation permit is a document issued by the Building Authority under the provisions of the Buildings Ordinance and stipulates the designated use of the property. It may be issued in respect of the whole or part of a new building. If any material change is intended to be made to the use of the premises which would contravene the designated use specified in the occupation permit, one month's notice must be given to the Building Authority of the intended change and the Building Authority may prohibit such change of use where, in its opinion, the building is not suitable by reason of its construction for the intended use. The occupation permit is important because it will confirm that the statutory requirements of the Buildings Ordinance have been complied with and will also show the permitted use of the building. It must be produced by the vendor to prove title. All our hotels in Hong Kong which are under operation have received an occupation permit.

As at the Latest Practicable Date, we owned and operated eight hotels in Hong Kong. Of our eight operating hotels in Hong Kong, four of our hotels were converted from commercial or residential buildings, namely, Cosmopolitan Hotel, Cosmo Hotel, Central Park Hotel and Dorsett Far East Hotel, as further described below:

- (i) Cosmopolitan Hotel was converted from office use into hotel use in accordance with alteration and addition plans approved by the Building Authority on 9 December 2002.
- (ii) Cosmo Hotel was converted from office use into hotel use in accordance with the alteration and addition plans approved by the Building Authority on 9 March 2005.
- (iii) The conversion of office use to hotel use of Central Park Hotel involved non-structural works under section 41(3) of the Buildings Ordinance. The Building Authority confirmed on 14 May 2004 that the change of use from office to hotel only required the approval of the Hotel and Guesthouse Accommodation Authority of the Home Affairs Department which granted the Hotel and Guesthouse Licence to Central Park Hotel.
- (iv) Dorsett Far East Hotel was converted from residential and commercial use into hotel use in accordance with the alteration and addition plans approved by the Building Authority on 12 September 2006.

INDUSTRY AND REGULATORY OVERVIEW

Of our remaining four operating hotels in Hong Kong, three hotels, namely, Lan Kwai Fong Hotel @ Kau U Fong, Dorsett Kowloon Hotel and Cosmo Kowloon, in Hong Kong obtained the relevant licences from the Building Authority for the demolition and subsequent construction of the hotel. Lastly, Dorsett Seaview Hotel was acquired as an existing hotel and as such no Building Authority approval was required.

For our hotels under development in Hong Kong, the occupation permit and relevant licences will be obtained prior to commencement of business.

(c) Food and Beverage

A general restaurant licence or light refreshment licence is a document issued by the Food and Environmental Hygiene Department depending on the type of food served on the premises. All food and beverage providers must apply for a licence from the Food and Environmental Hygiene Department before providing food and beverages to the public. A provisional licence, which is valid for six months, will be issued to enable licensees to operate their restaurant on a provision basis following certification of compliance of essential requirements, pending the issue of a full licence.

A liquor licence is a document issued by the Liquor Licensing Board. An individual must apply for a liquor licence from the Liquor Licensing Board before serving alcohol in their establishment, the Liquor Licensing Board will only consider granting a liquor licence upon obtaining a general restaurant licence or light refreshment licence. Liquor licences are generally valid for one year. Licences are subject to renewal upon their expiration. A holder of a licence should apply for renewal not more than three months and not less than two months prior to the expiry of the liquor licence.

(d) Deed of Mutual Covenant and Multi-storey Buildings

In Hong Kong, multi-storey buildings are extremely common. The Hong Kong government does not issue a separate government lease for each unit in a multi-storey building. Generally, a document called a "deed of mutual covenant" notionally divides the building and land granted under the government lease or conditions of grant into a number of equal undivided shares. The owners of units in such a building own collectively both the land and the building on it. The land and building are held by the co-owners as tenants in common in the proportion of these undivided. The deed of mutual covenant contains the co-owners' agreement as to the manner of regulating their co-ownership of the land and building and the effective maintenance and management of the building. Under a deed of mutual covenant, each co-owner is allocated a number of shares which entitles that co-owner to the exclusive use and occupation of the co-owner's unit(s) to the exclusion of other co-owners, and gives each co-owner certain rights and obligations in relation to the use, maintenance and repair of the common parts and facilities of the building(s), to which each co-owner is bound to contribute a proportionate share of the associated costs and expenses by reference to the undivided shares or management shares allocated to its unit(s).

(e) Hotel Television (Transmission) Licence

A hotel television (transmission) licence is a document issued by the Office of Telecommunications Authority under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong). A person is required to obtain a telecommunications licence to establish or maintain a means of telecommunication. The person who wants to establish and maintain a telecommunications system for the provision of television entertainment and information services within a hotel is required to apply for a hotel television (transmission) licence. Only hotels licenced by the Office of Licensing Authority under the Hotel and Guesthouse Accommodation Ordinance will be considered by the Telecommunications Authority for the issue of a hotel television (transmission) licence.

REGULATORY OVERVIEW OF THE PRC HOTEL INDUSTRY

The hotel industry in China is subject to a number of laws and regulations, including laws and regulations relating specifically to hotel operation and management as well as those relating to environmental and consumer protection. The principal regulation governing foreign ownership of hotel businesses in the PRC is the Foreign Investment Industrial Guidance Catalogue (外商投資產業指導目錄), which came into effect as of December 1, 2007. Under this regulation, the construction and operation of top-grade hotels is categorised under the restricted foreign investment industry, and the remaining types of hotel businesses not mentioned in this regulation are permitted for foreign investment. There are no regulatory ceilings on room rates in China. The market-based pricing is permissible for the hotel industry and room rates may be determined at the sole discretion of hotel management. As compared to other industries in China, the regulation of the hotel industry in China is still developing and evolving. As a result, most legislative action has consisted of general measures such as industry standards, rules or circulars issued by different ministries rather than detailed legislation. Many of these standards, rules and circulars date from the late 1990's, and it is expected that they may be amended, revised or expanded in the coming years as the hotel industry in China matures. This section summarises the principal PRC regulations currently relevant to our business and operations.

(a) Hotel Operation

In November 1987, the Ministry of Public Security (公安部) issued the Measures for the Control of Security in the Hotel Industry (旅館業治安管理办法), and in June 2004, the State Council (國務院) promulgated Decision of the State Council on Establishing Administrative License for the Administrative Examination and Approval Items Really Necessary To Be Retained (國務院對確需保留的行政審批項目設定行政許可的決定). According to the regulations above, operators engaging in the hotel operation business are subject to the examination and approval by the local public security bureau and shall obtain a Special Trade Licence (特種行業許可証) for hotel operation.

The Measures for the Control of Security in the Hotel Industry impose certain security control obligations on the operators. For example, the hotel must examine the identification card of any guest to whom accommodation is provided and is required to duly register the guest. The hotel must also report to the local public security authority if it discovers anyone violating the law, behaving suspiciously or an offender wanted by the public security authority.

In April 1987, the State Council (國務院) promulgated the Public Area Hygiene Administration Regulations (公共場所衛生管理條例), according to which, a hotel must obtain a public area hygiene licence before opening for business. In February 2009, China adopted the PRC Law on Food Safety (中華人民共和國食品安全法), according to which any hotel that provides food must obtain a food distribution licence. In April 1998, the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) enacted the Fire Prevention Law (中華人民共和國消防法), which was amended in October 2008. The Fire Prevention Law (中華人民共和國消防法) requires that public gathering places, including hotels, pass a fire prevention safety inspection by the local public security fire-fighting department prior to the commencement of business. In January 2006, the State Council (國務院) promulgated the Regulations for Administration of Entertainment Places (娛樂場所管理條例), and in March 2006, the Ministry of Culture (文化部) issued the Circular on Carrying out the Regulations for Administration of Entertainment Places (關於貫徹《娛樂場所管理條例》的通知), under these regulations, hotels that provide entertainment facilities, such as discos or ballrooms, are required to obtain a licence for entertainment business operations. The above regulations also set forth obligations concerning public security, hygiene, fire prevention, and other

INDUSTRY AND REGULATORY OVERVIEW

standards relating to the operation of public facilities. The relevant administrative authorities may impose penalties and even shut down hotels that violate the provisions.

In 2003, the National Tourist Administration (國家旅遊局), promulgated the Standards on the Assessment of the Star Rating of Tourist Hotels (中國旅遊飯店星級的劃分與評定標準) (the “Star Rating Standards”). Under the Star Rating Standards, all hotels that have operated for more than one year are eligible to apply for a star rating assessment. There are five ratings that range from one star to five stars for tourist hotels and are assessed based on the level of facilities, management standards and quality of service provided. A star rating, once granted, is valid for five years.

(b) Consumer Protection

In October 1993, China adopted the Law on the Protection of the Rights and Interests of Consumers (中華人民共和國消費者權益保護法) (the “Consumer Protection Law”). Under the Consumer Protection Law, a business operator providing a commodity or service to a consumer is subject to a number of requirements, including the following:

- (1) to ensure that commodities and services meet with certain safety requirements;
- (2) to disclose serious defects of a commodity or a service and adopt preventive measures against damage occurrence;
- (3) to provide consumers with accurate information and to refrain from conducting false advertising;
- (4) not to set unreasonable or unfair terms for consumers or alleviate or release itself from civil liability for harming the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices or other means; and
- (5) not to insult or slander consumers or to conduct searches on consumers or articles carried by consumers or to infringe upon the personal freedom of a consumer.

Business operators may be subject to civil liabilities for failing to fulfill the obligations discussed above. These liabilities include restoring the consumer’s reputation, eliminating the adverse effects suffered by the consumer, and offering an apology and compensation for any loss incurred. The following penalties may also be imposed upon business operators for the infraction of these obligations: issuance of a warning, confiscation of any illegal income, imposition of a fine, an order to cease business operation, revocation of its business licence or imposition of criminal liabilities under circumstances that are specified in laws and statutory regulations.

In December 2003, the Supreme People’s Court (最高人民法院) enacted the Interpretation of Some Issues concerning the Application of Law for the Trial of Cases on Compensation for Personal Injury (關於審理人身損害賠償案件適用法律若干問題的解釋), which further increases the liabilities of a business operator engaged in the operation of hotels, restaurants, or entertainment facilities and subjects such operators to compensatory liability for failing to fulfill their statutory obligation to a reasonable extent or to guarantee the personal safety of others.

INDUSTRY AND REGULATORY OVERVIEW

(c) Environmental Protection

In accordance with the PRC Environmental Protection Law (中華人民共和國環境保護法) passed by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) on 26 December 1989 and effective on the date of promulgation, the competent administrative department of environmental protection of the State Council (國務院) has formulated the national environmental quality standards. For projects not being specified in the national environment quality standards, the governments of provinces, autonomous regions and municipalities directly under the central government may formulate local environmental quality standards and report them to the competent administrative department of environmental protection of the State Council (國務院) for record.

Enterprises discharging any pollutants in their daily operations and manufacture shall observe the national discharge standards which are regulated by the Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部), which has established various discharge standards, as amended and revised from time to time, with regards to discharge of water pollutants, solid pollutants, gas exhaust, noises and other pollutants. Further, in June 2002, China adopted the Law on Promoting Clean Production (中華人民共和國清潔生產促進法) which regulates service enterprises such as restaurants, entertainment establishments and hotels and requires them to use technology and equipment that conserve energy and water, serve other environmental protection purposes, and reduce or discontinue the use of consumer goods that are a waste of resources or pollute the environment.

(d) Trademarks

Both the PRC Trademark Law (中華人民共和國商標法), adopted in 1982 and revised in 2001, and the Implementation Regulation of the PRC Trademark Law (中華人民共和國商標法實施條例) adopted by State Council (國務院) in 2002, give protection to the holders of registered trademarks and trade names. The Trademark Office (商標局) under the State Administration for Industry and Commerce (國家工商行政管理總局) handles trademark registrations and grants a term of ten years to registered trademarks. Trademark license agreement must be filed with the Trademark Office or its regional counterpart.

REGULATORY OVERVIEW OF THE MALAYSIA HOTEL INDUSTRY

Generally, in order to operate a hotel business in Malaysia, the procedural aspect is divided into two stages, namely:

Stage 1 – Pre-operational approvals; and

Stage 2 – Additional approvals.

Stage 1 – Pre-operational approvals

The licences/approvals required before a hotel operator can operate business activities in the hotel depends on the following:

- (i) the types of business activities that will be carried out in the hotel; and
- (ii) the governing local authority of the hotel.

INDUSTRY AND REGULATORY OVERVIEW

The following is the example of the licences/approvals that is required to be obtained for the operation of the following list of business activities in a hotel:

1. Lounge : licence for the operation of lounge (issued by the relevant governing local authority)
2. Public House/Bar : public house/beer house licence (issued by the relevant governing local authority)
3. Restaurant : licence for the operation of restaurant in the hotel (issued by the relevant governing local authority)
4. Souvenir shop : licence for the operation of a souvenir shop in the hotel (issued by the relevant governing local authority)
5. Drug store/Pharmacy : licence for the operation of a drugstore/pharmacy in the hotel (issued by the relevant governing local authority)
6. Signboard advertisement : advertisement licence (signboard) (issued by the relevant governing local authority)
7. Public performance : public performance licence (issued by the relevant governing local authority)
8. Entertainment (ie. concert, expo etc.) : entertainment licence (issued by the relevant governing local authority)
9. Money changer : money changer licence (issued by the Central Bank of Malaysia)

In furtherance to the above, to operate a hotel business in Malaysia, the hotel operator is required to register the said premises as tourist accommodation premises. This particular requirement is governed by the Malaysian Tourism Industry Act 1992.

Apart from the above, before a hotel can commence operations, the following must be obtained:

- (i) certificate for occupation (issued by the relevant governing local authority);
- (ii) fire certificate (issued by the director-general of the Fire and Rescue Department Malaysia); and
- (iii) certificate issued by Suruhanjaya Tenaga acknowledging the registration of electrical installation in the hotel.

Stage 2 – Additional approvals

A hotel operator may apply for additional approvals depending on the number of business activities he intends to conduct in the hotel. For instance, Excise Act 1996 requires a hotel operator to apply for a public house licence to enable them to sell and serve liquor in the hotel premises. There are three classes of public house licences depending on the time liquor can be sold and served in the hotel premises, which are as follows:

- a. class 1: 10.00 am to 12.00 midnight;
- b. class 2: 10.00 am to 10.00 pm; and
- c. class 3: 10.00 am to 9.00 pm.

INDUSTRY AND REGULATORY OVERVIEW

Notwithstanding the fact that there is a limitation on the time where a public house is allowed to sell and serve liquor in the hotel premise, a hotel operator however, is allowed to sell and serve liquor beyond the specified time during the festive seasons and for this purpose it is required to apply for a temporary public house licence extension of time).

In furtherance to the above, for a restaurant operating in a hotel that caters food/drinks for domestic and international Muslim visitors/tourists, a hotel operator is required to make an application to obtain the necessary "Halal certification" from the Department of Islamic Development and State Islamic Religious Department before the restaurant can serve food/drinks to their Muslim visitors/tourists.

For a hotel operator who intends to employ foreign artists and musicians, they are required to apply for visit pass (professional) to enable the artists and musicians to perform at the hotel.

A hotel operator is required to obtain an additional approval if they decide to employ an expatriate to work in the hotel and further, it is important to note that the expatriates are only allowed to work in the following three categories:

- (a) key post (ie. executive chairman, chief executive officer etc.);
- (b) executive posts (ie. management functions such as marketing manager, investment manager etc.); and
- (c) non-executive posts (ie. chef, product specialist etc.)

The list of approvals/licences required are not exhaustive as it is solely dependent on the types of business activities carried out in the hotel.

REGULATORY OVERVIEW OF THE SINGAPORE HOTEL INDUSTRY

Hotels in Singapore fall under the purview of the Hotels Licensing Board created by the Hotels Act (Cap. 127) and the Hotels Licensing Regulations thereunder.

In addition, a hotel may, depending on the activities proposed to be undertaken by the hotel, be subject to a myriad of different laws under the purview of various governmental agencies depending on the subject matter.

The following is a brief non-exhaustive summary of the laws, regulations and permits that will generally be required by hotels operating in Singapore.

(a) Hotel licensing and operation

A hotel operator is required to apply for a certificate of registration to use the premises as a hotel. A person holding a post of chief executive officer or general manager of the hotel will also have to apply for a Hotel Keeper's Licence to enable that person to keep or manage the hotel.

Prior to the application for a certificate of registration, the following will have to be obtained:–

- (i) a Clearance Certificate (Temporary Occupation Permit) or Compliance Certificate (Certificate of Statutory Completion) from the National Environmental Agency ("NEA");
- (ii) a Temporary Fire Permit or Fire Safety Certificate from the Fire Safety Bureau;
- (iii) a Temporary Occupation Permit or Certificate of Statutory Completion from the Building and Construction Authority; and

INDUSTRY AND REGULATORY OVERVIEW

- (iv) Grant of Written Permission from the Urban Redevelopment Authority (“**URA**”) as well as copies of all earlier relevant Grant of Written Permission from the URA.

(b) Food and beverage outlets

A food shop licence, issued by the NEA under the Environmental Public Health Act has to be obtained in order to operate a retail food outlet.

In addition, a liquor licence issued by the Liquor Licencing Board is required if the hotels retails liquor, including beer.

A tobacco retail licence issued by the Health Sciences Authority is required for the retail of tobacco products.

A licence for importing food ingredients such as meat, fish, fruits, vegetables has to be obtained from the Agri-Food & Veterinary Authority of Singapore (“**AVA**”) if the hotel intends to import such items. The hotel will have to be registered with the AVA if it intends to import processed foods.

For operating a central kitchen the hotel may require a licence to operate a food processing establishment issued by the AVA.

Unless exempted, a public entertainment or arts entertainment licence is required under the Public Entertainments & Meetings Act for any entertainment that is provided in any place to which the public or any class of public has access, whether gratuitously or otherwise.

(c) Lifts

Lifts have to be inspected prior to operation pursuant to the Building Maintenance and Strata Management (Lift and Building Maintenance) Regulations 2005, after which a Certificate of Lift Maintenance and Testing has to be lodged with the Commissioner of Buildings which is valid for 12 months.

(d) Electricity

An electrical installation licence from the Energy Markets Authority will have to be obtained to use or operate any electrical wiring, fitting or apparatus used for the conveyance and control of electricity in any premises of approved load exceeding 45 kVA for non-domestic purposes.

(e) Swimming pool

The hotel will have to apply for a swimming pool licence with the NEA if it intends to operate a public swimming pool.

As at the Latest Practicable Date, we have not breached any relevant regulatory requirements in the jurisdictions in which we operate in any material respect and have obtained all relevant and necessary permits and licences required for our operations in each of the jurisdictions in which we operate, save for (i) our Lan Kwai Fong Hotel @ Kau U Fong, for which we have submitted an application for, but have not received, a renewed hotel licence, prior to the expiration of its previous hotel licence and (ii) Tang Hotel Investments, Tang Suites, Kosmopolito Hotels International (S) and Tang Hotel as the construction and operations of our hotel in Singapore have not commenced as at the Latest Practicable Date. We have been advised by our legal advisor to Hong Kong title issues that under The Hotel and Guesthouse Accommodation Ordinance, if the application for renewal of a hotel licence is made before the expiry of the hotel licence and the hotel licence expires prior to the determination of such application, unless such application is withdrawn, or the hotel licence is cancelled or suspended, the hotel licence shall remain in effect until the determination by the relevant Government authority of such application.

INDUSTRY AND REGULATORY OVERVIEW

For operations of the hotels in general, the general manager of each of the hotels are responsible for ensuring on-going compliance with the relevant regulatory requirements in such jurisdictions in which the relevant hotel operates. These general managers have experience in the hotel industry in the relevant jurisdiction in which the hotels operate. For the hotels under construction, our project development team ensures the relevant regulatory requirements are complied with. We expect to appoint an in-house legal counsel who will also oversee general compliance issues of the hotels on an ad-hoc basis and where necessary, separate legal advisers will be engaged to handle specific compliance issues.

HISTORY, DEVELOPMENT & REORGANISATION

Key Corporate and Business Development Milestones

The following events are the key corporate and business development milestones of our Group:

- | | |
|------|--|
| 1972 | The predecessor of FEC became a listed company on the Stock Exchange. FEC is our Controlling Shareholder with subsidiaries primarily engaged in property development and investment, hotel investment and operations and car park operations. |
| 1998 | Our first hotel in Malaysia, Dorsett Regency Hotel Kuala Lumpur in Kuala Lumpur, commenced operations. |
| 2000 | The FEC Group further expanded its hotel operations by acquiring control of the operations of two hotels in Hong Kong, namely Dorsett Garden Hotel (formerly known as the Pearl Garden Hotel) and Dorsett Seaview Hotel ¹ (formerly known as the Pearl Seaview Hotel). Dorsett Garden Hotel was subsequently disposed of in 2005. |
| 2002 | Construction works for Dorsett Kowloon Hotel in Tai Kok Tsui, Hong Kong commenced. |
| 2004 | Central Park Hotel in Sheung Wan, Hong Kong and Cosmopolitan Hotel in Wan Chai, Hong Kong both underwent refurbishment works. Construction works for Lan Kwai Fong Hotel @ Kau U Fong in Central, Hong Kong also commenced. |
| 2005 | Construction works for Dorsett Kowloon Hotel and the refurbishment works for Central Park Hotel were completed and both hotels commenced operations. Cosmopolitan Hotel and Cosmo Hotel also commenced operations. |
| 2006 | Lan Kwai Fong Hotel @ Kau U Fong and Dorsett Far East Hotel in Tsuen Wan, Hong Kong commenced operations. |

Note:

¹ We acquired the property as a distressed asset by purchasing the debt of a previous owner in 2000 and subsequently converted our interest in the debt to equity in January 2007.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- 2007 The Company was established.
- Lan Kwai Fong Hotel @ Kau U Fong was awarded “The Best Boutique Hotel in Asia” by Travel Weekly.
- We acquired our first hotel in China, Wuhan Cosmopolitan Hotel.
- In Malaysia, the Company acquired Grand Dorsett Subang Hotel (formerly known as Sheraton Subang) and Grand Dorsett Labuan Hotel.
- 2008 Wuhan Cosmopolitan Hotel commenced operations.
- In Malaysia, Dorsett Johor Hotel in Johor Bahru and Maytower Hotel in Kuala Lumpur commenced operations.
- In Hong Kong, Central Park Hotel was a finalist of “Hong Kong’s Leading Boutique Hotel” by World Travel Awards. Lan Kwai Fong Hotel @ Kau U Fong was awarded “Hong Kong’s Leading Boutique Hotel” by World Travel Awards.
- Grand Dorsett Subang Hotel was awarded the “Industry Excellence Award 2008” by the International Trade and Industry Malaysia.
- 2009 Construction works for The Mercer by Kosmopolito in Sheung Wan, Hong Kong and Dorsett Regency Kwun Tong, Hong Kong in Kwun Tong, Hong Kong commenced. Both hotels are scheduled to commence operations in 2011.
- In Hong Kong, Cosmopolitan Hotel was named one of the few “Comfortable Hotels in Hong Kong” by the “Michelin Hong Kong & Macau Guide 2009” and was appointed as one of the hotel hosts of the 2009 East Asian Games. Lan Kwai Fong Hotel @ Kau U Fong was awarded “Asia’s Leading Boutique Hotel” by World Travel Awards, the “Hong Kong Business’s High-Flyer Award” in the boutique hotel category and “The Best Designed & Boutique Hotel of China” by China Hotel Starlight Awards.
- In Malaysia, Dorsett Johor Hotel was awarded the “Johor Tourism Award – Gem’s Award” by the Johor Ministry of Tourism.
- We acquired the site for our first Singapore hotel, Dorsett Regency “On New Bridge”, Singapore.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

2010 Construction works for Cosmo Kowloon Hotel in Tai Kok Tsui, Hong Kong were completed and the hotel commenced operations.

Construction works for Dorsett Regency Kennedy Town, Hong Kong in Kennedy Town, Hong Kong was nearly completed and the hotel is expected to open in 2011. Construction works for Dorsett Regency Kwai Chung, Hong Kong in Kwai Chung, Hong Kong is in progress and the hotel is expected to commence operations in 2012.

In China, Yue Shanghai Hotel commenced operations.

Hotel Kosmopolito City Centre, Chengdu, in Chengdu, PRC commenced refurbishment and is scheduled to be completed in 2010. Another hotel in China, the Dorsett Regency CBD, Zhongshan in Zhongshan, PRC, is scheduled to open in 2011.

In Singapore, the planning of Dorsett Regency "On New Bridge", Singapore, a proposed hotel and residential development, commenced and the hotel is expected to commence operations in 2013.

We entered into the hotel management agreement business by signing our first letter of intent with an independent third-party to operate a hotel with a total of approximately 400 rooms in Huangshi, Hubei Province, which we expect to operate under our "Hotel Kosmopolito" brand, which is expected to commence operations in 2013. Our PRC legal advisor has advised us that the letter of intent is legally binding.

In Hong Kong, Cosmopolitan Hotel was named as one of the few "Comfortable Hotels in Hong Kong" by the "Michelin Hong Kong & Macau Guide 2010".

As at the Latest Practicable Date, the Group owned and operated eight hotels in Hong Kong, two hotels in the PRC and five hotels in Malaysia. The Group also owned and was developing or planning four hotels in Hong Kong, two hotels in PRC and one hotel in Singapore.

OUR COMPANY

We were incorporated in the Cayman Islands on 23 January 2007 under the Companies Law under the name Hong Kong Hotel REIT Holdings Limited. We subsequently changed our name to Dorsett International Group Limited on 3 November 2009 and later to Kosmopolito Hotels International Limited on 17 February 2010.

REORGANISATION

In anticipation of the Listing, our Group underwent a reorganisation to consolidate the hotel development and management businesses of the FEC Group from the FEC Group into our Group in preparation for the Listing. As a result, our Company became the holding company of our Group and the following events took place:

- (a) On 23 January 2007, our Company was duly incorporated in the Cayman Islands with an authorised share capital of US\$50,000 divided into 50,000 shares of par value of US\$1.00 each. One Share of which was issued fully-paid and transferred by the subscriber to Ample Bonus.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (b) On 25 January 2010, 100% of the shareholding interest in Dorsett Hotels & Resorts International was transferred to the Company by FECL for a cash consideration of HK\$2.00 based on the par value of the transferred shares funded by internal resources of our Group.
- (c) On 25 January 2010, 100% of the shareholding interest in Kosmopolito Hotels International Services was transferred to the Company by Amphion Investment Limited and FECL for a cash consideration of HK\$2.00 based on the par value of the transferred shares funded by internal resources of our Group.
- (d) On 5 May 2010, 100% of the shareholding interest in Excel Chinese was transferred to Havena, a subsidiary of our Company, by FECL for a cash consideration of HK\$1.00 based on the par value of the transferred share funded by internal resources of our Group.
- (e) On 28 May 2010, 100% of the shareholding interest in Hong Kong (SAR) Hotel was transferred to Havena, a subsidiary of our Company, by FECL for a cash consideration of HK\$10,000 based on the par value of the transferred shares funded by internal resources of our Group.
- (f) On 22 June 2010, Ching Chu (Shanghai) transferred its 48% equity interests in Shanghai Ching Chu Trading out of the Group to Shanghai Chingchu Property Development, a subsidiary of FEC which owns the remaining 52% equity interests of Shanghai Ching Chu Trading, for a cash consideration of RMB240,000 based on the value of the share capital of RMB500,000 of which 48% was contributed by Ching Chu (Shanghai) funded by internal financial resources of the FEC Group.
- (g) On 26 August 2010, 100% of the shareholding interest in Esmart Management was transferred to Havena, a subsidiary of our Company, by FECL and Kosmopolito Hotels International Services for a cash consideration of HK\$2.00 based on the par value of the transferred shares funded by internal resources of our Group.
- (h) On 26 August 2010, 100% of the shareholding interest in Panley was transferred to Havena, a subsidiary of our Company, by FECL for a cash consideration of HK\$1.00 based on the par value of the transferred share funded by internal resources of our Group.
- (i) On 27 August 2010, 100% of the shareholding interest in Ruby Way was transferred to Havena, a subsidiary of our Company, by FECL for a cash consideration of HK\$2.00 based on the par value of the transferred shares funded by internal resources of our Group.
- (j) On 30 August 2010, 100% of the shareholding interests in Tang Hotel was transferred by FECL through Madison Lighters & Watches Company Limited to Tang Hotel Investments, a subsidiary of our Company for a cash consideration of S\$1.00 based on the issue price of the transferred shares funded by internal resources of our Group.
- (k) On 13 September 2010, 100% of the shareholding interest in Everkent Development was transferred to Havena, a subsidiary of our Company, by FECL for a cash consideration of HK\$2.00 based on the par value of the transferred shares funded by internal resources of our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (l) On 14 September 2010, 100% of the shareholding interest in Giovanna Holdings was transferred to FECL, by our Company for a cash consideration of US\$1.00 based on the par value of the transferred share funded by internal resources of the FEC Group.
- (m) On 17 September 2010, 100% of the shareholding interests in Havena was transferred by FECL to the Company for a cash consideration of US\$1.00 based on the par value of the transferred share funded by internal resources of our Group.
- (n) On 17 September 2010, 100% of the shareholding interest in Jade River Profits was transferred by FECL to the Company for a cash consideration of US\$2.00 based on the par value of the transferred shares funded by internal resources of our Group.
- (o) On 17 September 2010, 100% of the shareholding interests in Rosicky was transferred by FECL to the Company for a cash consideration of US\$1.00 based on the par value of the transferred share funded by internal resources of our Group.
- (p) On 17 September 2010, 100% of the shareholding interest in Wonder China was transferred by FECL to the Company for a cash consideration of US\$1.00 based on the par value of the transferred share funded by internal resources of our Group.
- (q) On 17 September 2010, 100% of the shareholding interest in Full Benefit was transferred by FECL to the Company for a cash consideration of US\$1.00 based on the par value of the transferred share funded by internal resources of our Group.
- (r) On 17 September 2010, 100% of the shareholding interests in Dorsett Regency Hotel (M) was transferred by FEC through FEC Development (M) to the Company for a cash consideration of RM5,000,000 based on the par value of the transferred shares funded by internal resources of our Group.
- (s) On 17 September 2010, 100% of the shareholding interests in Tang Hotel Investments was transferred by FECL through Madison Lighters & Watches Company Limited to the Company for a cash consideration of S\$2.00 based on the issue price of the transferred shares funded by internal resources of our Group. Such transfer has been approved by the Singapore Urban Redevelopment Authority subject to certain conditions.

As part of the Reorganisation, the Capitalisation Issue of 1,730,000,000 shares allotted and issued, credited as fully paid-up, to FEC in settlement of HK\$1,859.8 million representing a net amount due from our Company to the FEC Group as at 31 March 2010. The Capitalisation Issue is conditional on the Global Offering becoming unconditional and will be effected simultaneously with the issue of the Offer Shares.

PROPOSED SPIN-OFF OF THE GROUP FROM FEC

FEC has concluded that the Group's business has grown to a size which merits a separate listing and that such listing will be beneficial to the Group for the following reasons:

- (a) it provides flexibility and a separate fund raising platform for the Group in raising future funds from the capital markets to support its growth as well as acquisitions;
- (b) it essentially separates the business of property development from the business of hotel investment, operation, management and development. Such segregation enables investors and financiers to appraise the strategies, functional exposure, risks and returns of the hotel investment, operation, management and development business separately and may attract new investors who are seeking investment opportunities in a group with specialised expertise and a business focus in the hotel industry in China and other regions of the Asia Pacific. Investors will have the choice to invest in either one or both of the business models;
- (c) it will enable the management teams of the FEC Group and the Group to focus on the respective core business of the two groups, thereby enhancing efficiency in their respective decision-making processes and responsiveness to market changes;
- (d) FEC intends to maintain a more than 50% equity interest in the Company. Accordingly, FEC will continue to benefit from any potential upside in the hotel investment, operation, management and development business to be owned by the Group through consolidation of financial results generated by the Group; and
- (e) as a listed company, the Company will be able to offer an equity based incentive program (such as a share option scheme or share award scheme) to its employees that correlates directly to the performance of the hotel investment, operation, management and development business. The Company would therefore be in a better position to motivate its employees with incentive programs that are closely aligned with the objective of value creation for the Shareholders.

FURTHER INFORMATION OF OUR SUBSIDIARIES

The principal business nature of each of our Group's subsidiaries is set out in the section headed "Definitions — Companies within our Group" in this prospectus.

Details of the subsidiaries which have undergone changes in their respective share capitals during the two years immediately prior to the date of this prospectus are set out in the section headed "Statutory and General Information — A. Further Information About Us — 5. Changes in share capital of subsidiaries" in Appendix VI to this prospectus. In particular, Ching Chu (Shanghai) obtained approval from Shanghai Municipal Commission of Commerce on 7 August 2009 to increase its registered capital by US\$11 million from US\$5 million to US\$16 million but the capital failed to be paid in time. Ching Chu (Shanghai) did not make the relevant contribution at the time as the FEC Group decided that it would be in the interests of the Group to delay making the required capital contribution and hence applied for a further extension. Ching Chu (Shanghai) applied for and has obtained the approval from Shanghai Municipal Commission of Commerce on 9 July 2010, according to which, the shareholder of Ching Chu (Shanghai) shall pay 20% of the increased capital as the first installment (i.e. US\$2.2 million) before filing the resolutions and the remaining 80% (i.e. US\$8.8 million) shall be paid within 2 years from the issuance date of the renewed business licence. Our PRC legal advisors have advised that the Shanghai Municipal Commission of Commerce is the proper authority in PRC to grant the extension, and this extension is final and conclusive. As at the Latest Practicable Date, the Company has paid approximately 34.5% of the increased capital as the first installment (US\$3,800,010) and is in the process of renewing the business licence. The Company's PRC legal advisors have also advised that, upon obtaining the renewed business licence, the likelihood of the relevant PRC authorities imposing penalties on Ching Chu (Shanghai) for its failure to pay the increased capital contribution and to file the respective resolutions in time is remote.

During the Track Record Period, no director or senior manager of the Group has resigned except for Tengku Ahmad Faizal Mohamed, the resident manager of Dorsett Johor Hotel from 28 March 2008 to 12 June 2010 who resigned and joined another resort hotel in Johor Bahru, Malaysia. The Directors confirm that there are no personal conflicts and/or any disagreements between the Group and the resigned general manager.

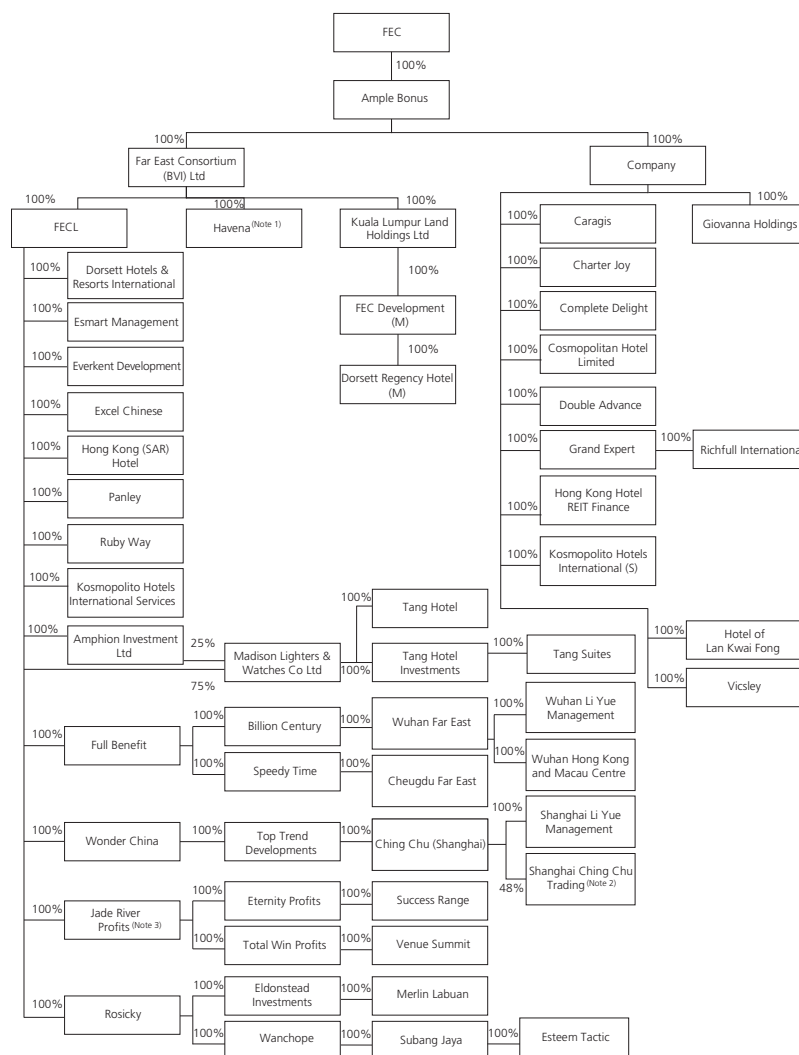
HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate Structure Immediately Prior to the Reorganisation

The following chart sets forth the corporate structure of our Group, immediately prior to the Reorganisation:

Group Chart immediately before Reorganisation



Notes:

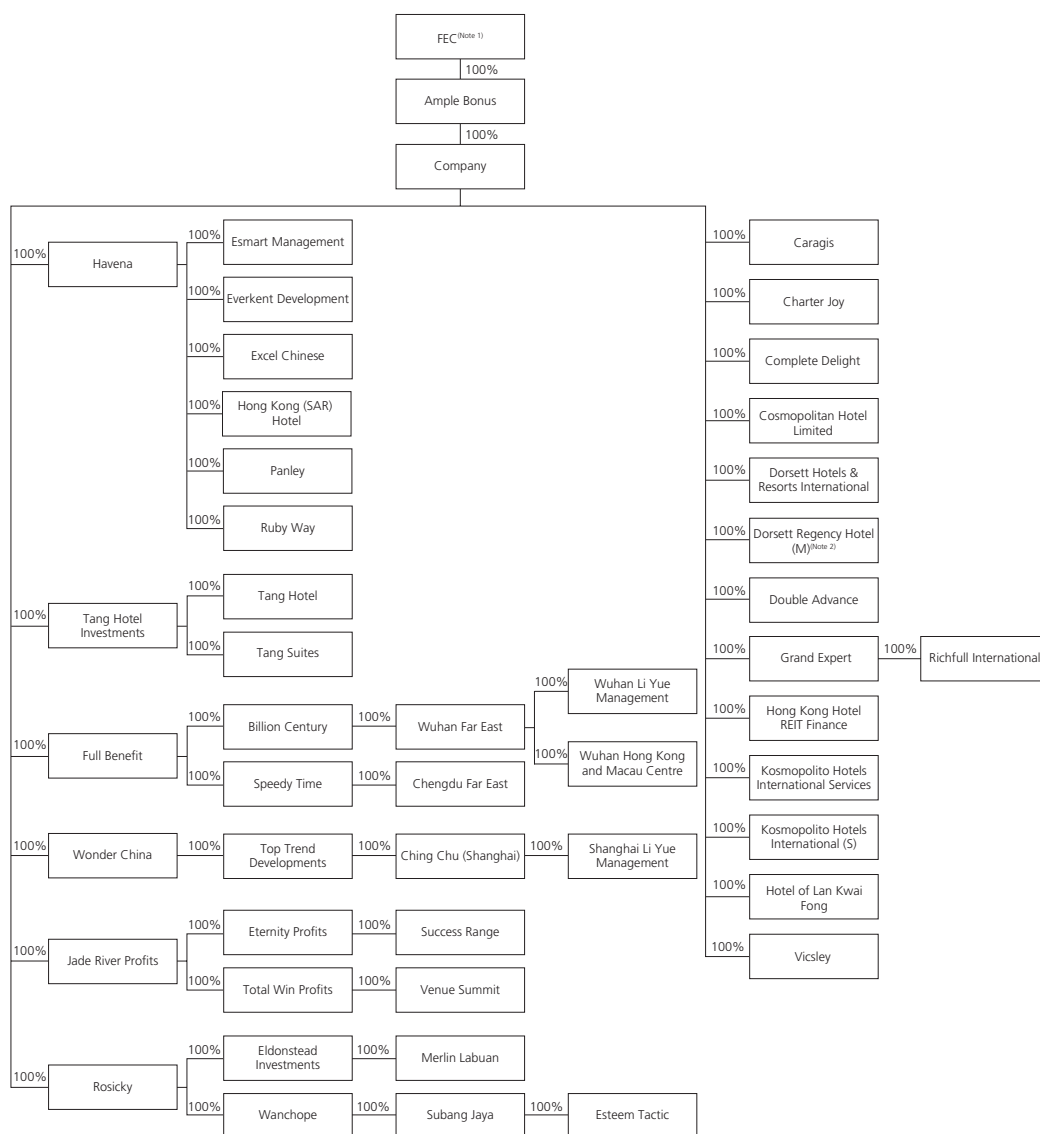
- 1 Prior to the Reorganisation, Havena was 100% wholly owned by Far East Consortium (BVI) Limited. Far East Consortium (BVI) Limited transferred its interests in Havena to FECL on 7 April 2010.
- 2 Prior to the Reorganisation the remaining 52% equity interests of Shanghai Ching Chu Trading was owned by Shanghai Chingchu Property Development.
- 3 Jade River Profits was acquired by FEC from Tan Sri Dato' David Chiu (邱達昌), one of our non-executive Directors and chairman of the Board, on 1 October 2008 (the "Jade River Acquisition"). The consideration of HK\$331.4 million was agreed to between the parties based on arm's length negotiations and the provisional valuations prepared by the independent valuer engaged by FEC to value the properties to be acquired in the Jade River Acquisition. The properties acquired in the Jade River Acquisition are currently being operated by our Group as the Maytower Hotel and the Dorsett Johor Hotel. The acquisition was accounted for and reflected in the Group's financial statements as an addition to property, plant and equipment.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Corporate Structure Immediately Prior to the Global Offering

The following chart sets forth the corporate structure of our Group, after the Reorganisation and immediately before the Global Offering:

Group Chart after Reorganisation and immediately before the Global Offering



Notes:

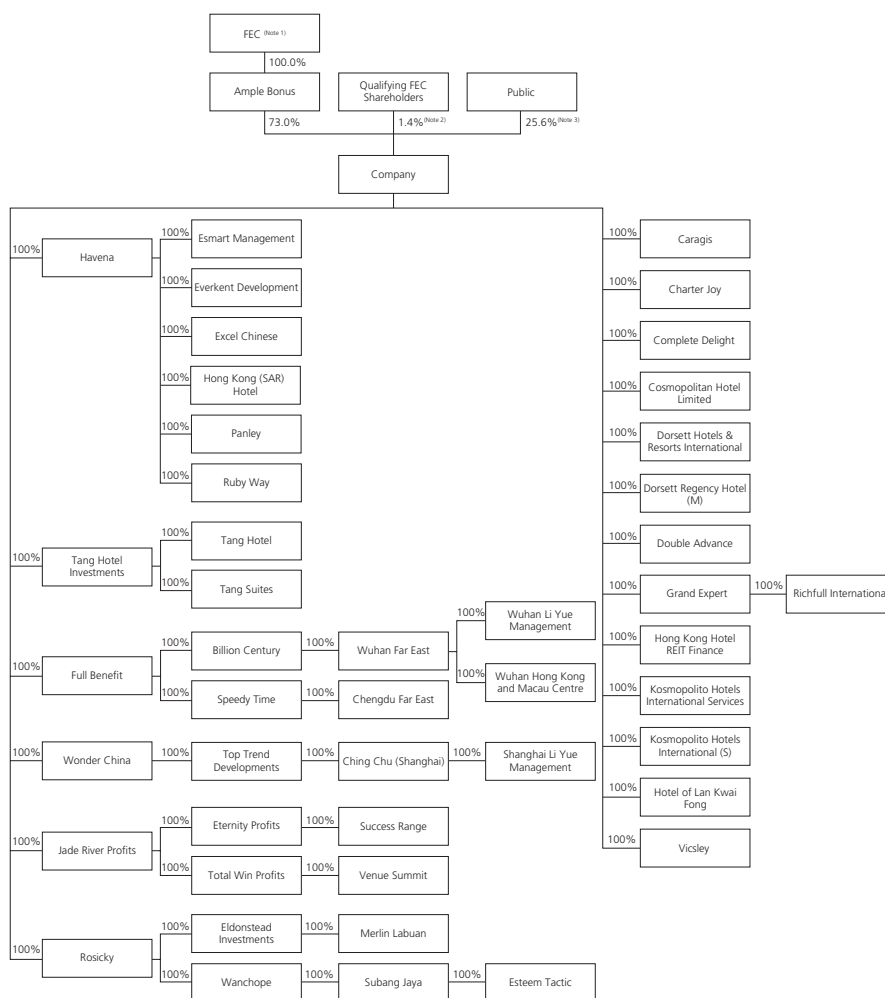
- As at the Latest Practicable Date, the substantial shareholders of FEC include Tan Sri Dato' David Chiu (邱達昌) and details of his interests in FEC are disclosed in the section headed "Statutory and General Information — C. Further Information About Directors and Substantial Shareholders — 4. Interests and/or short positions of our Directors in our Shares, underlying shares or debentures of our Company and our associated corporations — Long positions in the shares of our associated corporations (as defined in the SFO)" in Appendix VI to this prospectus.
- As at the Latest Practicable Date, the agreement for the sale and purchase of shares in Dorsett Regency Hotel (M) from FEC Development (M) to the Company has been duly signed. Upon the stamping of the form of transfer of securities or a waiver or exemption to the payment of the stamp duty being obtained, the Company's interest in Dorsett Regency Hotel (M) will be registered.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Corporate Structure Upon Completion of the Global Offering

Immediately following the Global Offering, there will be no change to our interests in the companies comprising our Group. The following chart sets forth the corporate structure of our Group immediately following completion of the Capitalisation Issue and Global Offering but excluding Shares which may be sold by the Selling Shareholder or issued by the Company pursuant to the exercise of the Over-allotment Option or options granted under the Share Option Scheme:

Group Chart immediately after the Capitalisation Issue and Global Offering



Notes:

- 1 As at the Latest Practicable Date, the substantial shareholders of FEC include Tan Sri Dato' David Chiu (邱達昌) and details of his interests in FEC are disclosed in the section headed "Statutory and General Information — C. Further Information About Directors and Substantial Shareholders — 4. Interests and/or short positions of our Directors in our Shares, underlying shares or debentures of our Company and our associated corporations — Long positions in the shares of our associated corporations (as defined in the SFO)" in Appendix VI to this prospectus.
- 2 The percentage of Shares held by Qualifying FEC Shareholders is based on the assumption that all Reserved Shares offered under the Preferential Offering have been fully subscribed for by the Qualifying FEC Shareholders.
- 3 The 25.6% interest held by public Shareholders comprises the 12.8% interest to be issued pursuant to the Global Offering, the 12.8% interest offered for sale by the Selling Shareholder under the International Offering. As our Company expects to offer Shares of at least 27% taking into account the Reserved Shares offered under the Preferential Offering, the public float will be at least 25% and our Company will be able to comply with Rule 8.08 of the Listing Rules.

OVERVIEW

We are a fast-growing developer, owner and operator of value, mid-scale, upscale and boutique hotels in Asia with a strong presence in Hong Kong and Malaysia and a primary focus on expansion in China and other regions of the Asia Pacific. We commenced operations in 1998 with one hotel consisting of 320 rooms and have since expanded our hotel room portfolio more than ten-fold. We currently own and operate a total of eight hotels in Hong Kong, five hotels in Malaysia and two hotels in China with a combined total of approximately 3,889 rooms (estimated on the basis of completion of current renovations of certain hotels and final room numbers as planned). We also have seven hotels in various stages of planning or development, including four in Hong Kong, two in China and one in Singapore, representing an additional 2,406 rooms. The total capital value of our hotel portfolio as assessed by our Property Valuers as at 30 June 2010 was approximately HK\$10,598 million, while the carrying value of our hotel portfolio was approximately HK\$5,611 million. Our Group's hotel portfolio had a revaluation surplus up to 30 June 2010 of approximately HK\$4,987 million. Based on Hong Kong Tourism Board published estimates, the 1,443 new hotel rooms that are scheduled to be added to our Hong Kong hotel portfolio between 31 March 2010 and the end of 2012 will represent approximately 15.4% of the new hotel rooms to be added in Hong Kong during this period. Upon the addition of these 1,443 hotel rooms, our Hong Kong hotel portfolio will increase to 2,992 rooms, making us one of the largest hotel operators in Hong Kong based on number of rooms, according to HVS. In Malaysia, we added 609 rooms to our hotel portfolio during the Track Record Period, representing an increase of approximately 76.3% compared to the number of hotel rooms we owned in Malaysia as at 31 March 2007. Recently, we entered into a letter of intent to manage a third party hotel in Huangshi, Hubei Province, China, which we expect to operate under our "Hotel Kosmopolito" brand with approximately 400 rooms, which is expected to commence operations in 2013. Our PRC legal advisor has advised us that the letter of intent is legally binding. We expect to own or manage a total of approximately 6,695 rooms by the end of 2013.

We commenced our hotel operations in 1998 with the opening of the Dorsett Regency Hotel Kuala Lumpur in Malaysia. Leveraging on our hotel experience in Malaysia, we expanded our operations into Hong Kong in 2000 through our acquisition of Dorsett Seaview Hotel. We have principally grown our hotel portfolio through acquisitions of hotels already in operation, such as our Dorsett Seaview Hotel and Wuhan Cosmopolitan Hotel as well as through the acquisition and subsequent redevelopment or conversion of existing industrial and commercial buildings, such as Cosmopolitan Hotel, which was converted from the previous Xinhua News Agency building, Central Park Hotel, which was converted from a commercial building and Dorsett Regency Kwai Chung, Hong Kong, which was acquired as an existing industrial building and is in the process of being refurbished. Our approach to hotel site acquisition and development, combined with our focus on cost-minimisation and efficient operations, have enabled us to enjoy high EBITDA margins. For the three years ended 31 March 2008, 2009 and 2010, our Adjusted EBITDA margins were 50.2%, 46.0% and 38.6%, respectively. Our Hong Kong hotels also enjoy a GOP margin of 61.2%, 58.8% and 54.2% for the three financial years ended 31 March 2008, 2009 and 2010, respectively, which is above the market average in Hong Kong according to HVS.

BUSINESS

Our design-led hotels are characterised by their modern and distinctive interior designs tailored to customer preferences and the specific positioning of each of our brands, by their effective use of space and by the personalised and attentive service provided by our experienced and highly trained staff. Our achievements have also been recognised by external sources. For example, our Lan Kwai Fong Hotel @ Kau U Fong was awarded “The Best Boutique Hotel in Asia” by Travel Weekly in 2007 and “Hong Kong’s Leading Boutique Hotel” and “Asia’s Leading Boutique Hotel” by World Travel Awards in 2008 and 2009, respectively. Our Cosmopolitan Hotel was named one of the few “Comfortable Hotels in Hong Kong” by the “Michelin Hong Kong & Macau Guide” 2009 and 2010 and our Central Park Hotel was a finalist in the World Travel Awards’ “Hong Kong’s Leading Boutique Hotel” category in 2008. Our Dorsett Johor Hotel was awarded the “Johor Tourism Award-Gem’s Award” for 2009.

We are also currently implementing a branding strategy to refresh and streamline our brands to better appeal to our target market segments and to serve as a platform for our expansion into the hotel management business. For further information regarding our branding strategy see the sub-section headed “— Our Brands” in this section. To leverage the substantial experience of our management and employees, we have recently entered into a letter of intent to manage a third party hotel which we expect to operate under our “Hotel Kosmopolito” brand in Huangshi, Hubei Province, China, with approximately 400 rooms. Our PRC legal advisor has advised us that the letter of intent is legally binding. We are also in the process of seeking additional opportunities in the hotel management business in China and other regions of the Asia Pacific. In addition, in further pursuit of an asset-light business model, we have had preliminary non-binding discussions with independent third parties regarding the sale of The Mercer by Kosmopolito in which we would retain the right to manage the hotel via a management agreement between the buyer of the hotel and us. We do not currently have any plans to sell any of our other hotels but may, from time to time, enter into discussions with potential buyers going forward. If we sell any of our hotels in the future, we will make an announcement pursuant to Rule 13.09 of the Listing Rules. We also have had, and expect to continue to have, discussions with independent third parties regarding opportunities to become lessee and operator of additional hotels. We believe that the asset-light and cost-effective nature of the hotel management business will help grow our brand distribution and revenues without requiring substantial capital expenditures or significant costs. For further information on our strategy to expand into the hotel management business see the sub-section headed “— Strategies — Expand our hotel management business” in this section.

The following table shows the hotels we currently own and operate, the hotels we have under planning or development, the third-party hotels we are contracted to manage by commencement date or expected commencement date and applicable approvals and licences for our Hong Kong hotels:

Hotel name/ expected hotel name ¹	Location	Type	Target market segment/ expected target market segment	Total rooms/ expected number of rooms	Commencement/ expected commencement	Building Authority approval ²		Hotel and Guesthouse Licence	
						Occupation permit	Conversion approved	Status	Expiry date
Hong Kong									
Owned and operated									
Cosmopolitan Hotel	Wan Chai	Conversion	mid-scale	454	January 2005	Obtained on 14 July 1978	9 December 2002	Obtained	19 January 2012
Central Park Hotel	Sheung Wan	Conversion	boutique	142	April 2005	Obtained on 7 January 1998	Building Authority confirmed ³ that approval was not required	Obtained	15 July 2011
Dorsett Kowloon Hotel	Tai Kok Tsui	New build	value	141	May 2005	Obtained on 23 February 2005	N/A	Obtained	31 December 2010
Cosmo Hotel	Wan Chai	Conversion	boutique	142	October 2005	Obtained on 5 December 1997	9 March 2005	Obtained	15 October 2012
Lan Kwai Fong Hotel @ Kau U Fong	Central	New build	boutique	162	March 2006	Obtained on 30 December 2005	N/A	Under renewal	6 May 2010 ⁴
Dorsett Far East Hotel	Tsuen Wan	Conversion	value	240	October 2006	Obtained on 5 January 1966	12 September 2006	Obtained	30 September 2010 ⁵
Dorsett Seaview Hotel	Yau Ma Tei	Acquired as hotel	value	268	January 2007 ⁶	Obtained on 17 June 1993	N/A	Obtained	30 June 2011
Cosmo Kowloon Hotel	Tai Kok Tsui	New build	mid-scale	285	July 2010	Obtained on 22 February 2010	N/A	Obtained	15 July 2011
Owned and under development									
The Mercer by Kosmopolito	Sheung Wan	New build	boutique	55	April 2011	will be obtained upon completion and satisfactory inspection by the Building Authority	N/A	will be obtained	N/A
Dorsett Regency Kennedy Town, Hong Kong	Kennedy Town	New build	mid-scale	217	April 2011	will be obtained upon completion and satisfactory inspection by the Building Authority	N/A	will be obtained	N/A
Dorsett Regency Kwun Tong, Hong Kong	Kwun Tong	New build	mid-scale	380	December 2011	will be obtained upon completion and satisfactory inspection by the Building Authority	N/A	will be obtained	N/A
Dorsett Regency Kwai Chung, Hong Kong	Kwai Chung	Conversion	mid-scale	506	June 2012	will be obtained upon completion and satisfactory inspection by the Building Authority	N/A	will be obtained	N/A
				Hong Kong total			2,992		

Notes:

- The hotel names may change in future pursuant to our rebranding initiative. Details of such are set out in the section headed "Business — Our Brands" in this prospectus.
- Hotels that involve structural work and have been converted from commercial or residential use to hotel use require approval from the Building Authority for conversion work. Buildings that have been demolished and subsequently constructed require the Building Authority to approve the building plans and to issue an occupation permit. Buildings that have been acquired as an existing hotel without carrying out any building works do not require Building Authority approval.
- The conversion of office use to hotel use of Central Park Hotel involved non-structural works under section 41(3) of the Buildings Ordinance. The Building Authority confirmed on 14 May 2004 that the change of use from office to hotel only required the approval of the Hotel and Guesthouse Accommodation Authority of the Home Affairs Department which granted the Hotel and Guesthouse Licence to Central Park Hotel.
- We have made an application to renew the Hotel and Guesthouse Licence. We have been advised by our legal advisor as to Hong Kong title issues that under the Hotel and Guesthouse Accommodation Ordinance, if the application for renewal of a hotel licence is made before the expiry of the hotel licence and the hotel licence expires prior to the determination of such application, unless such application is withdrawn, or the hotel licence is cancelled or suspended by the Hotel and Guesthouse Authority, the hotel licence shall remain in effect, as if the hotel licence had not been expired, until the determination by the relevant government authority of such application. Please see the section headed "Industry and Regulatory Overview — Regulatory Overview of the Hong Kong Hotel Industry" in this prospectus for further information.
- We have made an application for a renewal of the Hotel and Guesthouse Licence on 21 June 2010 and received an acknowledgement on 25 June 2010, prior to the expiration of the Hotel and Guesthouse Licence.
- Acquired the property as a distressed asset by purchasing the debt of a previous owner in 2000 and subsequently converted our interest in the debt to equity in January 2007.

BUSINESS

Hotel name/expected hotel name ¹	Location	Target market segment/expected target market segment	Total rooms/expected number of rooms	Commencement/expected commencement
China				
<i>Owned and operated</i>				
Wuhan Cosmopolitan Hotel	Wuhan	mid-scale	384 ²	June 2008 ³
Yue Shanghai Hotel	Shanghai	boutique	264	February 2010
<i>Owned and under development/planning</i>				
Hotel Kosmopolito City Centre, Chengdu	Chengdu	upscale	547	June 2011
<i>Contracted to acquire and under planning</i>				
Dorsett Regency CBD, Zhongshan ⁴	Zhongshan	mid-scale	416	September 2011
<i>To be managed by us</i>				
Hotel Kosmopolito Huangshi	Huangshi	upscale	400	2013
China total			<u>2,011</u>	

Notes:

- ¹ The hotel names may change in future pursuant to our rebranding initiative. Details of such are set out in the section headed "Business — Our Brands" in this prospectus.
- ² Wuhan Cosmopolitan Hotel is currently under renovation. Room numbers specified are estimates following completion of all renovations.
- ³ Wuhan Cosmopolitan Hotel was acquired by us in 2007. It was then closed for renovation and re-commenced its operations in June 2008.
- ⁴ As at the Latest Practicable Date, our acquisition had not been completed. We were in the process of obtaining the title certificates for Dorsett Regency CBD, Zhongshan.

BUSINESS

Hotel name/expected hotel name ¹	Location	Target market segment/expected target market segment	Total rooms/expected number of rooms	Commencement/expected commencement
Malaysia				
<i>Owned and operated</i>				
Dorsett Regency Hotel	Kuala Lumpur	mid-scale	320	April 1998
Grand Dorsett Subang Hotel	Subang	upscale	478 ²	February 2007 ³
Grand Dorsett Labuan Hotel	Labuan	upscale	178	September 2007 ⁴
Maytower Hotel	Kuala Lumpur	mid-scale	179	October 2008
Dorsett Johor Hotel	Johor	value	252	October 2008
Singapore				
<i>Owned and under planning</i>				
Dorsett Regency "On New Bridge", Singapore	Singapore	mid-scale	285	June 2013
South East Asia				
total			1,692	

Notes:

- ¹ The hotel names may change in the future pursuant to our rebranding initiative. Details of such initiative are set out in the section headed "Business — Our Brands" in this prospectus.
- ² Grand Dorsett Subang Hotel is currently undergoing renovations in phases. Room numbers specified are estimates following completion of all renovations.
- ³ Grand Dorsett Subang Hotel was acquired by us in February 2007 but was operated under the management of an independent third party prior to our acquisition.
- ⁴ Grant Dorsett Labuan Hotel was acquired by us in September 2007 but was operated under the management of an independent third party prior to our acquisition.

OUR STRENGTHS

We believe that our success to date and our ability to compete effectively in the future are primarily driven by the following combination of factors:

Our ability to identify sites that provide significant opportunities for value accretion

The growth of our hotel portfolio to date has been primarily driven by our acquisition of sites or existing buildings and their subsequent development or conversion into hotels. As both a developer and operator of hotels, and with a suite of hotel brands to choose from depending on the location and target market, we are able to adopt a flexible approach to new site acquisition. In particular, our strategy to refurbish existing commercial buildings and convert them into new hotels reduces the lead time necessary to commence operations as well as start-up costs when compared to developing a greenfield hotel project. For example, we completed the re-development of the Central Park Hotel from a commercial building within six months, incurring total development costs of HK\$132.5 million.

Our internal project development team has substantial experience in site selection and hotel development. Our established business network in Hong Kong, China and South East Asia has provided us with extensive market intelligence and enables us to identify and access potential hotel sites. Our experienced project development team actively supervises the construction progress of our hotel developments so as to ensure that the site works performed by our contractors are up to our quality standards and that our hotels can be delivered to us in a timely manner and within our budget.

Our ability to deliver strong returns from our hotel portfolio

We believe that the returns we are able to generate from our properties, as measured by our adjusted EBITDA margin recorded in the year ended 31 March 2010, are among the highest across the listed companies in the hotel industry in our principal market of Hong Kong. Our Hong Kong hotels also enjoy a GOP margin reaching 61.2%, 58.8% and 54.2% for the three years ended 31 March 2008, 2009 and 2010, respectively, which is above the Hong Kong market average according to HVS. Our strength derives in part from our central procurement team, which we believe strengthens our bargaining power and has experience in securing high quality and cost-effective supplies and materials for the internal furnishings of our hotels, primarily from China. We also focus on services that matter most to our target guests and outsource ancillary services, such as laundry and chauffeur services, to third-parties when we believe it is more cost effective to do so. Further, we maintain a low Total Staff-to-Room Ratio by training many of our employees to perform multiple tasks and roles. Our Total Staff-to-Room Ratio for the years ended 31 December 2007, 2008 and 2009 were 0.36, 0.50 and 0.55, respectively.

Our ability to deliver strong returns from our hotel portfolio and create value is also demonstrated by the revaluation surplus of our hotel portfolio up to 30 June 2010 of HK\$4,987 million. The total capital value of our hotel portfolio as assessed by the Property Valuers as at 30 June 2010 was HK\$10,598 million, while the carrying value of our hotel portfolio was HK\$5,611 million. As an example of our ability to create value, the capital value of Lan Kwai Fong Hotel @ Kau U Fong was HK\$797 million based on the valuation report as at 30 June 2010, an increase of 257% compared with the acquisition and development cost of approximately HK\$223 million. The hotel opened in 2006 and has consistently enjoyed the highest ARRs of all our hotels during the Track Record Period and had an above average GOP margin of 66.2%, 61.3% and 59.3% for the three years ended 31 March 2008, 2009 and 2010, respectively.

We believe that our track record of operating hotels will also benefit our hotel management business as it enables us to present hotel owners with a compelling value proposition compared to many of our competitors.

Our hotels in operation and under planning or development make us one of the largest hotel operators in Hong Kong in terms of the number of rooms

Benefitting from a number of factors, including the Individual Visitation Scheme and strong economic growth in China, the Hong Kong hotel sector has shown significant growth in recent years. According to HVS, between 2000 and 2009 the number of mainland China visitors to Hong Kong increased by a CAGR of 18.9%, driven by a number of factors including strong economic growth, increasing affluence of Chinese visitors and a relaxation of individual tourist visa procedures. We expect these factors to continue to drive demand for hotel rooms in Hong Kong. Since the opening of our first Hong Kong hotel, the Cosmopolitan Hotel, in January 2005, we have increased our number of hotels in Hong Kong to eight as at the Latest Practicable Date, giving us a broad presence in a number of key business and tourist areas in Hong Kong. We have successfully established multiple award-winning boutique brands, such as our Lan Kwai Fong Hotel @ Kau U Fong, Central Park Hotel and Cosmo Hotel in Hong Kong. We believe these hotels provide distinguished and personalised services to cater to the specific needs of our customers who are looking to stay at stylish and unique hotels. As Chinese visitors have consistently comprised our largest source of guests at most of our Hong Kong hotels, we believe our deep understanding of the Hong Kong markets developed from our experiences and our ability to deliver strong returns place us in a strong position to expand our design-led hotel concept into China and other key South East Asian markets driven in large part by the outbound Chinese tourist market.

Based on Hong Kong Tourism Board published estimates, the 1,443 new hotel rooms we are scheduled to add to our Hong Kong hotel portfolio between 31 March 2010 and the end of 2012 will represent approximately 15.4% of the new hotel rooms to be added in Hong Kong during this period. Upon the addition of these 1,443 hotel rooms, our Hong Kong hotel portfolio will total 2,992 rooms by 2012, making us one of the largest hotel operators in Hong Kong based on number of rooms, according to HVS.

We have an experienced management team and highly trained and customer-oriented staff

We have a strong management team with a highly complementary mix of property development, brand development, hotel management, and financial and procurement expertise, as well as a strong track record of success in the markets in which we operate. Our general managers, such as Ms. CHAN, Siu Fong Anita (陳小芳), Ms. KWAN, Shuk Wah Rebecca (關淑華), Mr. WILFRED, Anthony Hubert and Mr. AU, Tat Ming Gary (歐達明), are all highly experienced hoteliers, the majority of whom have over 10 years experience in the industry, and many of whom have previously worked with leading hotel brands such as The Peninsula, Ritz Carlton, Sheraton and Shangri-La. In addition, the chief advisor to the Board, Mr. IP, Hoi Wah Edmond (葉海華), led InterContinental Hotel Group's ("IHG") North Asian and Greater China operations and spearheaded IHG's expansion in China. He was also one of the founders of the Banyan Tree Hotels & Resorts and held senior management positions with other international hotel chains such as Hyatt International Corporation. We believe that our management team's depth and breadth of experience in the hotel industry uniquely positions us to benefit from growing tourism within the region through the successful implementation of our principal future growth strategy of expanding our hotel room portfolio through both hotel development and hotel management.

We have successfully established a portfolio of diversified hotel products

We have successfully established a portfolio of diversified products comprising value, mid-scale, upscale and boutique hotels, which we believe enables us to capture a wide spectrum of market opportunities. In addition, we also develop and operate boutique hotels, a sector which we believe offers significant growth potential. We currently have two upscale hotels, five mid-scale hotels, four value hotels and four boutique hotels. One upscale hotel, five mid-scale hotels and one boutique hotel will be added to our hotel portfolio by 2013. Our breadth of brands allows us to introduce hotels that we believe best appeal to the preferences of our target guest segments in the areas in which the hotels are located. For instance, we redeveloped the former Far East Commercial Building in Tseun Wan into the Dorsett Far East Hotel after the Individual Visitation Scheme was introduced by the PRC Government in 2003 to capture the mainland China tourist market, and we re-developed a site in Central, Hong Kong, into the boutique Lan Kwai Fong Hotel @ Kau U Fong to target towards higher-end business and leisure travellers.

STRATEGIES

Supported by our growing Asia platform, our aim is to become one of the most respected Asian hotel companies, renowned for delivering shareholder returns above industry averages – driven by our strong operating performance and growing hotel management pipeline. In particular, we intend to adopt the following principal strategies in order to achieve our aim:

- continue to identify sites and acquisition opportunities in strategic locations;
- expand our hotel management business;
- leverage our experience with, and knowledge of, the Chinese tourism market to build our presence in China and undertake an opportunistic expansion in China and other regions of the Asia Pacific; and
- develop and strengthen our brands to increase customer loyalty.

Continue to identify sites and acquisition opportunities in strategic locations

We intend to continue to utilise our strength in identifying sites in strategic locations that provide us with substantial opportunities for value accretion, strong financial returns and brand enhancement. We adopt qualitative and quantitative market evaluation guidelines that take into account factors such as proximity to key transport infrastructure, population base, GDP and projected GDP growth, current and projected tourist numbers, development cost and projected room rates to assess site suitability. We also take into account property price cycles when considering the desirability of acquiring sites in particular markets. With our broad range of value to upscale brands and boutique hotel concepts, market insight and established presence in Hong Kong, we expect to be in a position to implement hotel development plans to best capture the opportunity presented by a particular site.

Expand our hotel management business

We have been a hotel owner and operator since 1998, and as a result have developed substantial experience in the hotel management business and coupled with the brand platform we are building, this will allow us to grow our business to include the hotel management industry. We intend to pursue opportunities to capitalise on our management expertise and reputation by securing more management agreements for properties wholly or majority owned by third parties in the future

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including seeking opportunities where we would be both the lessee and operator of a hotel. We started our hotel management business in 2010. As at the Latest Practicable Date, we had entered into a legally binding letter of intent to manage a third-party hotel, which we expect to operate under our “Hotel Kosmopolito” brand in Huangshi, Hubei Province with approximately 400 rooms. Our PRC legal advisor has advised us that the letter of intent is legally binding. We are currently under discussions with a number of other independent third-party hotel owners to manage their hotels located in different cities in the PRC as well as other regions in the Asia Pacific. The hotel management business allows us to manage a hotel under our brand without requiring us to spend any capital expenditure on acquiring and building a hotel, which we believe is an asset-light business model that will provide us with a steady source of income, as well as the opportunity to greatly enhance our brand awareness and the size of our hotel operations. We plan to expand our hotel management business in the PRC and other regions in the Asia Pacific, if opportunities arise. In addition, in further pursuit of an asset-light business model, we have had, and expect to continue to have, discussions with independent third-parties regarding the sale of The Mercer by Kosmopolito in which we would retain the right to manage the hotel via a management agreement between the buyer of the hotel and us. As smaller size hotels tend to enjoy lower economies of scale, sale of such assets allows us to re-deploy capital to projects which may potentially yield higher returns.

To facilitate our expansion of our hotel management business we have formed a business development committee to spearhead the hotel management business comprising of Mr. IP, Hoi Wah Edmond (葉海華), Mr. MOK, Kwai Pui Bill (莫貴標), Mr. CHU, Chee Seng (朱志成), Mr. YIP Shu Kiong (葉樹強) and Ms. CHIU, Wing Kwan Winnie (邱詠筠). Mr. IP, Hoi Wah Edmond (葉海華) has over 37 years of experience in the hotel industry and he will be providing strategic advice for the development of our hotel management business.

Leverage our experience with, and knowledge of, the Chinese tourism market to build our presence in China and undertake an opportunistic expansion in China and other regions in the Asia Pacific

We intend to substantially expand our hotel business into China to capture the opportunities presented by the rapid growth in leisure and business travel in China, particularly in the domestic segment. Targeting cities in China with good growth potential, including second- and third-tier cities such as Suzhou and Zhuhai, respectively, we intend to actively look at potential sites that are undervalued, so we can capture the emerging market opportunities in these cities. We first started our hotel operation in China by acquiring our Wuhan Cosmopolitan Hotel in 2007, which commenced operations in June 2008. More recently, we opened our 264-room Yue Shanghai Hotel in February 2010, boosting our total number of rooms in the PRC to 648. In addition to our Wuhan Cosmopolitan Hotel, which was, as at the Latest Practicable Date, under renovation to increase its number of rooms, we have two hotels currently under planning or development, which together will increase our total number of rooms in the PRC to approximately 1,611 rooms by the end of 2011. We also intend to reinforce our foothold in the PRC by managing independent third-party hotels. We recently signed a letter of intent to manage a hotel with approximately 400 rooms in Huangshi, Hubei Province, China, which we expect to operate under our “Hotel Kosmopolito” brand. We are also in ongoing discussions with other hotel owners with a view to signing additional hotel management agreements. Our PRC legal advisor has advised us that the letter of intent is legally binding.

We acquired the site for our first Singapore hotel, the Dorsett Regency “On New Bridge”, Singapore, in September 2009 at a time when we believed hotel site prices were impacted by the effects of the global financial crisis. We will continue to seek to capitalise on similar opportunities to further grow our presence in China and other regions in Asia Pacific.

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Develop and strengthen our brands to increase customer loyalty

During the Track Record Period we have operated our hotels under our “Cosmopolitan”, “Cosmo”, “Dorsett” and “Grand Dorsett” brands as well as individual boutique hotel names such as our Lan Kwai Fong Hotel @ Kau U Fong, Central Park Hotel and Cosmo Hotel. We believe that there is currently an absence of “Asian grown” hotel brand names of quality and scale, and we believe there is tremendous potential for us to build a strong Asian brand platform from which we can expand our hotel portfolio internationally.

We intend to develop a more cohesive and engaging portfolio of brands under the brands “Hotel Kosmopolito”, “Dorsett Regency”, “Boutique Series by Kosmopolito” and “Silka Hotel” for the different categories of our hotel properties. Upon completion of our branding exercise, none of our hotels will be branded as “Cosmopolitan”, nor will we pursue registration of any “Cosmopolitan” related trademarks. We plan to refurbish our own hotel assets as a showcase for each brand. Hotel Kosmopolito City Centre, Chengdu, Dorsett Regency Hotel Kuala Lumpur and Cosmopolitan Hotel, Lan Kwai Fong Hotel @ Kau U Fong and Dorsett Seaview Hotel will be our showcase hotels for each of the brands “Hotel Kosmopolito”, “Dorsett Regency”, “Boutique Series by Kosmopolito” and “Silka Hotel”, respectively. These showcase hotels will enable us to present our operating models and concepts to third-party hotel owners in a more effective and clear way, which in turn will help grow our hotel management business. We also plan to progressively refurbish the other existing hotels in our portfolio to reflect the new branding position, as well as to modify, to the extent necessary, certain features of our hotels under planning or development to also conform with our new branding. For more details regarding our rebranding initiative, please refer to the section headed “— Our Brands” in this section.

HOTEL OPERATIONS

Overview

Our portfolio is comprised of eight hotels in Hong Kong, two hotels in China and five hotels in Malaysia. As at the Latest Practicable Date, we had a further seven value to upscale hotels under planning or development, of which four are located in Hong Kong, two in China and one in Singapore. We have also entered into a letter of intent to manage a third party hotel under our “Hotel Kosmopolito” brand. Most of our hotels are located near tourist attractions or commercial districts, or are within close proximity to public transportation. Our PRC legal advisor has advised us that the letter of intent is legally binding.

The following table shows the breakdown of our revenue generated from our hotel operations by geographic market for the three years ended 31 March 2010:

	Year ended 31 March					
	2008		2009		2010	
	HK\$	%	HK\$	%	HK\$	%
Hong Kong	422,823	66.7	417,409	61.2	339,913	55.2
PRC	1,196	0.2	27,384	4.0	34,558	5.6
Malaysia.....	209,616	33.1	237,112	34.8	241,782	39.2
Total	<u>633,635</u>	<u>100.0</u>	<u>681,905</u>	<u>100.0</u>	<u>616,253</u>	<u>100.0</u>

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The following table shows information on the Total Available Room Nights, occupancy rates, ARR and RevPAR of our hotels for the three years ended 31 March 2010:

	Year ended 31 March		
	2008	2009	2010
Hong Kong			
<i>Owned and operated</i>			
Cosmopolitan Hotel, Wan Chai			
Total Available Room Nights	166,164	165,710	165,589
Occupancy (%)	87.5	83.8	76.5
ARR (HK\$)	949	944	855
RevPAR (HK\$)	830	791	654
Cosmo Hotel, Wan Chai			
Total Available Room Nights	51,972	50,818	51,830
Occupancy (%)	87.1	87.7	80.7
ARR (HK\$)	890	860	745
RevPAR (HK\$)	775	754	601
Central Park Hotel, Sheung Wan			
Total Available Room Nights	48,763	50,152	51,830
Occupancy (%)	79.8	74.8	74.3
ARR (HK\$)	900	883	725
RevPAR (HK\$)	719	661	539
Lan Kwai Fong Hotel @ Kau U Fong, Central			
Total Available Room Nights	59,292	59,130	59,130
Occupancy (%)	83.7	76.6	73.0
ARR (HK\$)	1,392	1,472	1,322
RevPAR (HK\$)	1,166	1,127	964
Dorsett Seaview Hotel, Yau Ma Tei			
Total Available Room Nights	98,088	97,820	83,601
Occupancy (%)	97.2	98.1	95.1
ARR (HK\$)	494	521	443
RevPAR (HK\$)	481	511	421
Dorsett Kowloon Hotel, Tai Kok Tsui			
Total Available Room Nights	51,606	51,465	51,465
Occupancy (%)	95.3	97.6	96.0
ARR (HK\$)	495	512	402
RevPAR (HK\$)	471	500	386

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	Year ended 31 March		
	2008	2009	2010
Dorsett Far East Hotel, Tsuen Wan			
Total Available Room Nights	87,840	87,600	87,600
Occupancy (%)	88.3	95.7	91.5
ARR (HK\$)	419	436	363
RevPAR (HK\$)	369	417	333
PRC			
<i>Owned and operated</i>			
Yue Shanghai Hotel, Shanghai			
Total Available Room Nights	—	—	6,922
Occupancy (%)	—	—	35.8 ¹
ARR (RMB)	—	—	502
RevPAR (RMB)	—	—	180
Wuhan Cosmopolitan Hotel, Wuhan			
Total Available Room Nights	—	51,260	59,320
Occupancy (%)	—	37.1	50.3
ARR (RMB)	—	230	213
RevPAR (RMB)	—	85	107
Year ended 31 March			
	2008	2009	2010
Malaysia			
<i>Owned and operated</i>			
Dorsett Regency Hotel Kuala Lumpur			
Total Available Room Nights	117,120	116,800	116,800
Occupancy (%)	82.2	77.6	76.6
ARR (MYR)	162	184	189
RevPAR (MYR)	134	143	144
Maytower Hotel, Kuala Lumpur			
Total Available Room Nights	—	32,578	65,335
Occupancy (%)	—	41.7	76.0
ARR (MYR)	—	192	138
RevPAR (MYR)	—	80	105
Grand Dorsett Subang Hotel, Subang			
Total Available Room Nights	128,832	128,480	128,480
Occupancy (%)	72.9	66.7	58.0
ARR (MYR)	242	250	236
RevPAR (MYR)	177	167	137

Note:

¹ Yue Shanghai Hotel commenced operations in February 2010. The 35.8% occupancy rate of the Yue Shanghai Hotel is for the fiscal year ended 31 March 2010 and reflects approximately the first month of Yue Shanghai Hotel's operations.

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	Year ended 31 March		
	2008	2009	2010
Dorsett Johor Hotel, Johor Bahru			
Total Available Room Nights	—	45,864	91,980
Occupancy (%)	—	38.6	63.9
ARR (MYR)	—	117	112
RevPAR (MYR).....	—	45	72
Grand Dorsett Labuan Hotel, Labuan			
Total Available Room Nights	32,574	64,970	64,970
Occupancy (%)	77.0	78.5	75.8
ARR (MYR)	245	265	261
RevPAR (MYR).....	188	208	198

Recent operating performance

The table below sets out the recent performance of our hotels in Hong Kong, PRC and Malaysia, which demonstrates the recovery of our hotel performance, in particular in Hong Kong, from the global financial crisis starting from the second half of the year ended 31 March 2009, the outbreak of H1N1 in the first half of the year ended 31 March 2010 or more specifically the three months ended 30 June 2009, respectively.

For the six months ended 31 March 2010 (our second half of the year ended 31 March 2010), the occupancy, ARRs and RevPAR in Hong Kong increased by 16.1%, 25.9%, and 53.1%, respectively, compared with the six months ended 30 September 2009 (our first half of the year ended 31 March 2010) primarily due to the increase of business and leisure travellers in that period.

	Year ended 31 March			Six months ended		Three months ended	
	2008	2009	2010	30 September	31 March	30 June	30 June
				2009	2010	2009	2010
Occupancy Rate (%)							
Hong Kong.....	88.9%	88.2%	83.3%	75.1%	91.2%	72.1%	89.0%
Malaysia.....	77.3%	66.5%	68.8%	67.4%	70.2%	67.1%	76.1%
China	—	37.1%	48.8%	48.1%	49.1%	47.8%	58.6%
ARR (HK\$)							
Hong Kong.....	771	769	672	587	739	623	724
Malaysia.....	485	494	424	436	412	435	441
China	—	258	267	247	277	242	581
RevPAR (HK\$)							
Hong Kong.....	685	678	560	441	675	449	644
Malaysia.....	375	329	292	294	289	292	336
China	—	96	130	119	136	116	340

Hong Kong Operations

We have eight hotels currently in operation and four hotels under development in Hong Kong. Our hotels are strategically located near a broad range of key business and tourist areas in Hong Kong and public transportation facilities. In the order of commencement or targeted commencement of operations, these hotels are Cosmopolitan Hotel, Central Park Hotel, Dorsett Kowloon Hotel, Cosmo Hotel, Lan Kwai Fong Hotel @ Kau U Fong, Dorsett Far East Hotel, Dorsett Seaview Hotel, Cosmo Kowloon Hotel, The Mercer by Kosmopolito, Dorsett Regency Kennedy Town, Hong Kong, Dorsett Regency Kwun Tong, Hong Kong and Dorsett Regency Kwai Chung, Hong Kong. Set out below is a map showing the location of each of our hotels in operation and under development in Hong Kong:



HOTELS IN OPERATION

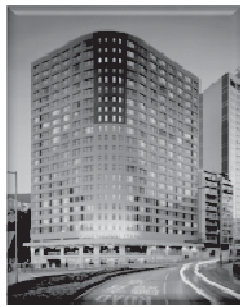
- 1 Central Park Hotel (boutique)
- 2 Lan Kwai Fong Hotel @ Kau U Fong (boutique)
- 3 Cosmopolitan Hotel (mid-scale)
- 4 Cosmo Hotel (boutique)
- 5 Dorsett Kowloon Hotel (value)
- 6 Dorsett Seaview Hotel (value)
- 7 Dorsett Far East Hotel (value)
- 8 Cosmo Kowloon Hotel (mid-scale)

HOTELS UNDER DEVELOPMENT

- 9 The Mercer by Kosmopolito (boutique)
- 10 Dorsett Regency Kennedy Town, Hong Kong (mid-scale)
- 11 Dorsett Regency Kwai Chung, Hong Kong (mid-scale)
- 12 Dorsett Regency Kwun Tong, Hong Kong (mid-scale)

Hotels under operation — Hong Kong Island, Hong Kong

Cosmopolitan Hotel, Wan Chai



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Our flagship hotel in Hong Kong, Cosmopolitan Hotel, was converted from the former China XinHua News Agency building. It commenced operations in January 2005. It was named one of the few “Comfortable Hotels in Hong Kong” by the “Michelin Hong Kong & Macau Guide” for two consecutive years in 2009 and 2010 and was selected as an official hotel host for the 2009 East Asian Games, an international sporting event held in Hong Kong. The property has a total of 22 floors with a total GFA of approximately 171,095 square feet, comprising 454 guest rooms, including executive suites and themed suites. The hotel also has a large function room. The hotel is located directly opposite the Happy Valley Racecourse and the Queen Elizabeth Stadium and is within close proximity of the shopping attractions of Causeway Bay and the commercial districts and convention centre in Wanchai, making it a desirable location for both business and leisure travellers. Cosmopolitan Hotel is positioned as a mid-scale hotel catering towards business and leisure travellers. The hotel includes the La Maison de l’Orient restaurant, a restaurant offering a selection of Chinese and Western cuisine with a dining area and multi-function VIP rooms. The hotel also features the 3T Bar offering guests and local residents a comfortable location to enjoy an international selection of wines, beers and specially created cocktails. In addition, in order to provide added convenience to both our business and leisure guests, the hotel provides a regular free shuttle bus service to and from the Hong Kong Airport Express Station, Causeway Bay, Wanchai, Admiralty, Quarry Bay and the Ocean Park theme park. The hotel has a number of dedicated suites to showcase certain companies’ products and provide guests with a unique experience at no additional cost. For example, the hotel’s “Osim suite” features Osim-branded massagers and relaxation related products.

During the year ended 31 March 2010, Cosmopolitan Hotel received guests from China as we believe that our convenient location near Causeway Bay, one of the main shopping districts in Hong Kong, and the historical value of the China Xin Hua News Agency building attracted PRC travellers to stay with us.

Cosmo Hotel, Wan Chai



BUSINESS

Our Cosmo Hotel, situated two buildings away from our Cosmopolitan Hotel, was converted from a former commercial building and commenced operations in October 2005. It is a boutique hotel characterised by its contemporary and sleek interior, imaginative use of colour and modern room amenities. The property has a total of 25 floors with a total GFA of approximately 59,699 square feet, comprising 142 guest rooms, including suites. In order to differentiate the Cosmo Hotel from our nearby Cosmopolitan Hotel, we position Cosmo Hotel as a boutique hotel, targeted towards a customer segment comprised primarily of young and independent travellers. Due to its proximity to our Cosmopolitan Hotel, we have a joint management team overseeing daily operations of both our Cosmopolitan Hotel and Cosmo Hotel to allow for efficient management and better economies of scale.

The Nooch Bar, which is located on the ground floor of the Cosmo Hotel, serves a wide range of wines and cocktails in a unique modern club environment with a wall-mounted TV broadcasting sporting events and other programs. Breeze, a patio on the fifth floor of the hotel having both an indoor and outdoor terrace-style setting, offers self-serve coffee and snacks to in-house guests as well as free Wi-Fi services. The hotel provides a free shuttle bus service to and from the Hong Kong Airport Express Station, Causeway Bay, Wan Chai, Admiralty, Quarry Bay and the Ocean Park theme park.

Central Park Hotel, Sheung Wan



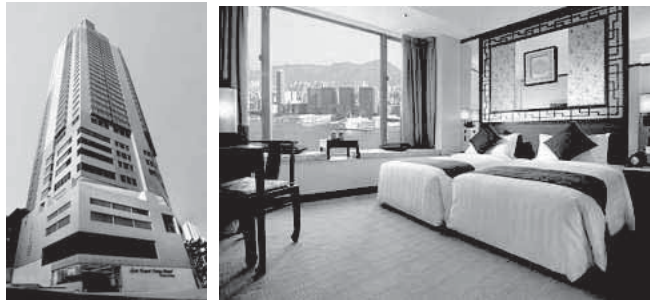
Our Central Park Hotel was converted from a commercial building and commenced operations in April 2005. It underwent a substantial refurbishment in the second half of 2007. The property has a total of 24 floors and a total GFA of approximately 51,076 square feet, comprising 142 guest rooms, including executive suites. Central Park Hotel is a boutique hotel within a short walking distance from Central and the trendy dining and entertainment areas of Soho and Lan Kwai Fong. The hotel is also located in an area known for Chinese antique shops, with tourist attractions such as Hollywood Road and the Western Heritage Trail located nearby. Central Park Hotel was a finalist for “Hong Kong’s Leading Boutique Hotel” in the World Travel Awards for 2008.

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Central Park Hotel attracts a balanced mix of both leisure travellers and frequent business travellers. The hotel has a cafe named BreeZe Lounge serving buffet breakfast, which also includes an outdoor garden podium area overlooking the adjacent park, as well as computer stations through which guests can access the Internet. The hotel contains a restaurant named “Wagyu Kaiseki Den”, a Michelin star-rated restaurant, serving Japanese cuisine that is independently managed by a third-party operator from which we receive regular rental income. The combined indoor/outdoor area is able to serve as a function area for both guests and local residents, and routinely holds functions such as wine tastings, wedding receptions and other events. In order to cater to the needs of our business guests, the hotel also contains an additional meeting room. Free shuttle bus services are provided to and from the Hong Kong Airport Express Station and Lan Kwai Fong Hotel @ Kau U Fong.

Due to its proximity to our Lan Kwai Fong Hotel @ Kau U Fong, we have a joint management team overseeing the daily operations of both the Central Park Hotel and the Lan Kwai Fong Hotel @ Kau U Fong to allow for efficient management and better economies of scale.

Lan Kwai Fong Hotel @ Kau U Fong, Central



Our award winning flagship boutique hotel, the Lan Kwai Fong Hotel @ Kau U Fong, is recognised as “The Best Boutique Hotel in Asia” by Travel Weekly in 2007, “Hong Kong’s Leading Boutique Hotel” and “Asia’s Leading Boutique Hotel” by the World Travel Awards in 2008 and 2009, respectively, the “Hong Kong Business’s High-Flyer Award” in the boutique hotel category and “The Best Design & Boutique Hotel of China” by the China Hotel Starlight Awards in 2009. The hotel is located close to Hong Kong’s popular dining, nightlife and entertainment areas of Soho and Lan Kwai Fong, and the business district in Central, one of Hong Kong’s premier financial and shopping districts. The hotel commenced operations in March 2006. The property has a total of 36 floors and a GFA of approximately 60,773 square feet. The hotel comprises 162 guest rooms, including deluxe rooms and suites. The design and furnishings of the rooms are distinctive and heavily influenced by traditional Chinese styles. The suites feature private balconies with spectacular views of Victoria Harbour.

We position Lan Kwai Fong Hotel @ Kau U Fong as a high-end boutique hotel targeted to both business and leisure customers.

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Within the hotel is Celebrity Cuisine, a Michelin star-rated restaurant serving Chinese cuisine. Two additional lounges, one providing computers with Internet access and a breakfast area for our guests, and the other serving snacks and beverages to our guests with an outdoor terrace are located in the hotel. A free shuttle bus service to and from the Hong Kong Airport Express Station and other locations in Central and Admiralty is available to our guests.

Hotels under operation — Kowloon, Hong Kong

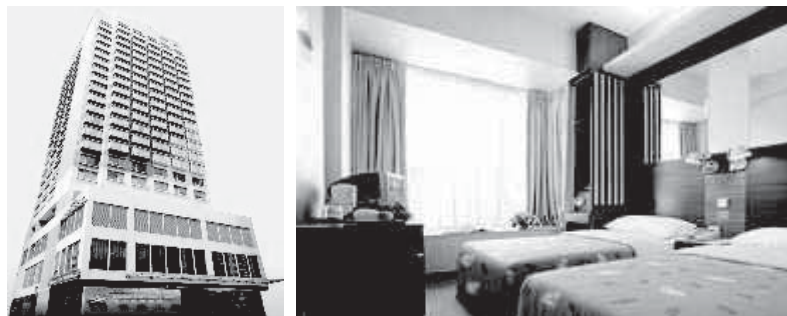
Dorsett Seaview Hotel, Yau Ma Tei



Dorsett Seaview Hotel was acquired by us in January 2007¹. It underwent a substantial refurbishment between February and October 2009 to modernise and renovate its rooms and we plan to upgrade the lobby area during 2011. The hotel is located in Yau Ma Tei, one of the commercial, shopping, eating and entertainment centres of Hong Kong and is within walking distance to the Tsim Sha Tsui shopping district. Attractions such as the Temple Street Night Market and the Jade Market are within a five minute walk from the hotel. The property has a total of 21 floors with a total GFA of approximately 65,286 square feet, comprised of 268 guest rooms, including suites.

We position Dorsett Seaview Hotel as a value hotel targeted to leisure and tour group travellers seeking value-for-money and proximity to tourist attractions and shopping and dining areas. The hotel has a cafe that serves international cuisine during the day. There is also a massage/sauna parlour operated by an independent third party in the hotel's basement. We also provide free shuttle bus services to and from Mongkok, Tai Kok Tsui and the Kowloon Airport Express Station.

Dorsett Kowloon Hotel, Tai Kok Tsui



Note:

¹ We acquired the property as a distressed asset by purchasing the debt of a previous owner in 2000 and subsequently converting our interest in the debt to equity in January 2007.

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Dorsett Kowloon Hotel was developed by FEC and commenced operations in May 2005. It has a total of 23 floors with a total GFA of approximately 34,554 square feet, comprising 141 guest rooms. The hotel is situated within close proximity of famous tourist attractions, such as Mongkok's shopping district, the Ladies' Market, the Goldfish Market and the Flower Market. The hotel is also located within close proximity of our Dorsett Seaview Hotel, and is therefore overseen by a joint senior management team to allow for efficient management and better economies of scale.

As with the nearby Dorsett Seaview Hotel, we position Dorsett Kowloon Hotel as a hotel for leisure and tour group travellers seeking value-for-money and proximity to renowned tourist areas, as well as for business travellers seeking a hotel convenient to the surrounding commercial areas including Tsim Sha Tsui and Mongkok. The hotel has a cafe that serves a mix of Asian and Western cuisine. Free shuttle bus services are provided to hotel guests to and from Mongkok, Yau Ma Tei and the Kowloon Airport Express Station.

Dorsett Far East Hotel, Tsuen Wan



Dorsett Far East Hotel was converted into a hotel from the former Far East Bank building, Tsuen Wan, a commercial and residential building in Tsuen Wan and commenced operations in October 2006. The property is comprised of a lobby located on the ground floor and guest rooms on the sixth to 17th floors. The total GFA of the building is approximately 55,761 square feet. It is comprised of 240 guest rooms. The hotel is situated on Castle Peak Road in one of Hong Kong's major satellite towns, Tsuen Wan. It is within walking distance to Tsuen Wan MTR (Mass Transit Railway) station and is close to the popular shopping, commercial and entertainment facilities in the area.

The hotel offers comfortable and moderately-priced accommodation and its own function room. The hotel provides guests with a free shuttle bus service to and from the Tsing Yi Airport Express Station and Mongkok.

Cosmo Kowloon Hotel, Tai Kok Tsui



Construction of the Cosmo Kowloon Hotel was completed in the first quarter of 2010 and the hotel commenced operations in July 2010. The hotel was constructed on the site of a former industrial building we acquired and subsequently demolished to make room for the hotel. It is located one block away from our Dorsett Kowloon Hotel. The property has a total of 25 floors with a total GFA of approximately 67,002 square feet, comprised of 285 rooms. The Cosmo Kowloon Hotel is characterised by its contemporary and sleek interior, imaginative use of colour and modern room amenities. We position the hotel to target business and leisure travellers as well as corporate clients. The hotel has a total of 25 floors and features an Italian restaurant, which serves both hotel guests as well as residents and workers in neighbouring areas. Prior to the hotel's opening, its sales team had commenced marketing and sales activities, including discussions with travel agents, Internet-based wholesalers of hotel rooms, local and multinational companies with nearby offices and trade show and event organisers seeking hotels to participate as official hotels for their shows and events.

Hotels under development — Hong Kong

Dorsett Regency Kennedy Town, Hong Kong

Dorsett Regency Kennedy Town, Hong Kong is a proposed mid-scale hotel development project with a proposed 217 rooms located on Davis Street in Kennedy Town. Upon completion, the building will have a total GFA of approximately 73,271 square feet. The superstructure works have been completed and we have commenced internal fit-out of the hotel rooms and facilities. The hotel is expected to commence operations in the second quarter of 2011.

The Mercer by Kosmopolito, Sheung Wan

The Mercer by Kosmopolito is a proposed boutique hotel minutes away from the heart of Central with a proposed 55 rooms in a studio or one-bedroom layout highlighted by a distinctive and contemporary design. Upon completion, the proposed hotel has a total GFA of approximately 37,941 square feet and will feature a gymnasium and a swimming pool for its guests. The construction of the superstructure has been completed and the internal fit-out commenced in the fourth quarter of 2010. Hotel operations are expected to commence in the second quarter of 2011.

Dorsett Regency Kwun Tong, Hong Kong

Dorsett Regency Kwun Tong, Hong Kong is a hotel development project located at Hung To Road, Kwun Tong. The existing industrial building on the site has been demolished and the site will be re-developed into a mid-scale hotel with a proposed 380 rooms. Upon completion, it will have a total GFA of approximately 119,277 square feet. Construction works commenced in June 2009 and is expected to be completed in the third quarter of 2011 and hotel operations are expected to commence thereafter.

Dorsett Regency Kwai Chung, Hong Kong

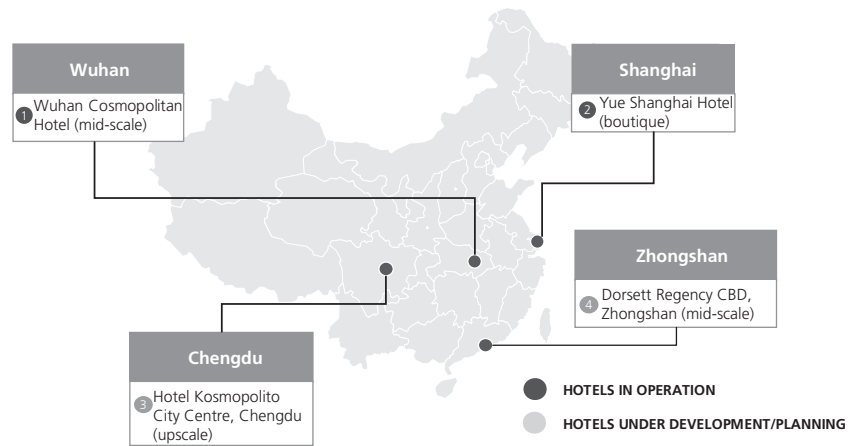
We acquired the existing industrial building, known as Topy Tower, in 2008. This industrial building is in the process of being fully refurbished into a mid-scale hotel to be named Dorsett Regency Kwai Chung, Hong Kong with a proposed 506 rooms. The refurbishment includes the elimination of an existing side portion of the building to provide all hotel rooms with additional light, as well as the addition of eight floors at the top of the existing structure to make use of allowable GFA and provide for additional hotel rooms. Upon completion, it will have a total GFA of approximately 214,680 square feet. Site works commenced in late 2009 and we expect the refurbishment to be completed in the fourth quarter of 2011 and hotel operations are expected to commence in the

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second quarter of 2012. The hotel will feature multiple restaurants, a grand ballroom, conference facilities, a swimming pool and a gymnasium.

PRC Operations

We have two hotels currently in operation and two hotels under planning or development in the PRC. In order of commencement or targeted commencement of operations, these hotels are Wuhan Cosmopolitan Hotel, Yue Shanghai Hotel, Hotel Kosmopolito City Centre, Chengdu and Dorsett Regency CBD, Zhongshan. We have also signed a letter of intent to manage a hotel owned by an independent third-party which we expect to operate under our "Hotel Kosmopolito" brand in Huangshi, Hubei Province. Our PRC legal advisor has advised us that the letter of intent is legally binding.



Hotels under operation – China

Yue Shanghai Hotel, Shanghai

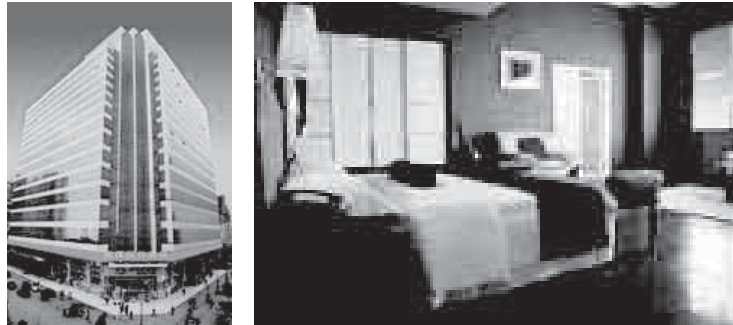


Yue Shanghai Hotel, our first boutique hotel in China, was converted from a residential apartment building and commenced operations in February 2010. It is situated in Pudong, Shanghai, immediately adjacent to Century Park. The property has a total GFA of approximately 170,003 square feet comprising of a hotel portion with a total GFA of approximately 150,850 square feet with 264 guestrooms, including various types of suites located in the 18-floor hotel building and on level two of the retail podium. The hotel has contemporary design and style, featuring an abundant and innovative use of colour, and functional and luxurious interiors with a Chinese touch. Our hotel rooms have balconies, which provides guests with a relaxing area to enjoy panoramic views of Century Park or the city. The hotel is also conveniently located near the Shanghai New International Expo Centre and Century Park Metro station, which is only four metro stops from Lujiazui, the financial and banking centre of Shanghai.

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We position Yue Shanghai Hotel to target high-end travellers and MICE and corporate client markets. Each room features luxurious bathroom amenities, an electronic safe, an iPod dock, a satellite LCD TV, a minibar and voicemail facilities. To provide convenience to our MICE and corporate guests, the hotel has two multi-function meeting rooms. The hotel also features three separate F&B facilities – a lobby lounge serving snacks and drinks, a contemporary-themed bar serving a wide range of beverages and a restaurant featuring an open kitchen and a selection of Asian and Western dishes.

Wuhan Cosmopolitan Hotel, Wuhan



We acquired Wuhan Cosmopolitan Hotel from an independent third-party in November 2007 and the hotel commenced operations under our management in June 2008. The property has a total of 19 floors, of which our hotel rooms are located on levels 11 to 16. The portion of the building attributable to our hotel has a total GFA of approximately 311,078 square feet, comprising 384 guestrooms, upon completion of all renovations. The hotel is situated atop the Wuhan Hong Kong & Macau Centre, which is comprised mainly of retail shops and commercial office space. This hotel is located on a prominent pedestrian boulevard in Wuhan. We have recently renovated the rooms on the top two floors and expect to complete renovation of the rooms on the remaining floors by first quarter 2011. Upon the completion of all currently scheduled the renovations, the total number of rooms will amount to 384. We position Wuhan Cosmopolitan Hotel as a mid-scale hotel targeted to a wide variety of leisure, tour groups and corporate clients.

Hotels under planning or development – China

Hotel Kosmopolito City Centre, Chengdu

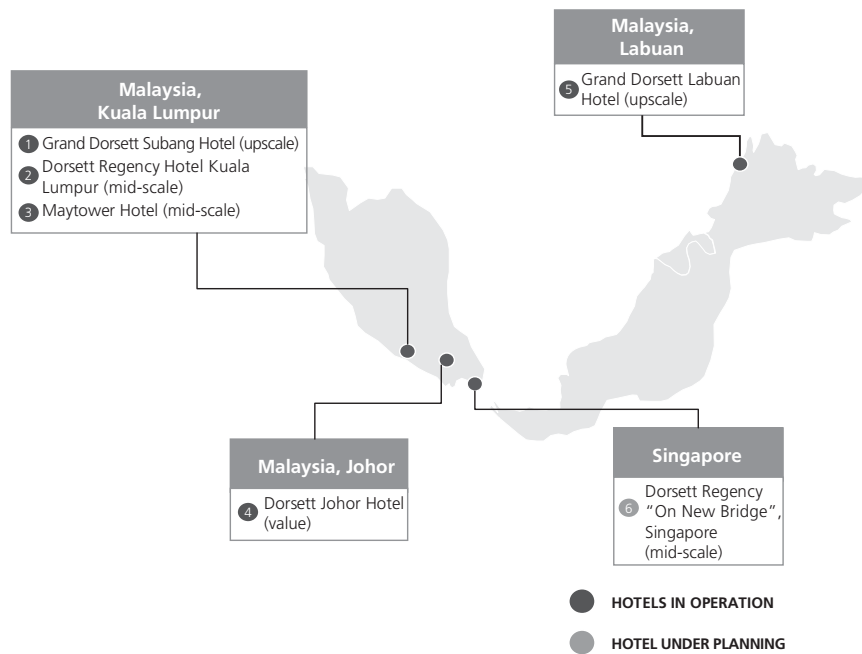
Hotel Kosmopolito City Centre, Chengdu is a proposed contemporary upscale hotel located in the heart of the central business district and close to major financial and entertainment complexes in Chengdu. The building is an existing commercial building acquired by us from Industrial and Commercial Bank of China Sichuan Branch (工商銀行股份有限公司四川省分行) in 2007 and is currently undergoing refurbishment, which we expect to be completed by the end of 2010 and operations to commence in the second quarter of 2011. The hotel will feature approximately 547 hotel rooms. Upon completion, it has a total planned GFA of 727,829 square feet.

Dorsett Regency CBD, Zhongshan

Dorsett Regency CBD, Zhongshan is a proposed mid-scale hotel development project, with approximately 416 rooms located in the southern Chinese city of Zhongshan in Guangdong province. We acquired this building, which was originally built for hotel use, through an auction in 2008. As at the Latest Practicable Date, we were in the process of obtaining the title certificate of the hotel building. After renovations, the property will have a total GFA of approximately 457,072 square feet. The hotel is near Zhongshan’s exhibition centre and shopping district. The hotel is currently expected to commence operations in the third quarter of 2011.

Malaysia and Singapore Operations

We have five hotels currently in operation in Malaysia and one hotel under planning in Singapore. These hotels are our Dorsett Regency Hotel Kuala Lumpur, Maytower Hotel, Grand Dorsett Subang Hotel, Dorsett Johor Hotel, Grand Dorsett Labuan Hotel and the proposed Dorsett Regency “On New Bridge”, Singapore. A map setting out the location of each of these hotels is set out below:



Hotels under Operation – Malaysia

Dorsett Regency Hotel Kuala Lumpur, Kuala Lumpur



Our mid-scale Dorsett Regency Hotel Kuala Lumpur was the first hotel operated by our Group. The hotel was constructed by FEC and opened in April 1998. The property has a total GFA of approximately 298,726 square feet, with 30 floors comprising of 320 guest rooms, including suites and club floors. The hotel is conveniently located in the city centre of Kuala Lumpur and at the start of the famous Bintang Walk.

Due to its prime location in downtown Kuala Lumpur, we position Dorsett Regency Hotel Kuala Lumpur to target a broad mix of executive business and leisure travellers. Services and amenities offered at Dorsett Regency Hotel Kuala Lumpur include in-room broadband access, 24-hour concierge and security, laundry, dry cleaning, valet services, a gymnasium, a swimming pool and meeting rooms. The hotel has three F&B outlets – an Italian restaurant serving a la carte meals, an all-day dining cafe offering local and international cuisine, and a casual lounge serving drinks and snacks with live music in the evening.

The general manager of the hotel, Ms. TOH, Christina, has been awarded the title of “Fellow” of “Visionary Knowledge Leadership For Global Emerging Knowledge Organisation Award (GIKEN)” by JT Frank presented by the Deputy Minister of Trade and Industry.

Maytower Hotel, Kuala Lumpur



The Maytower Hotel was originally constructed as a residential building. We acquired part of the building in May 2006 and converted it into a hotel, which commenced operations in October 2008. The property has a total of GFA of approximately 60,529 square feet, made up of 179 hotel guest rooms, of which some have kitchen facilities to cater to our long stay guests. The hotel rooms are

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located on the 21st to 30th floors of the building. Maytower Hotel is located near tourist attractions such as 'Little India', China Town, Central Market, KL Tower, and the Petronas Twin Towers.

We position Maytower Hotel as a mid-scale hotel targeted to business and leisure travellers, tour groups, as well as longer stay guests who are particularly attracted by the kitchen facilities provided by some of our rooms. The hotel has function rooms and a ballroom. All the function rooms are equipped with audio-visual and telecommunications technology. The hotel also has a pool and a fitness centre. The hotel's coffee house, La Maison Restaurant, serves buffet breakfast to guests and also has an a la carte menu for lunch and dinner.

Grand Dorsett Subang Hotel, Subang



We acquired Grand Dorsett Subang Hotel in February 2007 from an independent third party. At the time of its acquisition the hotel was managed under the "Sheraton" brand by Sheraton Overseas Management Corporation. We assumed management of the hotel effective as of 1 October 2009. The Grand Dorsett Subang Hotel is located in the heart of the commercial hubs of Subang Jaya, Shah Alam and Petaling Jaya. It is approximately a 35-minute drive from the Kuala Lumpur International Airport and a 25-minute drive from Kuala Lumpur's city centre, and is surrounded by shopping and recreational facilities such as international standard golf courses and theme parks.

We position Grand Dorsett Subang Hotel as an upscale hotel targeted to the MICE segment, which is predominantly composed of business, corporate and convention and trade show customers. For the years ended 31 March 2008, 2009 and 2010, Grand Dorsett Subang Hotel's non-room revenues accounted for 59.6%, 60.3% and 62.9% of total hotel revenues, respectively.

The property has a total GFA of approximately 465,691 square feet, comprising 478 rooms, including suites, upon completion of all renovations. The hotel's meeting facilities include the Grand Selangor Ballroom, breakout rooms, boardrooms, discussion rooms and a business centre. The Grand Selangor Ballroom is located on the lobby level and features a separate grand entrance for easy and direct access to the ballroom and a pillar-less design. Parking facilities are located adjacent to the ballroom and enhance the expediency for guests. The ballroom can be partitioned into three conference halls, each equipped with motorised screens to support audiovisual facilities, such as the satellite conferencing system. The hotel has an in-house audiovisual management team that provides support to guests. The hotel provides a full service for any indoor or outdoor event. The hotel also has six F&B outlets:

- *Terazza Brasserie* — a restaurant serving international cuisine
- *The Emperor* — a traditionally themed halal Cantonese restaurant

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- *Miyako Japanese Restaurant* — a Japanese restaurant in a traditional Japanese-styled cottage located at the rear of the Grand Dorsett Subang Hotel
- *Cafe Aroma* — a continental style cafe serving delicatessen and patisserie style food and beverages
- *Piano Lounge* — a lounge located adjacent to the lobby
- *Splashes Pool Bar* — a poolside bar serving a variety of snacks and beverages, regularly used as a venue for private cocktail parties

The hotel has received a number of awards such as the “Gold Winner of Global Award 2010” from Business Productivity. The general managers of the hotel have been awarded “Best General Manager of the Year” at the Hospitality Asia Platinum Awards in 2001 and 2008.

During 2010, we commenced a substantial upgrade of the hotel rooms at the Grand Dorsett Subang Hotel. We expect to complete the renovation work by the first quarter of 2011. Upon completion of the renovation work, 125 additional rooms are expected to be added to the hotel. We are also in the process of formulating plans for some of the vacant land located on the site of the hotel that has not previously been used.

Dorsett Johor Hotel, Johor Bahru



We acquired our Dorsett Johor Hotel as an existing property in 2006 and converted it into a 252-room hotel, including suites. The hotel commenced operations in October 2008. The property has a total GFA of approximately 94,766 square feet. The hotel is located between Johor Bahru City Centre and Eastern Gate Development Zone of Iskandar Development Region, within very close proximity to Sultan Ismail International Airport and within approximately a 20 kilometre drive from the Malaysian border with Singapore. The Dorsett Johor Hotel was awarded the “Johor Tourism Award — Gem’s Award” for 2009.

We are located in an area known for its proximity to nearby oil and gas business activities, as well as its proximity to Singapore. The hotel has a cafe serving both Western and Asian cuisines throughout the day, a sports bar serving snacks and beverages, and an outdoor dining area serving local and Nyonya cuisines. In addition, the hotel has function rooms and a ballroom.

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To meet growing guest demand we are planning to convert a vacant area of land adjacent to the hotel building into a lawn garden. We expect to complete the lawn garden by the end of the fourth quarter of 2010. We have also acquired eight of the ground floor units that were not originally acquired by us in 2008 and are in the process of converting these into a high-end spa to be externally managed by an independent third party from which our hotel will receive regular rental income.

Grand Dorsett Labuan Hotel, Labuan



Grand Dorsett Labuan Hotel was acquired by us from an independent third party in September 2007 and began operating under our management in November 2007. The property has a total GFA of approximately 232,124 square feet, comprising 178 rooms, including suites. All rooms and suites offer either a harbour view or city view. The hotel is strategically located near the Labuan airport and just opposite the Financial Park. Positioned on the duty-free island of Labuan, which is known for its extensive oil and gas business activities, the hotel is the only five-star hotel on the island. Given the predominantly business nature of travellers to the island of Labuan, we position Grand Dorsett Labuan Hotel to target corporate clients.

The hotel has a restaurant serving both a la carte and buffet meals, a pub serving snacks, light meals and beverages with live music and a dance floor, and a lobby lounge serving a variety of beverages and snacks.

To cater to its predominantly corporate customer base, the hotel has a ballroom and six function rooms. These meeting facilities are complemented by a business centre and a boardroom which offers photocopy, facsimile and Internet services. The hotel also features an outdoor swimming pool and whirlpool.

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Hotels under planning – Singapore

Dorsett Regency “On New Bridge”, Singapore

Dorsett Regency “On New Bridge”, Singapore is our first hotel development project in Singapore and is expected to be completed in 2013. On 7 September 2009 we acquired the site bordered by Cantonment Road, New Bridge Road and Teo Hong Road in Singapore’s Chinatown district through a public tender for the amount of S\$67.7 million (equivalent to approximately HK\$394.1 million), as at 30 June 2010. Upon completion, the property will have a total GFA of approximately 178,001 square feet and is conveniently situated atop an MRT (Mass Rapid Transit) station entrance. We believe that the effects of the financial crisis, which were prevalent at the time of our acquisition of this site, enabled us to acquire the site for less than its current market value or development potential. According to DTZ Debenham Tie Leung Limited, our Singapore property valuer, the value of this site as at 30 June 2010 was S\$85.0 million (equivalent to approximately HK\$494.8 million).

Our development plan for the site includes both residential and hotel components. We expect that the hotel will comprise a total of 285 hotel rooms, while the residential component will comprise of 68 rooms ranging from 484 square feet to 1,206 square feet. As at the Latest Practicable Date, we have commenced pre-sale of our residential component.

HOTEL PORTFOLIO ACQUISITION STRATEGY

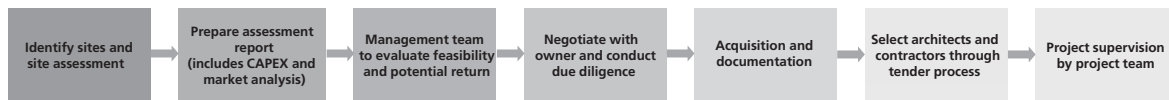
Prior to and during the Track Record Period, we primarily acquired our hotels in three principal ways as summarised in the table below:

<u>Acquisition Strategy</u>	<u>Development/ Construction</u>	<u>Hotels</u>			
		<u>Hong Kong</u>	<u>China</u>	<u>Malaysia</u>	<u>Singapore</u>
Acquisition of existing office, residential or industrial buildings	Internal refurbishment/ Conversion	<ul style="list-style-type: none"> • Cosmopolitan Hotel • Cosmo Hotel • Central Park Hotel • Dorsett Far East Hotel • Dorsett Regency Kwai Chung, Hong Kong 	<ul style="list-style-type: none"> • Hotel Kosmopolito City Centre, Chengdu • Dorsett Regency CBD, Zhongshan • Yue Shanghai Hotel 	<ul style="list-style-type: none"> • Dorsett Johor Hotel • Maytower Hotel 	
	Subsequent demolition and construction	<ul style="list-style-type: none"> • Lan Kwai Fong Hotel @ Kau U Fong • Dorsett Kowloon Hotel • Cosmo Kowloon Hotel • Dorsett Regency Kwun Tong, Hong Kong 			
Acquisition of vacant sites	Construction of hotels on vacant sites	<ul style="list-style-type: none"> • Dorsett Regency Kennedy Town, Hong Kong • The Mercer by Kosmopolito 		<ul style="list-style-type: none"> • Dorsett Regency Hotel Kuala Lumpur 	<ul style="list-style-type: none"> • Dorsett Regency “On New Bridge”, Singapore
Acquisition of existing hotels	Upgrade/Refurbishment	<ul style="list-style-type: none"> • Dorsett Seaview Hotel 	<ul style="list-style-type: none"> • Wuhan Cosmopolitan Hotel 	<ul style="list-style-type: none"> • Grand Dorsett Subang Hotel • Grand Dorsett Labuan Hotel 	

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Each of the eight hotels which we own and operate in Hong Kong have obtained the relevant licences as required under the Hotel and Guesthouse Accommodation Ordinance, save for our Lan Kwai Fong Hotel @ Kau U Fong, which is in the process of renewing its licence as required under the Hotel and Guesthouse Accommodation Ordinance. We have been advised by our legal advisor as to Hong Kong title issues that under the Hotel and Guesthouse Accommodation Ordinance, if the application for renewal of a hotel licence is made before the expiry of the hotel licence and the hotel licence expires prior to the determination of such application, unless such application is withdrawn, or the hotel licence is cancelled or suspended by the Hotel and Guesthouse Authority, the hotel licence shall remain in effect, as if the hotel licence had not been expired, until the determination by the relevant government authority of such application. Please see the section headed “Industry and Regulatory Overview — Regulatory Overview of the Hong Kong Hotel Industry” in this prospectus for further information. In addition, of our eight operating hotels in Hong Kong, four were converted from commercial or residential buildings, namely, Cosmopolitan Hotel, Cosmo Hotel, Central Park Hotel and Dorsett Far East Hotel. For further information regarding the licences and permits required for our operations in Hong Kong, please see the section headed “Industry and Regulatory Overview — Regulatory Overview of the Hong Kong Hotel Industry”.

Our site acquisition process is summarised as follows:



We have a disciplined acquisition process that involves significant cooperation from various departments in our Group, our executive Directors and senior management starting from origination to completion. Our business development committee, comprised of Mr. IP, Hoi Wah Edmond (葉海華), Mr. CHU, Chee Seng (朱志成), Mr. MOK, Kwai Pui Bill (莫貴標), Mr. YIP, Shu Kiong (葉樹強) and Ms. CHIU, Wing Kwan Winnie (邱詠筠), is responsible for identifying investment opportunities through agents, such as DTZ, Savills and Colliers, who actively contact us regarding potential opportunities. We consider the following criteria when identifying sites for development:

- forecast growth and economic development of the market;
- development costs and timing;
- expected operating performance; and
- location, visibility and accessibility.

Following our initial site visit, we investigate the potential acquisition target and consider if it is suitable to build a hotel or convert an existing building into a hotel on that site, including a full assessment of the capital expenditures and time required to develop or refurbish the hotel and bring it into full operation, potential demand for hotels in that area, estimated achievable ARR, and potential competition. The result of the assessment will be presented to our management team who will evaluate the feasibility and potential return of the project. Our management team will then commence negotiations with the owner of the site or the properties and conduct business and legal due diligence if the results are satisfactory.

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Due to recent developments in Hong Kong's government policy to encourage investors to revitalise existing industrial buildings, a policy exempting the land premium payable on any change of use of existing buildings aged 15 years or above and situated in "Industrial", "Commercial" or "OU(B)" zones has been implemented. This special measure is valid for three years effective from 1 April 2010. We have made use of this policy to convert a building into our proposed Dorsett Regency Kwai Chung, Hong Kong, which is scheduled to commence operations in June 2012. We intend to continue to seek investment opportunities to make use of this policy by purchasing existing industrial buildings and developing them into hotels.

PROJECT MANAGEMENT

We have established a centralised project management team, headed by Mr. LEE, Brian Mun Chew (李文超), which is responsible for all aspects of our new hotel developments once we have acquired a new site or building, including:

- overseeing the finalisation of design plans;
- conducting tender processes to select architects, builders and other contractors;
- supervising and monitoring the work of contractors through site inspections;
- selecting and sourcing building materials and internal fixtures;
- working with our interior design team to select fixtures and materials; and
- inspecting completed hotels to ensure that they conform to contracted specifications and other applicable requirements.

RENOVATION AND EXPANSION PLAN

In addition to ongoing routine maintenance work on the interior of our hotels, we conduct large scale refurbishments and renovations to update and refresh our hotels to ensure they continue to offer guests a contemporary and appealing experience. In order to ensure continued operations of our hotel during renovations, we typically conduct renovations during the times of the year when we anticipate the lowest level of room demand. We also conduct the renovations in stages so that not all floors are disrupted by renovations and we can continue to offer rooms to guests.

INTERIOR DESIGN

We have a Hong Kong-based in-house design team. Our team has overseen the refurbishment and renovations of all of our hotels during the Track Record Period. For small scale refurbishments of our Hong Kong hotels, our team will typically be involved in the entire design and implementation process. However, as our hotel portfolio has grown, our in-house team has also commenced outsourcing design work to independent third party designers who then prepare designs based on the criteria set by our in-house team. The experience of our design team in creating functional, innovative and appealing modern environments for our hotels while maintaining our group's stringent approach to cost control has been a key factor to our success.

Our interior design team works with our project team and procurement team. After our interior design team has developed a detailed layout plan and proposed design concept, they discuss the plan with our project team to ensure that the design can be realised within budget and in

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compliance with any applicable legal requirements. Once finalised, the design team will work closely with both the project team to coordinate the construction or redevelopment aspects of the project, as well as the procurement team to source the necessary materials to implement the proposed designs. Where proposed materials are not available at suitable prices or at all, our procurement team will generate appropriately priced alternatives for the design team to consider.

HOTEL MANAGEMENT

In order to leverage our hotel experience, we have recently entered into a legally binding letter of intent, as advised by our PRC legal advisor, to manage a third-party hotel which we expect to operate under our “Hotel Kosmopolito” brand in Huangshi, Hubei Province, PRC, with approximately 400 rooms and expect to sign a formal hotel management contract in 12 months from the date of this prospectus.

We are also in the process of seeking additional opportunities in the hotel management business in China and other regions in the Asia Pacific.

We have had preliminary non-binding discussions with independent third-parties regarding the sale of The Mercer by Kosmopolito in which we would retain the right to manage the hotel via a management agreement between the buyer of the hotel and us. As smaller size hotels tend to enjoy lower economies of scale, sale of such assets allows us to re-deploy capital to projects which may potentially yield higher returns. We believe that the asset-light and cost-effective nature of the hotel management business will help grow our brand distribution and revenues without requiring substantial capital expenditures or significant costs. For further information on our strategy to expand into the hotel management business see the section headed “Business — Strategies — Expand our hotel management business” in this prospectus.

Under the hotel management business the management fees charged will vary depending on each hotel project. In line with industry practice, hotel management contracts generally provide for a base management fee calculated as a percentage of revenues and an incentive fee based on a percentage of GOP. We are responsible for determining all policies and practices relating to the day-to-day operations of the hotel including but not limited to room rates, food and beverage prices, use of rooms for commercial purposes, marketing and sales policies and personnel policies. We currently seek to enter into hotel management contracts to be five to 10 years in duration. As a hotel manager, we will recruit employees as an agent of the third-party hotels and will obtain the relevant social and regulatory insurances required for the day-to-day operations of the hotels. However, all insurance relating to the ownership of the hotels will be obtained by the relevant third-party hotel owners themselves. All key terms will be included in the letter of intent entered into with the third-party hotels.

Set out below are our current implementation plans for our hotel management business.

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Steps	Expected timing
Expand our business development department, which will be responsible for sourcing interested third-party hotels	By the end of 2010
Further develop our technical services advisory team which will be responsible for providing hotel developers advice on design, engineering and informational technology requirements, among other product related services to be provided under the hotel management contract	By the end of 2010
Further develop our in-house legal team tailored for our hotel management business	By the end of 2010
Further expand our development and marketing initiatives to establish relations with intermediary parties and promote our hotel management business	By the beginning of 2011
To ensure consistent quality across our hotels, we are consolidating our hotel operations manuals to ensure uniform standards are to be followed by all of our hotel employees. We have implemented training programs for all of our hotel staff so as to continuously improve the standards of our service.	

OUR BRANDS

During the Track Record Period, we operated our hotels under our “Cosmopolitan”, “Cosmo”, “Dorsett” and “Grand Dorsett” brands as well as under individual boutique hotel names such as our Lan Kwai Fong Hotel @ Kau U Fong, Central Park Hotel, Cosmo Hotel and Yue Shanghai Hotel.

We believe that there is currently an absence of “Asian grown” hotel brand names of quality and scale, and we believe there is tremendous potential for us to build a strong Asian brand platform from which we can expand our hotel portfolio internationally.

As such, we have recently undertaken a review of our brand strategy and will embark on initiatives to streamline our brand portfolio and realign and rebrand our hotels.

The main purpose of the rebranding initiative is to develop a more cohesive and engaging portfolio of brands to serve as a platform for our expansion into the hotel management business, to better align our brands according to our target customer segments, as well as to update our brands to more effectively benefit from a number of key industry trends, including:

- fragmentation of consumers and markets;
- a shift towards individual travellers — both business and leisure — making hotel bookings themselves via mobile technology applications and the Internet;
- design and lifestyle oriented products becoming mainstream; and
- rapid development of display and input technology.

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Our aim is to target the highest value customer segments within each category of the hotels that we operate, and to develop a suite of appealing brands that we can strategically deploy depending on the location of the hotel and the target segments most suited to that location. We expect that our hotels will be re-branded to the following brands:

Existing brands	Key characteristics	New brands
	Upscale, modern design business hotel with stylish facilities	
	Design-led boutique hotel with individual style and character	
	Reliable mid-scale business hotel with design, technology and service	
	Good value hotel with living space and a home-style service	



“Hotel Kosmopolito” brand: As “Cosmopolitan” is not capable of being registered as a trademark owing to its generic nature, we are therefore not ultimately able to legally protect the value of the brand. We feel that Hotel Kosmopolito, which is “cosmopolitan” translated into the universal language of Esperanto, invokes a sense of internationalism, cultural diversity, harmony, innovation and simplicity that we want our hotels to represent. The burgundy colour of the “Hotel Kosmopolito” brand also represents a modern, daring colour element, while the five circles constituting the “i” in the name represents the five Chinese elements of wood, fire, earth, metal and water. Our aim is for our Hotel Kosmopolito hotels to create an upscale design-led experience for savvy business and leisure travellers. Our Grand Dorsett Lubuan Hotel and Grand Dorsett Subang Hotel are intended to be re-branded under the “Hotel Kosmopolito” brand and our showcase hotel is intended to be Hotel Kosmopolito City Centre, Chengdu.

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“Boutique Series by Kosmopolito” brand: In order to better consolidate our Kosmopolito brand and boost customer recognition of our Group and our boutique hotels, which we currently operate under independent brands, we have created a brand extension, “Boutique Series by Kosmopolito” which will be progressively added to the name of our boutique hotels. The hotels will also be collectively marketed under the “Boutique Series by Kosmopolito”. Our Lan Kwai Fong Hotel @ Kau U Fong, Central Park Hotel, Cosmo Hotel, Yue Shanghai Hotel, and The Mercer by Kosmopolito are intended to carry the “Boutique Series by Kosmopolito” extension to their names and our showcase hotel is intended to be Lan Kwai Fong Hotel @ Kau U Fong.

“Dorsett Regency” brand: To keep pace with our target customers’ preference, we have updated the proposition of our Dorsett Regency brand to represent a fresher, more modern and environment-conscious brand. Our aim is to elevate the Dorsett Regency brand to make it synonymous with a reliable and supportive stay in an environment with designs and technology and thereby raise the overall perception of quality and value presented by our Dorsett Regency hotels. Our Dorsett Regency Hotel Kuala Lumpur will be refreshed and our Wuhan Cosmopolitan Hotel, Cosmopolitan Hotel and Cosmo Kowloon Hotel are intended to be re-branded under the “Dorsett Regency” brand and our showcase hotel is intended to be Dorsett Regency Hotel Kuala Lumpur and Cosmopolitan Hotel.

“Silka Hotel” brand: To provide a more cohesive and attractive brand proposition to our more price-conscious customers, we intend to rebrand our value hotels as “Silka Hotel” hotels. We want our “Silka Hotel” hotels to offer guests an innovatively designed space as well as services that give guests a sense of importance and value that they might not otherwise expect from value hotels. Our Dorsett Johor Hotel, Dorsett Far East Hotel, Dorsett Kowloon Hotel, Dorsett Seaview Hotel and Maytower Hotel are intended to be re-branded under our “Silka Hotel” brand and our showcase hotel is intended to be Dorsett Seaview Hotel.

As at the Latest Practicable Date, our trademark “KHI Kosmopolito  ” No. 301599959 had been registered in Hong Kong and we are entitled to full rights in the registration of our trademark “KHI Kosmopolito  ”, which shall be deemed effective from the date of our application, 28 April 2010 as advised by Woo, Kwan, Lee & Lo. For further information on our intellectual property rights, please see the section headed “Statutory and General Information — B. Further Information About The Business — 2. Intellectual property rights” in Appendix VI to this prospectus and the sub-section headed “— Intellectual Property” in this section.

FACILITIES

Food and Beverage (F&B) Facilities

As at the Latest Practicable Date, all F&B outlets in our hotels were owned and managed by us, except for Celebrity Cuisine in our Lan Kwai Fong Hotel @ Kau U Fong and the Wagyu Kaiseki Den restaurant located in the same building as our Central Park Hotel, both of which are businesses owned and operated by independent third parties. The La Maison de l'Orient restaurant in our Cosmopolitan Hotel is also currently operated by FEC through a joint venture company. For further information, please refer to the section headed "Connected Transactions" in this prospectus. FEC and the independent third-party operators of F&B outlets in our hotels pay us a monthly rental income for their operations. For each of the three financial years ended 31 March 2008, 2009 and 2010, our F&B sales accounted for approximately 15.8%, 16.1% and 17.4% of our Total Revenue, respectively.

F&B services in our Malaysian hotels, especially the Grand Dorsett Subang Hotel and Grand Dorsett Labuan Hotel, have made a significant contribution to the respective revenues of those hotels during the Track Record Period. For the Grand Dorsett Subang Hotel, F&B operations accounted for 54.6%, 55.5% and 56.3% of its Total Revenue, while for Grand Dorsett Labuan Hotel, F&B operations accounted for approximately 30.5%, 29.3% and 29.2% of its Total Revenue for each of the three years ended 31 March 2008, 2009 and 2010, respectively.

Meeting Facilities

Each of our hotels has its own meeting or function room facilities, which are made available to guests and external organisations/groups for parties, meeting and other functions. Some of our hotels including the Grand Dorsett Subang Hotel, Grand Dorsett Labuan Hotel, Cosmopolitan Hotel and Wuhan Cosmopolitan Hotel mainly target MICE clients and these hotels have larger meeting or function rooms to cater to such clients' needs. The meeting and function rooms can also be used for wedding banquets. We believe the availability of these meeting facilities will attract MICE clients to stay with us. We intend to build similar meeting facilities in some of our new hotels such as Dorsett Regency Kwai Chung, Hong Kong where a ballroom will be constructed.

Other facilities and services

Some of our hotels are equipped with a fitness facility and/or a swimming pool which our hotel guests can use free of charge. Most of the fitness and swimming pool facilities are owned and managed by us, with some of them being owned and managed by third parties. For instance, the fitness facility in our Grand Dorsett Labuan Hotel is owned and managed by a third-party that pays us monthly rental income for its operations. There are also spas operated by third parties in some of our hotels in Malaysia, including the Dorsett Regency Hotel Kuala Lumpur and the Grand Dorsett Subang Hotel. In order to provide a more comfortable environment to our guests, we plan to provide spa services, which will be operated by a third party, in our Dorsett Johor Hotel.

For the convenience of our guests, we provide free shuttle bus services in some of our hotels to and from business districts, convention centres, airports and/or shopping areas.

SALES AND MARKETING

The total amount used on the sales and marketing (excluding staff costs and sales commission) during the Track Record Period accounted for 2.0%, 1.7% and 1.5%, respectively, of our Total Revenue.

As with most hotel operators in the industry, we generate limited occupancy from “walk-in” guests who have not made a booking with us in advance. As such, we depend heavily on sales and marketing activities to generate occupancy at our hotels. During the Track Record Period, each of our hotels conducted its own sales and marketing activities tailored to its specific target customer segments using its own sales and marketing team. We set and maintain the annual budget for revenues and costs for each hotel through regular monitoring.

As our hotels operate in different markets, marketing initiatives were done by each of our hotels independently during the Track Record Period to target the specific requirements of each of our hotels.

As part of our rebranding initiative, we intend to establish a centralised sales and marketing department for all the hotels owned and managed by us. This department will be mainly responsible for developing strategic plans and co-ordinating sales and marketing activities relating to our brands in different jurisdictions. We believe this centralised marketing policy will enable us to enhance brand awareness and manage our sales and marketing program in a more efficient way.

Our hotels typically adopt a broad mix of sales and marketing avenues in order to generate hotel guest visitation, including:

Travel agents

Travel agents have traditionally accounted for the largest proportion of sales generated by our hotels, and a majority of our tour group sales. We enter into two main types of agreements with travel agents, namely committed room rental agreements and non-committed room rental agreements. Committed room rental agreements are those under which a travel agent agrees to pay for a fixed number of guest rooms at a fixed rate during a fixed period of time, irrespective of whether the travel agent is able to procure guests for those rooms. Non-committed room rental agreements are those under which a hotel will commit to providing the travel agent with a number of rooms at a fixed price during a certain period of time, but if the travel agent is unable to procure guests for those rooms then it need not pay the hotel, but the hotel is free to sell those rooms to other guests at whatever price it chooses. Room rates for committed room rental agreements are typically lower than for non-committed room rental agreements, however they allow a hotel greater certainty in terms of occupancy during a particular period of time. Our hotels will typically enter into agreements with a limited number of travel agents, for a particular geographic area.

Travel agents are free to sell the rooms we commit to them to their own customers, and are thus able to generate profits from those rooms to the extent that they are able to on-sell the rooms at higher rates than we charge them.

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Our travel agent customers, none of which are connected persons as defined by the Listing Rules, include both traditional travel agents, such as CITS, as well as airlines that operate their own travel agent services and sell package holiday deals to their customers, including Cathay Pacific, Malaysian Airlines, Air China and Qantas. For the years ended 31 March 2008, 2009 and 2010, the revenue attributable from travel agents was approximately 25%, 22% and 21%, of our Total Revenue for each of the respective years.

The average duration of our contracts with our top five travel agents is approximately four years.

For the years ended 31 March 2008, 2009 and 2010, sales to our top five travel agents accounted for 6.7%, 5.3% and 3.7% of our Total Revenue for each of the respective years.

Corporate customers

Sales staff at our hotels routinely liaise with current and potential corporate customers with significant presence or interests in areas adjacent to or within close proximity of our hotels to enter into sales contracts, pursuant to which our hotels agree to provide a certain number of rooms to the corporate customer during a certain period of time at a committed price. These contracts may or may not require the corporate customer to guarantee a minimum number of nights. We enter into contracts with our corporate customers on an annual basis. However, the rates and discounts we are able to offer corporate customers are larger for those that are able to generate higher numbers of guest-stays for our hotels. Contracts with corporate customers typically last for one year and rates are reviewed periodically. For the years ended 31 March 2008, 2009 and 2010, the revenue attributable from corporate customers was approximately 18%, 15% and 16% of our Total Revenue for each of the respective years.

We offer a corporate rate to our corporate customers, which varies depending on each of our hotels and the particular customer. No commission is offered to our corporate customers.

Internet websites

With more people gaining access to the Internet and using it to compare prices and plan and book their travels, the Internet has become an increasingly important sales channel for us. We conduct sales on the Internet both through our own individual hotel websites and through independent third-party websites, such as Expedia, Travelocity, Ctrip and Wotif.com. We pay some of our third party websites commissions ranging from 10% up to 25% of our room rates.

One of the growing trends in the travel industry is for travellers to book their accommodations increasingly closer to their date of travel, and thus if one of our hotels is projecting a lower rate of occupancy for the coming few days it is able to take advantage of online platforms to adjust room rates and maximise occupancy. Our own hotel websites typically aim to provide a "Best Rate Guarantee" such that the rate available on the hotel's own website will, at most, be the same as that offered by websites such as Expedia or Travelocity. We aim to generate more customers through our own direct websites. This will allow us to save on commissions paid to some of our independent third-parties. For the years ended 31 March 2008, 2009 and 2010, the revenue attributable from internet websites was approximately 21%, 20% and 26% of our Total Revenue for each of the respective years.

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For the years ended 31 March 2008, 2009 and 2010, the total amount of commission paid to travel agents and websites amounted to HK\$10.5 million, HK\$12.0 million and HK\$11.4 million, respectively, which represented 1.7%, 1.8% and 1.8%, respectively, of our Total Revenue for each of the respective years.

Other

In addition to the sales channels described above, we also market our hotels through more traditional means such as advertisements in hotel and travel publications, advertisements with the Hong Kong Tourism Board and other travel organisations, as well as by inviting media representatives and journalists from travel publications to visit our hotels and prepare articles for inclusion in their publications based on their experiences. Some of our travel agents undertake promotional activities on our behalf in their respective countries. The front desk and sales staff in our hotels are also able to take bookings over the phone from hotel guests.

HOTEL CONSTRUCTION

We rely on independent construction companies for all of our hotel development projects. Our centralised project management team typically selects architects and contractors through a tender process to help ensure we obtain the lowest price for their services. After the tender process, the regional project management team is responsible for supervising the work of the contractors. The Group's construction contracts typically contain warranties for quality and a requirement for the timely completion of the construction process.

PROCUREMENT

We have a centralised procurement team, which sources interior design materials and daily supplies such as amenities for our hotels in Hong Kong and PRC. For our hotels in Malaysia, we have a centralised procurement system for Grand Dorsett Subang Hotel, Dorsett Regency Hotel Kuala Lumpur and Maytower Hotel through which the hotels order supplies through bulk purchases. Both procurement teams have quarterly meetings to review the price of goods sourced and the list of suppliers. Due to the location of the Grand Dorsett Labuan Hotel and the Dorsett Johor Hotel, they purchase perishable goods locally.

We believe we are able to efficiently manage our operating costs through our centralised procurement policy. This also enables us to provide products with a consistent standard to our hotel guests.

CUSTOMERS AND SUPPLIERS**Customers**

The Group's customers primarily comprise of travel agencies, corporate customers and guests at our hotels. For the three years ended 31 March 2010, the Group's five largest customers in aggregate accounted for 6.6%, 6.5% and 4.9%, respectively, of our Total Revenue. None of our Directors, their respective associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest customers during the Track Record Period.

Suppliers

The Group's suppliers primarily comprise of laundry services and phone system vendors. For each of the three years ended 31 March 2010, the Group's five largest suppliers in aggregate accounted for 6.5%, 6.0% and 5.4%, respectively, of our operating costs. None of our Directors, their respective associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest suppliers during the Track Record Period.

PROPERTY**Owned Properties**

As at 30 June 2010, the Group owned 12 properties in Hong Kong with a total site area of 87,392 square feet and a total GFA of approximately 1,010,415 square feet, three properties in the PRC with a total site area of 163,554 square feet and a total GFA of approximately 1,622,321 square feet, five properties in Malaysia with a total site area of 922,443 square feet and a total GFA of approximately 1,151,836 square feet, and one property in Singapore with a total site area of 50,057 square feet and a total GFA of approximately 178,001 square feet. In addition, as at the Latest Practicable Date, we were in the process of obtaining the title certificates for Dorsett Regency CBD, Zhongshan, which has a GFA of approximately of 457,072 square feet.

The table on the following pages sets out a summary of our properties and their respective valuations as at 30 June 2010.

As at 30 June 2010

	No. of rooms	GFA (sqf) ¹	Carrying value (HKDm) ¹		Capital value (HKDm) ¹		Revaluation surplus (HKDm) ^{1,2}	Capital value at existing state ¹	
			Unaudited	At completion	Existing state	At completion		HK\$'000 per room	HK\$ per sqf
HK operating hotels									
Cosmopolitan Hotel	454	171,095	333	1,622	1,622	1,289	3,573	9,480	
Central Park Hotel	142	51,076	127	429	429	302	3,021	8,399	
Dorsett Kowloon Hotel	141	34,554	122	250	250	128	1,773	7,235	
Cosmo Hotel	142	59,699	145	490	490	345	3,451	8,208	
Lan Kwai Fong Hotel @ Kau U Fong	162	60,773	206	797	797	591	4,920	13,114	
Dorsett Seaview Hotel	268	65,286	470	542	542	72	2,022	8,302	
Dorsett Far East Hotel	240	55,761	163	336	336	173	1,400	6,026	
Subtotal	1,549	498,244	1,566	4,466	4,466	2,900	2,883	8,963	
HK hotels under development									
Cosmo Kowloon Hotel ³	285	67,002	291	537	537	246	1,884	8,015	
The Mercer by Kosmopolito	55	37,941	182	222	222	40	4,036	5,851	
Dorsett Regency Kennedy Town, Hong Kong	217	73,271	258	481	481	223	2,217	6,565	
Dorsett Regency Kwun Tong, Hong Kong	380	119,277	248	426	426	178	1,121	3,572	
Dorsett Regency Kwai Chung, Hong Kong ⁴	506	214,680	288	270	270	(18)	534	1,258	
Subtotal	1,443	512,171	1,267	1,936	1,936	669	1,342	3,780	
Total HK Hotels	2,992	1,010,415	2,833	6,402	6,402	3,569	2,140	6,336	
China operating hotels									
Wuhan Cosmopolitan Hotel ⁵	384	724,489	540	769	769	229	2,004	1,062	
Yue Hotel Shanghai	264	170,003	411	514	514	103	1,947	3,024	
Subtotal	648	894,492	951	1,283	1,283	332	1,981	1,435	
China hotels under development/planning									
Hotel Kosmopolito City Centre, Chengdu	547	727,829	390	713	713	323	1,303	980	
China hotels contracted to acquire and under planning									
Dorsett Regency CBD, Zhongshan ⁶	416	457,072	110	253	253	143	608	554	
Subtotal	963	1,184,901	500	966	966	466	1,003	815	
Total China Hotels	1,611	2,079,393	1,451	2,249	2,249	798	1,396	1,082	

Notes:

- Includes both hotel and non-hotel portions of the property, save for Grand Dorsett Subang which only accounts for the hotel portion, as at 30 June 2010.
- Revaluation surplus is the capital value in its existing state minus the carrying value up to 30 June 2010.
- Cosmo Kowloon Hotel commenced operation in July 2010
- Dorsett Regency Kwai Chung experienced a revaluation deficit as the Company acquired an industrial building and is currently in the process of converting the industrial building into a hotel. As at June 30 2010, the hotel had not completed construction works and as a result the value of the property is lower than when first purchased.
- Wuhan Cosmopolitan Hotel is currently under renovation. Room numbers specified are estimates following completion of all renovations.
- As at the Latest Practicable Date, our acquisition had not been completed and we were in the process of obtaining the title certificates for Dorsett Regency CBD, Zhongshan.

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	No. of rooms	GFA (sqf) ¹	Carrying value (HKDm) ¹		Capital value (HKDm) ¹		Revaluation surplus (HKDm) ^{1,2}	Capital value at existing state ¹	
			Unaudited	Existing state	Existing state	At completion		HK\$'000 per room	HK\$ per sqf
Southeast Asia (Malaysia/Singapore) operating hotels									
Dorsett Regency Hotel Kuala Lumpur	320	298,726	138	335	335	197	1,046	1,120	1,200
Grand Dorsett Subang Hotel ³	478	465,691	318	606	606	288	1,268	1,301	1,301
Grand Dorsett Labuan Hotel	178	232,124	134	167	167	33	940	721	721
Maytower Hotel	179	60,529	192	184	184	(8) ⁴	1,028	3,040	3,040
Dorsett Johor Hotel	252	94,766	122	182	182	60	721	1,917	1,917
Subtotal	1,407	1,151,836	904	1,474	1,474	570	1,047	1,279	1,279
Southeast Asia (Malaysia/Singapore) hotels under planning									
Dorsett Regency "on New Bridge" Singapore	285	178,001	423	473	473	50	1,658	2,655	2,655
Subtotal	285	178,001	423	473	473	50	1,658	2,655	2,655
Total Southeast Asia (Malaysia/Singapore) Hotels	1,692	1,329,837	1,327	1,947	1,474	619	1,150	1,463	1,463
Subtotal – operating hotels	3,604 ⁵	2,544,572	3,421	7,223	7,223	3,802	2,004	2,839	2,839
Subtotal – properties under development/planning	2,691 ⁵	1,875,073	2,190	3,375	4,096	1,185	1,254	1,800	1,800
Grand Total	6,295	4,419,645	5,611	10,598	11,319	4,987	1,683	2,398	2,398

Notes:

- 1 Includes both hotel and non-hotel portions of the property, save for Grand Dorsett Subang, which only accounts for the hotel portion, as at 30 June 2010.
- 2 Revaluation surplus is the capital value in its existing state minus the carrying value up to 30 June 2010.
- 3 Grand Dorsett Subang Hotel is currently undergoing renovations in phases. Room numbers specified are estimates following completion of all renovations.
- 4 At the time of the Group's acquisition of the Maytower Hotel, the property valuation exceeding the book value in the accounts. However, as the building cost is depreciated on an annual basis, the carrying value is reduced over time. Although the property has appreciated in value since its acquisition in October 2008, the appreciated in value has not been sufficient to cover the depreciation charge of the building cost over the same period of time.
- 5 Cosmo Kowloon Hotel commenced operation in July 2010. If we take into account the rooms supplied by Cosmo Kowloon Hotel, the total number of rooms for our hotels under operation will increase to 3,889 while the number of rooms for our hotels under development/planning will decrease to 2,406, as at the Latest Practicable Date.

a) Land grant breaches

Central Park Hotel:

The government lease in respect of one of the lots, namely, The Remaining Portion of Section A of Inland Lot No.568 ("Lot 1"), on which the Central Park Hotel was erected provides that Lot 1 shall not nor will during the continuance of the term of the government lease use, exercise or follow in or upon Lot 1 or any part thereof the trade or business of a brazier slaughterman, soap-maker, sugar-baker, fellmonger, melter of tallow, oilman, butcher, distiller, victualler or tavern-keeper, blacksmith, nightman, scavenger, or any other noisy noisome or offensive trade or business whatever without the previous licence of the Director of Lands. By the licence letter dated 18 February 2008 and registered at the Land Registry by memorial number 08061202550024 (the "Old Licence Letter") issued by the District Lands Office Hong Kong West & South of the Lands Department, Lot 1 is permitted to carry on the trade or business of a sugar-baker, butcher, victualler and tavern-keeper on Lot 1.

It is a term of the Old Licence Letter that:

- (i) If Lot 1 is developed or used for the purpose of a hotel, Caragis, as the grantee of Lot 1, is not permitted to assign, mortgage, charge, part with possession of or otherwise dispose of Lot 1 or any interest therein except as a whole.
- (ii) If part of Lot 1 or any building erected thereon is developed or used for the purpose of a hotel, Caragis, as the grantee of Lot 1, is required to delineate in a manner acceptable to the Director of Lands the hotel portion and Caragis is not permitted to assign, mortgage, charge, part with possession of or otherwise dispose of the hotel portion or any interest therein except as a whole.
- (iii) The restrictions in paragraphs (i) and (ii) above do not apply to any reservation, booking or underletting of any hotel room which does not exceed 12 calendar months in total including any right of renewal.

Caragis has not delineated the hotel portion and the whole building is developed and used for hotel purposes. By a tenancy agreement dated 6 November 2008 and registered with the Land Registry by memorial number 08112500900013 (the "Tenancy Agreement"), the shop on the upper ground floor of Central Park Hotel was leased to Royal Team Limited. The creation of such tenancy is a breach of the Old Licence Letter and hence the terms of the government lease. There is a risk that the Hong Kong government may take enforcement action as a result thereof. To rectify this breach, on 5 November 2009, Caragis applied to the Director of Lands for a revised licence letter to replace the Old Licence Letter. Upon issuance of the new licence letter (the "New Licence Letter") on 28 January 2010 and its registration on 16 September 2010, the Old Licence Letter had become null and void and of no effect. Under the New Licence Letter, Caragis will be permitted to create a tenancy over the shop on the upper ground floor of Central Park Hotel. Even though the Old Licence Letter has become null and void and of no effect since the issuance and registration of the New Licence Letter, the creation of the tenancy under the Tenancy Agreement, prior to the issuance and registration of the New Licence Letter, was still a technical breach of the Government Lease and there is still the risk of the Government taking enforcement action for such technical breach.

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Lan Kwai Fong Hotel @ Kau U Fong

The government lease in respect of Lan Kwai Fong Hotel @ Kau U Fong provides that Hotel of Lan Kwai Fong, as the grantee, is required to delineate, in a manner acceptable to the Director of Lands, the hotel portion of the lot as the hotel portion and that Hotel of Lan Kwai Fong, as the grantee, is not permitted to assign, mortgage, charge, part with possession of or otherwise dispose of the hotel portion or the undivided shares allocated thereto or any interest therein except as a whole. With the approval of the Director of Lands, Hotel of Lan Kwai Fong has delineated the hotel portion, which is the Lan Kwai Fong Hotel @ Kau U Fong, and allocated to it undivided shares.

By an agreement dated 25 July 2007 (“Agreement”), Hotel of Lan Kwai Fong has granted certain rights to use the restaurant on the first floor and the kitchen on the second floor of the Lan Kwai Fong Hotel @ Kau U Fong to Amazing King Limited. The granting of such rights is a breach of the government lease. There is the risk that the Hong Kong government may take enforcement action as a result thereof. Hotel of Lan Kwai Fong has made an enquiry to the Director of Lands with a view to modify the government lease on 15 July 2010. As at the Latest Practicable Date, the Director of Lands had not provided any guidance on these matters. We intend to obtain a modification of the government lease such that Hotel of Lan Kwai Fong will be permitted to create tenancy over the said restaurant on the first floor and the kitchen on the second floor of the Lan Kwai Fong Hotel @ Kau U Fong and for a waiver of the said breach of the government lease.

Regarding the possible enforcement actions that the government may take in relation to the breaches by Central Park Hotel and Lan Kwai Fong Hotel @ Kau U Fong as aforementioned, the Hong Kong government may re-enter the relevant lot, but the Company has been advised by our legal advisor as to title of Hong Kong properties that as there is no precedent for such a case, the risk is very unlikely. The government may require the termination of the Tenancy Agreement and/or Agreement and/or tolerate the said breaches with or without the payment of waiver fees to be determined by the Hong Kong government. A lease modification is a method of rectifying the above mentioned breaches, however it is not possible to assess the likely amount of waiver fees that the Government may require for the said breaches. We have been advised that upon the grant of the lease modification, the Hong Kong government is highly unlikely to pursue such matters further.

For the year ended 31 March 2010, the revenue derived from Central Park Hotel and Lan Kwai Fong Hotel @ Kau U Fong accounted for approximately 5% and 11% of our Total Revenue, respectively, and as the above mentioned breaches relate to our leases, the Total Rental Revenue derived from Central Park Hotel and Lan Kwai Fong Hotel @ Kau U Fong accounted for approximately 0.1% and 0.04% of our Total Revenue, respectively. Central Park Hotel and Lan Kwai Fong Hotel @ Kau U Fong are material to our business, however, as at the Latest Practicable Date, we owned and operated 15 hotels and we expect to develop another seven hotels within the next three years. For further information, please see the section headed “Risk Factors — We are in breach of some of our land grant terms and may be subject to enforcement action by the Hong Kong government” in this prospectus.

As of the Latest Practicable Date, save for the above mentioned land grant breaches, we have fully complied with the terms and conditions of its land grants.

In future, our project management team will review the land grant terms to ensure that the terms are suitable for our proposed use and any lease modifications are duly obtained and will seek independent legal advice if required.

b) Land title

Hong Kong

Our legal advisor as to title of Hong Kong properties has advised that we have valid land title to the Cosmopolitan Hotel, Cosmo Hotel, Central Park Hotel, Lan Kwai Fong Hotel @ Kau U Fong, Dorsett Seaview Hotel, Dorsett Kowloon Hotel and Dorsett Far East Hotel. As at the Latest Practicable Date, Cosmo Kowloon Hotel completed construction works and commenced operations in July 2010, it has applied for a certificate of compliance from the Director of Lands.

PRC

With regard to the land title certificates for our PRC properties, we have been advised that (i) we have obtained proper and valid certificates for the operation of each of Wuhan Cosmopolitan Hotel and Yue Shanghai Hotel; (ii) the Hotel Kosmopolito City Centre, Chengdu in Chengdu is currently under construction and we have obtained the land use right certificate for the land of this property and the relevant construction authorised have issued the relevant project construction permits or certificates for the on going construction; and (iii) regarding Dorsett Regency CBD, Zhongshan, as at the Latest Practicable Date, we were in the process of obtaining the land title certificates.

Malaysia

The individual land titles for the parcels of lands on which Dorsett Regency Hotel, Kuala Lumpur, Grand Dorsett Subang Hotel and Grand Dorsett Labuan Hotel are erected on have been duly registered in the name of their respective holding company.

The individual land title for the parcel of land where Maytower Hotel is erected on is registered under the name of Mayland Boulevard Sdn. Bhd. because the strata title for the units purchased by Venue Summit from Mayland Boulevard Sdn. Bhd. has yet to be completed as the individual titles for the units have yet to be issued. Despite the fact that the name of Venue Summit is not duly endorsed on the face of its land title, its ownership is however secured by a sale and purchase agreement and a deed of assignment made between Mayland Boulevard Sdn. Bhd. and Venue Summit. By virtue of the agreement and the deed, Mayland Boulevard Sdn. Bhd. is merely a bare trustee and on the other hand, Venue Summit is recognised as the beneficial owner of the legal interest in the parcel of land on which the Maytower Hotel is erected.

The name of the holding company for Dorsett Johor Hotel, Success Range, is also not duly endorsed on the land title for the land where Dorsett Johor Hotel is erected on. The reason being for this is because the transfer of units purchased by Success Range from Mayland Projects (Johor) Sdn. Bhd. has yet to be completed as the individual titles for the units have yet to be issued. The ownership of the land of Dorsett Johor Hotel by Success Range is secured by a sale and purchase agreement and deed of assignment made between Success Range from Mayland Projects (Johor) Sdn. Bhd. By virtue of the agreement and the deed, Mayland Projects (Johor) Sdn. Bhd. is merely a bare trustee and on the other hand, Success Range is recognised as the beneficial owner of the legal interest in the parcel of land on which the Dorsett Johor Hotel is erected.

The revenue derived from Maytower Hotel and Dorsett Johor Hotel for the year ended 31 March 2010 accounts for 3.5% and 3.2% of our Total Revenue, respectively, and is not material to our hotel operations.

Singapore

Tang Hotel Investments has obtained a certificate of title over the land at Lots TS5-777W and TS5-782P, where Dorsett Regency "On New Bridge", Singapore is proposed to be erected.

c) Indemnity

The Controlling Shareholders have entered into a Deed of Indemnity to indemnify us for any losses that we may suffer from the land grant breaches and/or land title breaches mentioned above. For further information on the Deed of Indemnity please see the section headed "Statutory and General Information — E. Other Information — 1. Indemnity" in Appendix VI to this prospectus.

Leased Properties

As at 30 June 2010, the Group leased approximately an aggregate of 5,460 square feet as staff quarters and office space in the PRC and Singapore. We are of the view that the property leased by us is not crucial to our operations.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had registered 19 trademarks in Hong Kong, 10 trademarks in the PRC, eight trademarks in Singapore, 12 trademarks in Macau and 12 trademarks in Taiwan. These trademarks include our hotel brands such as Dorsett, Dorsett logo, Central Park Hotel, 麗悅, 麗栢 and Cosmo Hotel. We have also applied for the registration of four trademarks in Hong Kong, six trademarks in the PRC, 18 trademarks in Malaysia, five trademarks in Singapore, seven trademarks in Indonesia, six trademarks in Taiwan, three trademarks in Macau and seven trademarks in Australia. These include our “Hotel Kosmopolito” and “Silka” brands and some of our hotel brands.

We currently operate our hotels under the “Cosmopolitan”, “Dorsett”, “Dorsett Regency” and “Cosmo” brands as well as individual hotel names such as Lan Kwai Fong Hotel @ Kau U Fong, Central Park Hotel, Cosmo Hotel, Yue Shanghai Hotel and Maytower Hotel. We have obtained intellectual property rights to operate our hotels save for our Cosmopolitan Hotel, Lan Kwai Fong Hotel @ Kau U Fong and Maytower Hotel.

Regarding our “Cosmopolitan” brand name, we currently operate our Cosmopolitan Hotel and Wuhan Cosmopolitan Hotel under the “Cosmopolitan” brand and we have registered the trademark in the PRC, however the trademark cannot be registered in Hong Kong. We currently plan to rebrand our Cosmopolitan Hotel and Wuhan Cosmopolitan Hotel under the “Dorsett Regency” brand as part of our rebranding initiative. The “Dorsett” brand has been fully registered in Hong Kong and the PRC and is valid until 2017 and 2020, respectively.

Regarding our Lan Kwai Fong Hotel @ Kau U Fong, we have applied for the trademark and the trademark is currently being examined by the Trade Marks Registry in Hong Kong. Moreover, we are currently in the process of trademark opposition and we currently plan to rebrand our Lan Kwai Fong Hotel @ Kau U Fong under the “Boutique Series by Kosmopolito” using a logo containing the “Kosmopolito” trademark pursuant to our rebranding initiative. The “Kosmopolito” trademark has been accepted by the Registrar of Trademarks under section 42 of the Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) and are published in the Hong Kong Intellectual Property Journal. In the event that the “Kosmopolito” brand cannot be registered, we will continue to use our Lan Kwai Fong @ Kau U Fong trademark and, if necessary, we will consider our options and we are prepared to rebrand our Lan Kwai Fong @ Kau U Fong Hotel under a different brand or develop new word marks or logo marks.

Regarding our Maytower Hotel, we originally planned to rebrand the hotel under the “Dorsett” brand, which has its trademark registered in Malaysia. However, with the implementation of the current rebranding initiative, we will rebrand the Maytower Hotel under the “Silka” brand, which we have made an application to register the trademark in Malaysia. In the event that the “Silka” brand cannot be registered, we will consider our options and we are prepared to rebrand our Maytower Hotel under a different brand or develop new word marks or logo marks.

We have registered or are in the process of registering trademarks for our hotels currently in operation, and we are of the view that we have adequate plans to protect our trade mark rights.

As at the Latest Practicable Date, our trademark “KHI Kosmopolito” No. 301599959 had been registered in Hong Kong and we are entitled to full rights in the registration of our trademark “KHI Kosmopolito”, which shall be deemed effective from the date of our application, 28 April 2010 as advised by Woo, Kwan, Lee & Lo. For further information on our intellectual property

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rights, please see the section headed “Statutory and General Information — B. Further Information About The Business — 2. Intellectual property rights” in Appendix VI to this prospectus.

Under our rebranding initiative, we have recently established a series of new brands and we have begun making applications to register corresponding trademarks in the Asia Pacific Region and will continue to register our trademarks in all relevant jurisdictions to protect our intellectual property rights in these brands. If we fail to register our trademarks, we will either (i) modify our trademarks which we have currently designed under the rebranding initiative to satisfy trademark requirements; (ii) continue to operate our hotels under the existing brands; or (iii) establish new brands.









The following table shows the details of our trademarks registered or pending registration in relation to our rebranding initiative:

Brand name	Word marks/Logo marks	Trademark registration status		
		Registered	Published pending registration ¹	Applied for pending registration ²
Hotel Kosmopolito and Boutique Series by Kosmopolito		Hong Kong Macau	Australia Singapore	Indonesia Malaysia PRC Taiwan
		Macau		Indonesia Malaysia PRC Taiwan
Dorsett Regency		Hong Kong	Australia Singapore	
				
		Hong Kong Singapore		
				

Notes:

- 1 (a) for the marks applied in Australia, such trademarks have been published in the Australian Official Journal of Trademarks issued by the Commissioner of Patents for the purposes of the Trade Marks Act 1995;
 - (b) for the marks applied in Hong Kong, such trademarks have been accepted by the Registrar of Trademark under section 42 of the Trade Marks ordinance (Cap. 559 of the Laws of Hong Kong) and are published in the Hong Kong Intellectual Property Journal;
 - (c) for the marks applied in Macau, details are published in the Official Gazette of the Macau Special Administrative Region; and
 - (d) for the marks applied in Singapore, such trademarks have been published in the Trade Marks Journal Singapore published by the Intellectual Property Office of Singapore published in accordance with the Trade Marks Rules.
- 2 Application has been submitted to the relevant trademark registry.

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Brand name	Word marks/Logo marks	Trademark registration status		
		Registered	Published pending registration ¹	Applied for pending registration ²
	A 	Hong Kong		
	B 			
		Macau PRC Taiwan		
		Macau PRC Taiwan		Malaysia
Silka.....			Hong Kong Macau Singapore	Australia Indonesia Malaysia PRC Taiwan
	(A) 		Macau	Australia Indonesia Taiwan
	(A) 		Singapore	Hong Kong Malaysia
	(B) 			

To ensure that the intellectual property rights will be obtained for our new brands, we conducted searches on our word marks prior to submitting our application to ensure that no such word marks had been previously registered. If our searches prove inaccurate, we may be subject to claims from

Notes:

- 1
 - (a) for the marks applied in Australia, such trademarks have been published in the Australian Official Journal of Trademarks issued by the Commissioner of Patents for the purposes of the Trade Marks Act 1995;
 - (b) for the marks applied in Hong Kong, such trademarks have been accepted by the Registrar of Trademark under section 42 of the Trade Marks ordinance (Cap. 559 of the Laws of Hong Kong) and are published in the Hong Kong Intellectual Property Journal;
 - (c) for the marks applied in Macau, details are published in the Official Gazette of the Macau Special Administrative Region; and
 - (d) for the marks applied in Singapore, such trademarks have been published in the Trade Marks Journal Singapore published by the Intellectual Property Office of Singapore published in accordance with the Trade Marks Rules.
- 2 Application has been submitted to the relevant trademark registry.

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other parties if we have infringed their intellectual property rights. With regard to our logo marks, we designed unique logos to ensure that our logos could be registered. Should we be unable to register the relevant intellectual property rights to our new brands, we will consider our options and are prepared to develop new word marks and logo marks.

We are the owner of 37 domain names including our Group's website www.kosmohotels.com.

For more information on our intellectual property rights, please see the section headed "Statutory and General Information — B. Further Information About The Business — 2. Intellectual property rights" in Appendix VI to this prospectus.

As at the Latest Practicable Date, an opposition to object to the registration of the trademark "Hotel LKF 蘭桂坊酒店" in classes 35 and 45 and an application for a declaration of invalidity of the trademark "Hotel LKF" had been filed. For further details, please refer to the sub-section "— General — Litigation" in this section. Apart from the above, we are not engaged in or threatened with any claim for infringement of any intellectual property rights, whether as a claimant or a defendant.

COMPETITION

The hotel industry is subject to strong competition. We face competition from other domestic and international hotel operators in each of the markets in which we operate, as well as providers of other forms of lodging such as serviced apartments and guest houses. On a broader level, tourism destinations in which our hotels are located, such as Hong Kong, Malaysia and China, compete with other regional tourism destinations for the leisure traveller market. Industry participants compete primarily on the basis of price, location, range and quality of services, quality and uniqueness of accommodation as well as reputation and brand recognition.

There are essentially three groups of competitors in the hotel industry: international brand hotels, local/regional brand hotels and independent hotels. International brand hotels account for a minority of total hotel supply, particularly in China where their brand recognition and distribution is contained to a limited number of major gateway cities. International brands typically have higher costs and are more rigid in their implementation, for example in relation to room size and design and hotel facilities and services. The strength of international brands lies in their direct product distribution and loyalty base, though this is still very much limited to a small market. A majority of hotel rooms are distributed through online intermediaries.

The Group's hotels currently negotiate independently with travel agents, distributors and online intermediaries. With the consolidation of the Group's brands and central marketing resources, the Company expects future negotiations with the travel agents, distributors and online intermediaries to take place centrally as group, thereby increasing scale and bargaining power.

In the Hong Kong market, we have demonstrated that we compete effectively. We offer customers a modern, comfortable hotel experience with friendly and reliable services that meet their demands at a good value price point. This has been driven by our ability to effectively manage our operating costs and thus be in a position to offer competitive room rates. We believe our boutique hotels have

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also been able to compete on the basis of their distinctive styling and ability to offer customers a unique and memorable hotel experience.

The PRC market remains substantially fragmented, with a majority of hotels still currently operated as unbranded independent hotels. Most international hotel operators have only made inroads into the PRC market in recent years and have lower brand recognition than in their home and more established markets. In particular, we see potential for our hotel management business to develop given our strong track record of operating hotels, our highly experienced management team and our more focused portfolio of brand names subsequent to our brand strategy initiative.

The Singapore hotel industry witnessed a severe decline in visitor numbers and RevPAR during the global financial crisis but has recently shown signs of recovery, driven by events such as the Formula One Grand Prix, the opening of new integrated resorts during the first half of 2010 and the inaugural Youth Olympic Games 2010. The Singapore market is a relatively well developed market in which most international hotel chains are present, with more expected to enter the market in the coming few years. Although we do not have a hotel under operation in Singapore yet, we see strong potential for our hotel under planning, the Dorsett Regency “On New Bridge”, Singapore, given its strategic location near popular tourism destinations.

Our hotel is located next to “Chinatown”, on the edge of the central business district and in close proximity to the “Marina” area (where the Marina Bay Sands and the new marina business district is located). The hotel will also be located at the entrance of the Outram Park MRT station. In the immediate vicinity are shops and the area surrounding the hotel is an “up-and-coming” trendy entertainment and dining area.

Although there will be future hotel supply in the mid-scale segments in Singapore, many are focused in the central business district and will not enjoy our combined benefits such as convenient accessibility to public transport, trendy entertainment and dining options, and proximity to tourist destinations.

In Malaysia, hotel operators compete primarily based on pricing and location, with brand recognition and quality of customer service also being a key consideration for customer choices, especially in the four- and five- star hotel segments. There has also been a surge of budget hotels entering the Malaysian market driven by high demand from the local market as well as their strong presence on the web and online travel portals.

For additional information on the Hong Kong, PRC and Malaysian hotel industries, please refer to the section headed “Industry and Regulatory Overview” in this prospectus.

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EMPLOYEES

As at the Latest Practicable Date, we had 1,690 full time employees. The following tables show the breakdown of our full-time employees by division and function as at the Latest Practicable Date:

Functions	Number of Employees	Percentage of Total
General Managers.....	12	0.7%
Hotel Operations	1,184	70.1%
Engineering	112	6.6%
Security.....	104	6.2%
Sales & Marketing.....	116	6.9%
Accounting.....	109	6.4%
Human Resources	37	2.2%
Hotel Administrative Staff.....	16	0.9%
Total	<u>1,690</u>	<u>100%</u>

Location	Number of Employees	Percentage of Total
Hong Kong.....	498	29.5%
PRC	281	16.6%
Malaysia	908	53.7%
Singapore	3	0.2%
Total	<u>1,690</u>	<u>100%</u>

We may hire part-time employees from time-to-time to cope with additional staffing requirements for banqueting events.

We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, confidentiality and grounds for termination.

We set targets for our employees based on their position and department and periodically review their performance. The results of such reviews are used in their salary reviews, bonus awards and promotion appraisals. Our employee remuneration package may comprise one or more of the following elements: basic salary, annual performance-related bonus and annual discretionary bonus. The relative weight of each of these elements in an employee's remuneration package will depend on his or her seniority and department.

For the years ended 31 March 2008, 2009 and 2010, we incurred employee costs of HK\$139.3 million, HK\$152.9 million and HK\$167.3 million, respectively, representing approximately 22%, 22% and 27% of our Total Revenue, respectively.

Training and Development

We place great emphasis on the training and development of our employees. We have implemented in-house continuing education and training programs for our employees with a view to constantly upgrading their skills and knowledge. New recruits are required to attend our in-house training courses to help ensure that they are equipped with the necessary skills to perform their duties.

For the years ended 31 March 2008, 2009 and 2010, we incurred total training and development costs of HK\$1.1 million, HK\$1.4 million and HK\$2.2 million, respectively.

Employee Relations

We believe that we maintain a good working relationship with our employees and have not experienced any strikes, work stoppages or significant labour disputes that have materially affected our operations in the past. Our Grand Dorsett Subang Hotel currently has an employee union, and we have not had any material disputes with any employees or the union that represents them in the period commencing with our acquisition of the hotel in 2008. Other than the Grand Dorsett Subang Hotel, none of the employees at our other properties are represented by any collective bargaining agreements or labour unions.

Employee Benefits

We operate retirement pension schemes in accordance with the local laws and regulations in which our hotel operates and we have medical care schemes in place for our employees. Apart from that, we also provide laundry services, meal allowance and dining discounts at select food and beverage outlets operated by us to selected employees.

GENERAL

Insurance

Our hotels are covered by insurance policies signed with reputable insurance companies. Such insurance policies, which we believe to be consistent with industry practice, cover loss of rental, fire, flood, riot, strike, malicious damage, other material damage to property, business interruption and public liability.

Litigation

(a) Hong Kong (SAR) Hotel

Hong Kong (SAR) Hotel has brought a law suit against Wing Key Construction Company Limited (the "Defendant"), an independent third party hired for the construction of our Dorsett Regency Kennedy Town, Hong Kong. Hong Kong (SAR) Hotel, the plaintiff, filed statements of claim on 3 November 2009 and 26 January 2010, respectively, before the High Court of Hong Kong, details of which are as follows:

- (i) On 3 November 2009, Hong Kong (SAR) Hotel filed a statement of claim against the Defendant for (a) the failure to comply with the architect's instructions in a satisfactory manner; and (b) the failure to leave our Dorsett Regency Kennedy Town, Hong Kong construction site upon the termination of the construction contract.

- (ii) On 26 January 2010, Hong Kong (SAR) Hotel filed a statement of claim against the Defendant for (a) the failure to perform work in the time specified in the construction contract; (b) the failure to comply with safety requirements; (c) failure to comply with the architect's instructions; and (d) the failure to vacate our Dorsett Regency Kennedy Town, Hong Kong construction site.

The Defendant filed counterclaims to each of the above claims and the two actions were consolidated on 8 February 2010. The Defendant filed an amended defence and counterclaim on 3 March 2010. The above reflects the latest progress of our litigation as of the Latest Practicable Date.

We believe that the amount claimed is not material and will not have a material affect on our operations and financial position.

(b) Hotel of Lan Kwai Fong

Hotel of Lan Kwai Fong filed an opposition against the registration of the trademark "Hotel LKF 蘭桂坊酒店" No.300402588 in classes 35 and 43 by Peterson Holdings Company Limited, an independent third party, in 2005 and applied for a declaration of invalidity of the trademark "Hotel LKF" No.300402597 also owned by Peterson Holdings Company Limited. As at the Latest Practicable Date, we were in settlement negotiations. In the event that a settlement is not reached, we will brief counsel and prepare for the hearing.

The trademark opposition regarding our "Lan Kwai Fong Hotel @ Kau U Fong" trademark No.301258182 occurred during the Track Record Period and as at the Latest Practicable Date a First Examination Report had been issued. Any impact that the opposition may have on our operational and financial positions is reflected in this prospectus.

The above reflects the latest progress of our litigation as of the Latest Practicable Date.

(c) Dorsett Regency Hotel (M)

On 23 March 2007, Dorsett Regency Hotel (M) entered into an interim hotel management contract ("Interim Contract") with a hotel operator located in Penang, Seram Bintang Sdn. Bhd. ("Vendor"), to manage their hotel under our "Dorsett" brand name, formerly operated under the "Sheraton" brand name, for a period of ten years. There was no defined period of the Interim Contract, however it was agreed by both parties that the Interim Contract would remain in effect until a formal hotel management contract ("Formal Contract") was signed. A Formal Contract was not entered into between Dorsett Regency Hotel (M) and the Vendor.

In early 2008, the Vendor sold its interests in its hotel to a purchaser who also conducted hotel management operations, Prestige Properties Sdn. Bhd. (the "Purchaser"), an independent third party. Dorsett Regency Hotel (M) entered into discussions with the Purchaser regarding the Formal Contract, but on 31 December 2008 the Purchaser issued a termination notice and informed Dorsett Regency Hotel (M) that it was required to vacate the hotel immediately. A writ of summons and statement of claim and an interlocutory injunction were filed on 9 January 2009 and 19 January 2009, respectively, stating that the Interim Contract remains binding with full force and effect and the termination of Dorsett Regency Hotel (M) as the hotel manager was unlawful and invalid. As at the Latest Practicable Date, the court proceedings were still ongoing.

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We are currently not looking for financial settlement. Instead, we would like to resume the management of the hotel. As a result, we do not believe there will be any material effect on our operational and financial position.

As at the Latest Practicable Date, the above reflected the latest progress regarding our litigation proceedings and save as disclosed above we were not involved in any legal or arbitration proceeding that we believe would have a material adverse effect on our business, financial condition or results of operations.

Environmental Matters

Our operations are subject to various environmental laws in the places where our hotels operate. Historically we have operated, and going forward we will continue to manage our hotels, in compliance with applicable environmental laws and regulations, including those relating to waste disposal, water pollution control, air pollution control and noise control. We have never had any fines or penalties associated with the breach of any environmental laws or regulations imposed on us.

Our general managers are each responsible for implementing and ensuring compliance with the environmental laws and regulations imposed for their respective hotels and have relevant industry experience to enable them to do so.

For further information please see the section headed “Industry and Regulatory Overview — Regulatory Overview of the PRC Hotel Industry — (c) Environmental Protection” in this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately upon the Listing, the Controlling Shareholders, comprising FEC and Ample Bonus, will together be entitled to control the exercise of voting rights of 73% of the Shares eligible to vote in a general meeting of the Company (assuming the Over-allotment Option and the options which may be granted under the Share Option Scheme are not exercised).

Save as disclosed above, there is no other person who will, immediately following completion of the Global Offering (without taking into account any Shares which fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares then in issue.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

The Board is satisfied, on the basis of the following matters, that our Company can operate independently of the FEC Group after the Listing.

(a) Financial independence

Upon Listing, the Company will have its own independent internal control and accounting systems, accounting and finance department, treasury function for cash receipts and payments and access to third party financing, save for the loan to Dorsett Regency Hotel (M) which will continue to be guaranteed by Tan Sri Dato' David Chiu (邱達昌).

We entered into various loan agreements with a number of financial institutions where certain of our subsidiaries and the Company or FEC are or have been guarantors of these loans. The Syndicated Loan is, prior to Listing, guaranteed by FEC and also, prior to Listing, secured by a charge given by Ample Bonus over its shares in the Company. In addition, Tan Sri Dato' David Chiu (邱達昌) has provided a personal guarantee for a loan provided to Dorsett Regency Hotel (M). Pursuant to the relevant clauses of such loan agreements and their related guarantees, the Reorganisation may constitute a default of some of the loan agreements unless written consents from the financial institutions involved have been obtained. As at the Latest Practicable Date, we have obtained written consents as required from the relevant financial institutions.

Pursuant to the terms of the Amended Syndicated Loan, the relevant financial institutions have also agreed to the release of FEC as guarantor and to discharge the share charge given by Ample Bonus under the relevant loan agreements immediately prior to Listing. The loan to Dorsett Regency Hotel (M) will continue to be guaranteed by Tan Sri Dato' David Chiu (邱達昌) Such guarantee was not released as the financial institutions did not agree to releasing Tan Sri Dato' David Chiu (邱達昌) from his personal commitment under the loan to Dorsett Regency Hotel (M). The Directors are of the view that the continuity of this personal guarantee from Tan Sri Dato' David Chiu (邱達昌) does not affect the Company's financial independence as the outstanding principal amount of this loan as at 31 July 2010 was approximately MYR15.1 million (about HK\$37.8 million), representing approximately 1% of our total bank debt of HK\$3,630.4 million as at 31 July 2010.

The loan to Dorsett Regency Hotel (M) will expire on March 2015. In order to eliminate reliance on Tan Sri Dato' David Chiu's (邱達昌) guarantee, such loan will not be refinanced or extended and is intended to be repaid upon maturity. In addition, after Listing, the Company does not intend to enter into any loans that would require guarantees from Tan Sri Dato' David Chiu (邱達昌).

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND DIRECTORS

The following sets out the reasons why we believe we are financially independent:–

- (a) we have been able to negotiate the Amended Syndicated Loan and release of other third party guarantees for our other bank loans. The Company has, by entering into the Amended Syndicated Loan, demonstrated that it is able to obtain from a number of independent financial institutions equivalent finance facilities, on a stand-alone basis, given the release of the guarantee given by FEC on Listing. In addition, as of 31 July 2010, we have HK\$880.0 million of unutilised bank loans in place, in the event we are required to repay the HK\$37.8 million loan to Dorsett Regency Hotel (M); and
- (b) The Company's business operations are in relatively mature and developed markets.

(b) Independence of boards and management

FEC and our Company have boards of directors that function independently of each other.

The following table shows the details of the directorships or management of our Company upon Listing and that of FEC as at the Latest Practicable Date:

Name of directors	Our Company	FEC
CHIU, Deacon Te Ken (邱德根).....	None	Executive Director
CHIU, David (邱達昌).....	Non-executive Director	Executive Director
CHIU, Dennis (邱達成).....	None	Executive Director
WILLIAMS, Craig Grenfell.....	None	Executive Director
CHIU, Ching Lan Ju (邱裘錦蘭).....	None	Non-executive Director
CHIU, Daniel Tat Jung (邱達強).....	None	Non-executive Director
JIANG, Jian Yin (江劍吟).....	None	Independent non-executive Director
CHAN, Kwok Wai (陳國偉).....	None	Independent non-executive Director
WONG, Peter Man Kong (王敏剛).....	None	Independent non-executive Director
MOK, Kwai Pui Bill (莫貴標).....	Executive Director	Company secretary
CHU, Chee Seng (朱志成).....	Executive Director	None
LAI, Wai Keung (賴偉強).....	Executive Director	None
CHIU, Wing Kwan Winnie (邱詠筠) ...	Executive Director	None
IP, Hoi Wah Edmond (葉海華).....	Non-executive Director	None
HOONG, Cheong Thard (孔祥達).....	Non-executive Director	Managing Director
CHAN, Chi Hing (陳志興).....	Non-executive Director	Chief Operating Officer
SHEK, Lai Him Abraham (石禮謙).....	Independent non-executive Director	None
TO, Peter (杜彼得).....	Independent non-executive Director	None
LIU, Ngai Wing (廖毅榮).....	Independent non-executive Director	None

Our Company will maintain a sufficient level of independence of directorship and management from FEC and will have a team of full-time senior management and employees who operate independently from FEC.

The majority of the directors of the Company will have no role in and are independent of FEC. Tan Sri Dato' David Chiu (邱達昌), Mr. Hoong Cheong Thard (孔祥達) and Mr. Chan Chi Hing (陳志興), are our non-executive Directors. Tan Sri Dato' David Chiu (邱達昌) and Mr. Hoong Cheong Thard (孔祥達), an executive director and the managing director of FEC, respectively, are responsible for the overall strategic and business development of the FEC Group. Mr. Chan Chi Hing (陳志興), the chief

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND DIRECTORS

operating officer of FEC, is responsible for the overall business development and the day to day operations of the FEC Group. Each of the above non-executive Directors will not be participating in the day-to-day management of the Group after Listing and each will abstain from voting on any relevant board resolution of the Company in which FEC has a conflict of interest.

Although they are non-executive Directors who are not involved in the day-to-day activities of the Group, the Board may from time to time leverage on Tan Sri Dato' David Chiu (邱達昌) and Mr. Chan Chi Hing's (陳志興) extensive expertise in the hotel management, operations and development business, as well as Tan Sri Dato' David Chiu (邱達昌) and Mr. Hoong Cheong Thard (孔祥達) capital markets and hotel experience. While they are non-executive Directors, they will continue to maintain their pre-existing operational roles in FEC. Despite the above overlapping roles between the two companies, there is no issue of concern over the non-executive Directors' duties of care and loyalty towards the Company. The overlapping management members of FEC will not be participating in the day-to-day management of the Group after the Listing and each of them will abstain from voting on any relevant board resolution of the Company in which the relevant overlapping Director has a conflict of interest. Further, the Company will have in place such corporate governance measures as set out below such that they would only be involved in the Group's business when there is no conflict and hence there should not be any concern over their duties of care and loyalty in cases where they do participate in the management of the Group.

Our president and executive Director, Mr. Mok, Kwai Pui Bill (莫貴標) is currently the chief financial officer of the FEC Group. It is proposed that Mr. Mok, Kwai Pui Bill (莫貴標) will relinquish his position as chief financial officer of the FEC Group prior to completion of the Listing but will continue to remain as the company secretary of FEC until a suitable replacement is found. During such period of time, Mr. Mok, Kwai Pui Bill (莫貴標) will be the company secretary for both FEC and the Company.

Save as disclosed above, there will be no overlap of senior management between the FEC Group and the Company.

During the Track Record Period, no remuneration was paid to any of the Directors by the Company. The total remuneration received by Tan Sri Dato' David Chiu (邱達昌) from the FEC Group during the Track Record Period was approximately HK\$2.59 million, HK\$2.58 million and HK\$3.75 million, respectively.

The remuneration policy of the Directors and senior management after Listing are set out in the section headed "Directors and Senior Management — Compensation of Directors" of this prospectus.

Our non-executive Directors, Tan Sri Dato' David Chiu (邱達昌), Mr. Hoong Cheong Thard (孔祥達) and Mr. Chan Chi Hing (陳志興) will continue to be on FEC Group's payroll after Listing. The remaining non-executive Directors and the senior management will not be on the FEC Group's payroll after Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND DIRECTORS

The following will also be adopted as part of our Company's governance upon Listing:–

- (a) independent non-executive directors' review – the independent non-executive Directors (i) will review such options, pre-emptive rights, rights of first refusal or joint venture opportunities with the FEC Group or Tan Sri Dato' David Chiu (邱達昌), as the case may be, where there is a Permitted Mixed Development; (ii) consider the exercise or non-exercise of the right of first refusal based on the terms and information provided to them and (iii) may engage professional advisers at our Company's cost for advice on matters relating to the above. Unless invited by a majority of the independent non-executive Directors, the executive and non-executive Directors shall absent themselves from such meetings to consider these issues. The parameters used by the independent non-executive Directors in considering the exercise or non-exercise of the right of first refusal include (i) whether the relevant terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (ii) whether the proposals fit into the Company's business profile, the market conditions and commercial considerations at the time of decision;
- (b) increased transparency – FEC will undertake in the Deed of Non-Competition Undertaking, amongst other things, (i) to provide all information necessary for our Company (including the independent non-executive Directors) and our Group's reporting accountants to monitor and review such potential conflicts of interest in respect of any property development including hotel and other mixed use sites including the right of first refusal and any referral of business opportunity; and (ii) to make an annual declaration on compliance with the Deed of Non-Competition Undertaking in our Company's annual report; and
- (c) public disclosure of decisions – our Company will, in its annual report, report on board meetings convened to discuss potential conflicts in respect of any property development including hotel and other mixed use sites including the disclosure of (i) the decisions of the independent non-executive Directors' to pursue or decline any opportunity to engage in projects with FEC with bases like location and whether the proposed project is consistent with the Group's profile and subject to there not being commercial sensitivities or confidentiality, the price and estimated returns specific to the opportunity; and (ii) the result of their review of compliance by FEC and Tan Sri Dato' CHIU David (邱達昌), as the case may be, with the Deed of Non-Competition Undertaking.

The management structure of our Company will include an audit committee, a remuneration committee, a nomination committee and a business development committee to promote a higher level of corporate governance and address any potential conflict of interests between our Company and FEC.

The Articles require Directors to declare the nature of his interest at the meeting of the Board, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company. The Articles also provide that a Director who is so interested shall not be entitled to vote (or be counted in the quorum for the resolution) in respect of any board resolution in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, except in certain prescribed circumstances, details of which are set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Law — Summary of the Constitution of the Company" in Appendix V to this prospectus and effectively, by abstaining from voting, an interested Director would not participate in a decision in circumstances where he has a potential conflict.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND DIRECTORS

The majority of independent non-executive Directors may expressly request the executive and non-executive Directors to attend the relevant board meeting for the purposes of assisting the independent non-executive Directors to make an informed decision, although the presence of such executive and non-executive Directors will not constitute part of the quorum or their entitlement to vote in such board resolutions.

(c) Clear delineation of business

Prior to the Listing, the FEC Group (together with the Group) is principally engaged in (i) property development and investment (including hotel development and redevelopment); (ii) hotel investment, operation, management and development; and (iii) car park investment and management. After the Listing, there will be a clear delineation of business between the FEC Group and the Group:-

- (i) the FEC Group will focus on property development and investment, and car park investment and management. The FEC Group will not engage in the Restricted Activity as described below. If there is a mixed development project (i.e. comprising both residential and commercial development) with a hotel portion, the Group will develop or redevelop, as the case may be, the hotel portion and the Group will undertake the hotel investment, operation, management and development. The FEC Group will be permitted to undertake mixed development projects (i.e. comprising both residential and commercial development) where there is no hotel development. If there is a change in use so that part of a mixed development project includes a hotel, the FEC Group could develop the hotel but the Group will be given a right of first refusal to manage the hotel on terms no less favourable than that offered to third parties. The FEC Group shall not operate and manage hotels itself; and
- (ii) our Group will focus on hotel investment, operation, management and development save for any Permitted Mixed Development which, in this prospectus is defined as the "Restricted Activity".

In addition, for so long as Tan Sri Dato' CHIU David (邱達昌) and his associates, directly or indirectly, whether individually or taken together, remain our Controlling Shareholders, he will not and procure that his associates shall not, engage in any Restricted Activity in the Asia Pacific region including Australia, Hong Kong, PRC, Malaysia and Singapore other than:-

- (i) Japan, where Tan Sri Dato' CHIU David (邱達昌) has interests in a listed company in Japan, namely Tokai Kanko Co., Ltd. The Group has no current intention to develop its hotel business in Japan or outside the Asia Pacific region. In addition, Tokai Kanko Co., Ltd currently operates Japanese style hotels, memorial parks (i.e. cemetery) in Japan and Malaysia and engages in leasing of domestic real estate development in Japan. This combination of businesses is not in line with the Group's focus on hotels only; and
- (ii) Permitted Mixed Developments. In this respect, ongoing development by one of his associates, Malaysia Land Properties Sdn. Bhd. in Malaysia, namely Plaza Damas 3 and Cheras Central, will not be transferred into the Group and mixed development projects (i.e. comprising both residential and commercial development) where there is no hotel development. If there is a change in use so that part of a mixed development project includes a hotel, Tan Sri Dato' David Chiu (邱達昌) and his associates could develop the hotel but the Group will be given a right of first refusal to manage the hotel on terms no less favourable than that offered to third parties. Tan Sri Dato' CHIU David (邱達昌) and his associates shall not operate and manage hotels themselves.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND DIRECTORS

Details of the hotel components of Plaza Damas 3 and Cheras Central are set out as follows:

Name of Development	Location	Rooms	Hotel portion GFA (sq. ft.)	Percentage of total GFA of development	Percentage of total GFA of the Company in Malaysia
Plaza Damas 3	Sri Hartamas, Kuala Lumpur	857 units, 27 storey hotel-cum-service apartments	approximately 120,000	approximately 9%	approximately 5.3%
Cheras Central	Cheras, Kuala Lumpur	still in planning stage	approximately 162,200	approximately 15%	approximately 7.1%

We have been informed that it is not practicable to carve out the sites proposed for the hotel development in Plaza Damas 3 and Cheras Central until completion of the development or project. As advised by our Malaysian legal advisors, the normal practice in Malaysia is that an application for subdivision of the initial title, called the Master Title, is usually done midway through the project but the issue of the subdivided title would only take place after the completion of the development or project as it is only then that a final survey will be done by the surveyors to determine the final built up areas or common areas. We have been informed that the relevant hotels, which are expected to be completed in about three years time, may be 4 or 5 star hotels but no formal decision has been made at this time.

Maytower Hotel and Dorsett Regency Hotel Kuala Lumpur are located within walking distance to Kuala Lumpur's city centre, whereas Plaza Damas 3 and Cheras Central are located more than 5 km from Kuala Lumpur's city centre. As a result, we believe that our hotels in Kuala Lumpur will cater more towards business travelers, due to our proximity to downtown Kuala Lumpur, as compared to Plaza Damas 3 and Cheras Central.

In the Asia Pacific region including but not limited to Australia, Hong Kong, PRC, Malaysia and Singapore, Tan Sri Dato' David Chiu (邱達昌) and his associates are restricted, directly or indirectly, from engaging or having any interest in any hotel investment, operation, management and development (excluding a Permitted Mixed Development). As such, Tan Sri Dato' David Chiu (邱達昌) is generally prevented from having any interest in a hotel management entity other than through the Group.

In the event that there is a Permitted Mixed Development, the first right of refusal to manage any hotel component would be offered to the Group. If the Company, after due consideration, determines that the proposed terms of the hotel management contract are not in the best interests of the Company and its Shareholders, then Tan Sri Dato' David Chiu (邱達昌) would be permitted to offer the hotel management rights to another party on terms no more favorable than those offered to the Company. Even if no other party were to express any interest in those management rights, Tan Sri Dato' David Chiu (邱達昌) would, under the terms of the Deed of Non-Competition Undertaking, not be permitted to manage the hotel himself or through his associates.

If Tan Sri Dato' David Chiu (邱達昌) or our Controlling Shareholders (or the relevant associates) decide to sell a completed hotel in a Permitted Mixed Development, any member of our Group shall be granted a right of first refusal to purchase such hotel on terms no less favourable than those offered to third parties.

(d) Non-competition***FEC's Undertakings***

Under the Deed of Non-Competition Undertaking, FEC (for and on behalf of itself and the FEC Group for the purpose of FEC's undertaking) has undertaken and covenanted with our Company (for itself and on behalf of the Group) that for so long as they and/or their respective associates, directly or indirectly, whether individually or taken together, remain our Controlling Shareholders, each of them will not, and will procure his associates not to:

- (i) directly or indirectly, whether as principal or agent, solely or jointly with other natural person, legal entity, enterprise or otherwise (including but not limited to the case whether as a shareholder, partner, agent, employee or otherwise and whether for profit, reward or otherwise) engage, have an interest in and/or be involved in any business in any form or manner that is, directly or indirectly, in competition with or is likely to be in competition with any Restricted Activity;
- (ii) directly or indirectly, solicit, interfere with or entice away from any member of the Group, any natural person, legal entity, enterprise or otherwise who, to any of Tan Sri Dato' David Chiu's (邱達昌) and FEC's knowledge, as at the date of the Deed of Non-Competition Undertaking and from time to time thereafter, is or has been or will after the date of the Deed of Non-Competition Undertaking be, a customer, supplier, distributor or management, technical staff or employee (of managerial grade or more) of any member of the Group; and
- (iii) exploit its knowledge or information obtained from the Group to compete, directly or indirectly, with the Restricted Activity.

Tan Sri Dato' David Chiu's (邱達昌) Undertakings

Under the Deed of Non-Competition Undertaking, Tan Sri Dato' David Chiu (邱達昌) has undertaken and covenanted with our Company that for so long as he and/or his respective associates, directly or indirectly, whether individually or taken together, remain our Controlling Shareholder, he shall not, and shall procure to the extent it is within his power or control to procure, that his associates shall not:

- (i) directly or indirectly, whether as principal or agent, solely or jointly with other natural person, legal entity, enterprise or otherwise (including but not limited to the case whether as a shareholder, partner, agent, employee or otherwise and whether for profit, reward or otherwise) engage, have an interest in and/or be involved in any business in any form or manner that is, directly or indirectly, in competition with or is likely to be in competition with any Restricted Activity in the Asia Pacific region including but not limited to Australia, Hong Kong, PRC, Malaysia and Singapore but excluding Japan;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND DIRECTORS

- (ii) directly or indirectly, solicit, interfere with or entice away from any member of the Group, any natural person, legal entity, enterprise or otherwise who, to any of Tan Sri Dato' David Chiu's (邱達昌) and FEC's knowledge, as at the date of the Deed of Non-competition Undertaking and from time to time thereafter, is or has been or will after the date of the Deed of Non-competition Undertaking be, a customer, supplier, distributor or management, technical staff or employee (of managerial grade or more) of any member of the Group; and
- (iii) exploit his knowledge or information obtained from the Group to compete, directly or indirectly, with the Restricted Activity in the Asia Pacific region including but not limited to Australia, Hong Kong, PRC, Malaysia and Singapore but excluding Japan.

For the avoidance of doubt, where the interests of FEC or Tan Sri Dato' David Chiu (邱達昌) and their respective associates in any entity is 50% or less or is in a listed company where he is required to abstain from voting pursuant to the listing rules of that jurisdiction, his procurement obligation is to exercise such voting power which he has and where he is able to do so subject to applicable laws, rules and regulations, and procure his associates to exercise such voting power as they may have and which they are able to do so, in order to effect the terms of the Deed of Non-Competition Undertaking.

As the Group has no current intention to develop its hotel business in Japan or outside the Asia Pacific region because after initial assessment, Japan presents a different operating environment and it may be costly for us to expand into Japan, and given Tan Sri Dato' David Chiu's (邱達昌) interests in two Japanese-style hotels in Japan through his shareholding interests in Tokai Kanko Co., Ltd., Tan Sri Dato' David Chiu's (邱達昌) undertaking only covers the Restricted Activity in the Asia Pacific region (excluding Japan) instead of a wider scope. Further details of Tokai Kanko Co., Ltd. is disclosed under the sub-section headed "— Independence from the Controlling Shareholder — (e) Directors' (excluding independent non-executive directors) interests in business which competes with or are likely to compete with our Group's business" in this section.

Such undertakings by both FEC and Tan Sri Dato' David Chiu (邱達昌) are conditional upon the Listing and:

- (i) any interests in the shares of any member of our Group, are permitted; or
- (ii) the hotel development business in cases where there is a Permitted Mixed Development and any member of our Group has been first offered to manage the hotel upon completion on terms no less favourable than those offered to third parties or discussed such opportunities with our Group, are permitted;
- (iii) provided that where Tan Sri Dato' David Chiu (邱達昌) or our Controlling Shareholders (or the relevant associates) decide to sell a completed hotel contemplated by paragraph (ii) above, any member of our Group shall be granted a right of first refusal to purchase such hotel on terms no less favourable than those offered to third parties;

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- (iv) where the Group wishes to develop a mixed development project which includes, other than a hotel, a residential portion and decides to appoint an independent third party developer for any residential portion, the Group will accord similar rights of first refusal to the FEC Group to develop a residential portion, if any, on terms no less favourable than those offered to third parties; and
- (v) Tan Sri Dato' David Chiu (邱達昌) or our Controlling Shareholders and their respective associates may hold shares or other securities of a listed company engaged in the Restricted Activity where our relevant Controlling Shareholder (and their respective associates) individually or collectively held less than 10% of the issued share capital of such listed company, and provided that Tan Sri Dato' David Chiu (邱達昌) and our relevant Controlling Shareholder (and their respective associates), whether acting singly or jointly, are not entitled to appoint a majority of the directors of such listed company and that at all times there is a holder of such shareholding (together, where appropriate, with his/its respective associates) a larger percentage of the shares in such listed company than Tan Sri Dato' David Chiu (邱達昌), our relevant Controlling Shareholder and his/its respective associates collectively hold.

Such undertakings will lapse or terminate in respect of any covenantor upon the earlier of (i) Tan Sri Dato' David Chiu (邱達昌), FEC or Ample Bonus, as the case may be, ceasing to beneficially own and/or control 30% or more of the voting rights at a general meeting of our Company or (ii) the Shares are no longer listed on the Main Board of the Stock Exchange.

(e) Directors' (excluding independent non-executive Directors) interests in business which competes with or are likely to compete with our Group's business

As at the Latest Practicable Date, our Non-executive Directors, Tan Sri Dato' David Chiu (邱達昌) and Mr. Hoong Cheong Thard (孔祥達) and our executive Director, Ms. Chiu Wing Kwan Winnie (邱詠筠) were interested in the following companies and businesses which competes, or are likely to compete, either directly or indirectly, with our Group's business.

A. Property Investment and Development

The following companies are principally engaged in property investment and development but may include hotel and serviced residences which may compete, or is likely to compete, either directly or indirectly with our Group's business.

1. Malaysia Land Properties Sdn. Bhd. ("Mayland")

Mayland is a company incorporated in Malaysia with limited liability on 24 February 1995 and is controlled by Tan Sri Dato' David Chiu (邱達昌). Tan Sri Dato' David Chiu (邱達昌) and Ms. Wing Kwan Winnie Chiu (邱詠筠) are the chief executive officer and the director of Mayland, respectively. Mayland is an unlisted property developer with more than 10 existing mixed development projects in Kuala Lumpur and Johor Bahru, Malaysia, including Plaza Damas 3, a mixed development with shop-office units and service apartment units over 5.97 acres; and Cheras Central, a property development including a 660,000 square feet shopping and leisure complex in Cheras, Kuala Lumpur, Malaysia.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND DIRECTORS

Details of the hotel components of Plaza Damas 3 and Cheras Central are set out as follows:

Name of Development	Location	Rooms	Hotel portion GFA (sq. ft.)	Percentage of total GFA of development	Percentage of total GFA of the Company in Malaysia
Plaza Damas 3	Sri Hartamas, Kuala Lumpur	857 units, 27 storey hotel-cum-service apartments	approximately 120,000	approximately 9%	approximately 5.3%
Cheras Central	Cheras, Kuala Lumpur	still in planning stage	approximately 162,200	approximately 15%	approximately 7.1%

We have been informed that it is not practicable to carve out the sites proposed for the hotel development in Plaza Damas 3 and Cheras Central until completion of the development or project. As advised by our Malaysian legal advisors, the normal practice in Malaysia is that an application for subdivision of the initial title, called the Master Title, is usually done midway through the project but the issue of the subdivided title would only take place after the completion of the development or project as it is only then that a final survey will be done by the surveyors to determine the final built up areas or common areas.

Save as these two developments which may have a hotel component, Mayland's current ongoing property development projects involve residential and commercial properties. As at 30 June 2010, Mayland had around 54 employees including management. As at the Latest Practicable Date, its board structure was as follows:

Name	Position
Tan Sri Dato' David Chiu (邱達昌)	chief executive officer
Tan Sri Dato' Dr. Mohamed Yusof bin Hashim	director
Ms. CHIU, Wing Kwan Winnie (邱詠筠)	director
Mr. Low Gay Teck	director
Mr. Yeo Chun Sing	director

2. *Far East Hotels and Entertainment Limited*

Far East Hotels and Entertainment Limited is a company established in Hong Kong with limited liability on 20 October 1978 and as at the Latest Practicable Date is directly owned by Tan Sri Dato' David Chiu (邱達昌) as to approximately 0.64%. The substantial shareholders of Far East Hotels and Entertainment Limited are Mr. Deacon Te Ken Chiu (邱德根) and Mr. Derek Chiu (邱達偉) owning 24.83% and 18.58% of the company, respectively. Tan Sri Dato' David Chiu (邱達昌) is also a non-executive director of Far East Hotels and Entertainment Limited and Mr. Chan Chi Hing (陳志興) is the alternate director to Mr. Deacon Te Ken Chiu (邱德根). Far East Hotels and Entertainment Limited is a listed company on the Main Board of the Stock Exchange. For the year ended 31 March 2010, based on the published accountants' report of Far East Hotels and Entertainment Limited, the company's revenue and profit after tax were approximately HK\$26.9 million (approximately 4.4% of our Total Revenue for the same period) and HK\$8.7 million (approximately 19.0% of our profit after tax for the same period), respectively and as at the Latest Practicable Date, had a market capitalisation of approximately HK\$132.0 million. Far East Hotels and Entertainment Limited is an investment company and provides corporate management services to its subsidiaries. Its portfolio of properties includes residential properties in Hong Kong, the 66 room Cheung Chau Warwick Hotel in Hong Kong and the 95 room 3 star hotel Beijing Warwick Suite Hotel in PRC. The revenue attributable to Cheung Chau Warwick Hotel in Hong Kong was HK\$15.9 million (2.6% of our Total Revenue in the same period) for the year ended 31 March 2010 and that attributable to hotel operations and property letting in the PRC (including Beijing Warwick Suite Hotel) was HK\$10.7 million (1.7% of our Total Revenue in the same period) for the same period.

As at 30 June 2010, Far East Hotels and Entertainment Limited had around 100 employees including management. As at the Latest Practicable Date, its board structure was as follows:

Name	Position
CHIU Deacon Te Ken (邱德根)	chairman
	executive director
CHIU Derek (邱達偉)	managing director
	chief executive
	executive director
CHIU Desmond (邱達文)	deputy managing director
	executive director
CHIU Margaret (邱美琪)	executive director
CHIU Ju Ching Lan (邱裘錦蘭)	non-executive director
CHIU Tat Sang Dick (邱達生)	non-executive director
CHIU David (邱達昌)	non-executive director
CHIU Dennis (邱達成)	non-executive director
CHIU Duncan (邱達根)	non-executive director
CHOY Wai Shek Raymond (蔡偉石)	independent non-executive director
IP Shing Hing (葉成慶)	independent non-executive director
NG Wing Hang Patrick (吳永鏗)	independent non-executive director
CHAN Chi Hing (陳志興)	alternate director to Deacon Te Ken Chiu (邱德根)

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND DIRECTORS

The Directors are of the view that the exclusion of the above property investments and development companies that are likely to compete, either directly, or indirectly, from the Group's business because:

- (a) these companies mainly develop residential, retail and commercial properties as opposed to hotel properties;
- (b) the two hotels currently operated by the listed company, Far East Hotels and Entertainment Limited, (i) a resort style hotel in Cheung Chau, Hong Kong and (ii) an apartment style hotel in Beijing, PRC, are not in line with the design-led value to upscale and boutique hotels operated by our Group; and
- (c) other than Tan Sri Dato' David Chiu's (邱達昌) common directorship as a non-executive director in both Far East Hotels and Entertainment Limited and our Group, and Mr. Chan Chi Hing's position as an alternate director in Far East Hotels and Entertainment Limited, the operations and management of both companies are independent and our Group currently has no intention in acquiring either of the hotels mentioned in paragraph (b) above. In our view, any potential conflict of interest that may arise on the part of Tan Sri Dato' David Chiu (邱達昌) as a result of his directorship of the Company and Far East Hotels and Entertainment Limited can be managed through Tan Sri Dato' David Chiu agreeing to absent himself from any board meetings of and abstain from resolutions to be passed by the board of Far East Hotels and Entertainment Limited concerning hotel project and related matters. Tan Sri Dato' David Chiu (邱達昌) has agreed that at any board meeting of Far East Hotels and Entertainment Limited which is convened to discuss hotel projects or related matters, he will absent himself from such meetings or if the meetings have items on the agenda at which he is permitted to attend, he will abstain from voting on any board resolutions of Far East Hotels and Entertainment Limited on hotel project and related matters.

B. Hotel Operations and Management

The following companies are principally engaged in hotel operations and management and are likely to compete, either directly or indirectly, with our Group's business.

1. Tokai Kanko Co., Ltd.

Tokai Kanko Co., Ltd. is a company with limited liability incorporated in Japan on 23 March 1948 and is owned by Tan Sri Dato' David Chiu (邱達昌) through Far East Global Asia Limited as to approximately 58.4% as at the Latest Practicable Date. As at 30 June 2010, an aggregate of approximately 6.15% is owned by various investors including but not limited to Société Générale Bank and Trust Singapore and Japan Securities and Finance Company Limited (日本証券金融株式會社). Tan Sri Dato' David Chiu (邱達昌) is also the chairman of the board of directors and Mr. Hoong Cheng Thard (孔祥達) is the president and director of Tokai Kanko Co., Ltd. Tokai Kanko Co., Ltd. is a company listed on the first section of the Tokyo Stock Exchange. For the year ended 31 December 2009, based on the published annual securities report of Tokai Kanko Co., Ltd., the company's revenue and loss after tax are approximately JPY1,142 million (equivalent to approximately HK\$103.5 million) and JPY25.0 million (equivalent to approximately HK\$2.3 million), respectively. As at the Latest Practicable Date, Tokai Kanko Co., Ltd. had a market capitalisation of JPY4,926.2 million (equivalent to approximately HK\$446.3 million). The principal business of Tokai Kanko Co., Ltd. is the

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND DIRECTORS

operation of two Japanese-style spa resort hotels targeting local families and couples under the names Imaiso (今井莊) which has 53 rooms and Nanzanso (南山莊) which has 33 rooms in Shizuoka Prefecture, Japan, memorial parks (i.e. cemetery) in Japan and Malaysia and the leasing of domestic real estate development in Japan. As at 30 June 2010, Tokai Kanko Co., Ltd. had around 86 employees including management. As at the Latest Practicable Date, its board structure was as follows:

Name	Position
Tan Sri Dato' David Chiu (邱達昌)	chairman of the board, director
Hoong Cheong Thard (孔祥達)	president, director
Sataro Shishido	executive director
Dennis Chiu (邱達成)	director
Craig Williams	director
Aya Aso (淺生亞也)	director

2. *RC Hotel and Resort JV Holdings (BVI) Company Limited*

RC Hotel and Resort JV Holdings (BVI) Company Limited is a company incorporated in the BVI with limited liability on 17 December 2007 and, as at the Latest Practicable Date, was owned as to approximately 10% by Tan Sri Dato's David Chiu (邱達昌). RC Hotel and Resort JV Holdings (BVI) Company Limited is an unlisted company and its principal business is the development and operation of Ritz-Carlton Reserve Maldives, a resort expected to have 90 villas which is expected to be completed in mid 2013.

The Directors are of the view that the exclusion of the above hotel operations and management companies that are likely to compete, either directly, or indirectly, from the Group's business because:

- (a) the geographical location of the hotels, i.e. Japan and Maldives are not locations where our Group currently intends to expand into after Listing as the Group is generally focusing its efforts on expansion of its business operations in China and other regions of the Asia Pacific; and
- (b) the hotels operated by the companies included Japanese spa resort hotels, five-star luxury hotels that are not in-line with the design-led value to upscale and boutique hotels operated by our Group.

CONFIRMATION

Save as disclosed above, neither the Controlling Shareholders nor any of the executive and non-executive Directors was, as at the Latest Practicable Date, interested in any business, other than that of our Group, which competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

CONNECTED TRANSACTIONS

We have entered into the following agreements which will continue after the Listing Date and thus constitute continuing connected transactions for us under the Listing Rules.

SUMMARY OF CONNECTED TRANSACTIONS

Parties involved	Nature of transactions	Contract Period	Terms of payment	Cap.	Historical figures	Basis of determination
Exempt Continuing Connected Transactions						
FECL, a wholly-owned subsidiary of FEC, a Controlling Shareholder, as the licensor and Cosmopolitan Hotel Limited, our Company's wholly-owned subsidiary, as licensee	Licence agreement between FECL, as the licensor and Cosmopolitan Hotel Limited as licensee for the use of shops 1-4, Grand View Mansion, 383-385 Queen's Road East, Hong Kong	three years from 1 January 2009 to 31 December 2011 (both days inclusive)	Monthly fee of HK\$30,000 inclusive of management fees excluding government rates	For the financial year ending 31 March 2011: HK\$360,000 From 1 April 2011 until the end of licence HK\$270,000	For the financial year ended 31 March 2009: HK\$360,000 2010: HK\$360,000	at arm's length negotiation based on the prevailing market price at the time of signing the licence agreement
Dorsett International (M), a wholly-owned subsidiary of FEC, a Controlling Shareholder, as licensor and our Company, as licensee	Trademark and trade name licence agreement between Dorsett International (M), as licensor and our Company as licensee for the use of certain trademarks applied by Dorsett International (M)	Effective from 30 August 2010 for so long as the Trademark and trade name licence agreement is in effect	No fee is payable	N/A	N/A	N/A
Non-exempt Continuing Connected Transaction						
Cosmopolitan Hotel Limited, our Company's wholly-owned subsidiary, as landlord and FECL, a wholly-owned subsidiary of FEC, a Controlling Shareholder, as tenant	Tenancy agreement between Cosmopolitan Hotel Limited, as landlord and FECL as tenant for the lease of the first floor of Cosmopolitan Hotel	three years from 1 October 2009 to 30 September 2012 (both days inclusive) with an option to extend for another three years	Monthly rental of HK\$200,000 inclusive of government rent, government rates, air-conditioning charges and management fees	For the financial year ending 31 March 2011: HK\$2,400,000 2012: HK\$2,400,000	For the financial year ended 31 March 2010: HK\$2,400,000	at arm's length negotiation based on the prevailing market price at the time of signing the tenancy agreement

CONNECTED TRANSACTIONS

LICENCE AGREEMENT WITH FAR EAST CONSORTIUM LIMITED

Cosmopolitan Hotel Limited as licensee entered into a licence agreement with FECL as licensor on 16 February 2009 for the use of the Shops 1–4, G/F, Grand View Mansion, 383–385 Queen’s Road East, Hong Kong for a monthly fee of HK\$30,000 inclusive of management fees excluding government rates. The duration of the licence agreement is three years commencing from 1 January 2009 to 31 December 2011 (both days inclusive). FECL is a connected person by virtue of it being a wholly-owned subsidiary of FEC, a Controlling Shareholder. Our Directors (including the independent non-executive Directors) are of the view that the licence of Shops 1–4, G/F, Grand View Mansion, 383–385 Queen’s Road East, Hong Kong with FECL has been entered into in the ordinary and usual course of business following arm’s length negotiations, is on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Our Directors (including the independent non-executive Directors) have confirmed that the proposed annual caps set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the percentage ratios applicable under Chapter 14A of the Listing Rules, the amounts payable under such licence agreement to FECL is less than 0.1% and is therefore exempt from the reporting, annual review, announcement or independent shareholder approval requirements.

LICENCE AGREEMENT FOR TRADEMARK APPLICATIONS IN MALAYSIA

Dorsett International (M) is a connected person by virtue of it being a subsidiary of FEC, a Controlling Shareholder. Dorsett International (M) entered into a trademark and trade name licence agreement on 30 August 2010 with the Company authorising the Group to use various trademarks that are in the process of registration in Malaysia for no consideration. This agreement may be terminated if, among other things, there is a material breach of the agreement or either party goes into liquidation. Our Directors (including the independent non-executive Directors) are of the view that such licence agreement has been entered into in the ordinary and usual course of business following arm’s length’s negotiations, is on normal commercial terms and such terms are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Based on the percentage ratios applicable under Chapter 14A of the Listing Rules and since there is no consideration payable under such licence agreement to Dorsett International (M), this is therefore exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements of Chapter 14A of the Listing Rules.

Further details of the trademark applications are disclosed in the section headed “Statutory and General Information — B. Further Information About the Business — 2. Intellectual Property Rights — (a) Trademarks — (ii) Trademarks Under Registration” in Appendix VI to this prospectus.

LEASE TO FAR EAST CONSORTIUM LIMITED

FECL as tenant entered into a tenancy agreement with Cosmopolitan Hotel Limited as landlord on 10 November 2009 for the lease of the first floor of Cosmopolitan Hotel for a monthly rental of HK\$200,000 inclusive of government rent, government rates, air-conditioning charges and management fees. The duration of the tenancy is three years commencing from 1 October 2009 to 30 September 2012 (both days inclusive) with an option to extend for another three years. FECL is a connected person by virtue of it being a wholly-owned subsidiary of FEC, a Controlling Shareholder. Our Directors (including the independent non-executive Directors) are of the view that the lease of the first floor of Cosmopolitan Hotel in Hong Kong, the La Maison de l’Orient restaurant, with FECL has been entered into in the ordinary and usual course of business following

CONNECTED TRANSACTIONS

arm's length negotiations, is on normal commercial terms and such terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. DTZ Debenham Tie Leung Limited, our property valuers for properties in Hong Kong, Singapore and PRC, are of the view the lease with FECL is on normal and commercial terms. Our Directors (including the independent non-executive Directors) have confirmed that the proposed annual caps set out above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the percentage ratios applicable under Chapter 14A of the Listing Rules, the amounts receivable under the lease to FECL are less than five percent. According to Rule 14A.34 of the Listing Rules, the transaction is subject to reporting, announcement and annual review requirements and no independent shareholder approval is required. In the absence of a waiver from the Stock Exchange, such continuing connected transaction after the Listing Date would be subject to the announcement requirement under the Listing Rules.

We confirm that we will comply with Rules 14A.35(1), 14A.35(2), 14A.36, 14A.37, 14A.38, 14A.39 and 14A.40 (where applicable).

We, have applied for, and the Stock Exchange has agreed to grant, a waiver pursuant to Rule 14A.42(3) of the Listing Rules from strict compliance with announcement requirements under Rule 14A.34 of the Listing Rules in respect of the tenancy agreement described above, provided that the annual caps stated above are not exceeded and that the Company complies with the other requirements of Chapter 14A of the Listing Rules, including Rules 14A.36 to 14A.40.

If any terms of the licence agreement and the tenancy agreement are altered in any material respect or if the Group enters into any new agreements with connected persons in the future, the Company will comply with the provisions of Chapter 14A of the Listing Rules which deals with connected transactions, unless it applies for and obtains a separate waiver from the Stock Exchange.

Confirmation from the Joint Sponsors

The Joint Sponsors are of the view that the lease to FECL described above is in the ordinary and usual course of business of our Company, on normal commercial terms, are fair and reasonable and in the interests of the shareholders of our Company as a whole, and that the proposed annual caps referred to above are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

The table below sets forth information regarding our Board of Directors.

Name	Age	Position
MOK, Kwai Pui Bill (莫貴標)	49	Executive Director, President
CHU, Chee Seng (朱志成)	37	Executive Director, Chief Financial Officer
LAI, Wai Keung (賴偉強)	45	Executive Director, Chief Operating Officer China
CHIU, Wing Kwan Winnie (邱詠筠)	30	Executive Director, Chief Strategy Officer
CHIU, David (邱達昌)	56	Non-executive Director, Chairman
IP, Hoi Wah Edmond (葉海華)	64	Non-executive Director, Chief Advisor to the Board
HOONG, Cheong Thard (孔祥達)	41	Non-executive Director
CHAN, Chi Hing (陳志興)	47	Non-executive Director
SHEK, Lai Him Abraham (石禮謙)	65	Independent Non-executive Director
TO, Peter (杜彼得)	62	Independent Non-executive Director
LIU, Ngai Wing (廖毅榮)	59	Independent Non-executive Director

The Board consists of 11 Directors, including four executive Directors, four non-executive Directors, and three independent non-executive Directors. The functions and duties of the Board include convening Shareholders' meetings, reporting to Shareholders at Shareholders' meetings, implementing the resolutions of the Shareholders, determining the Company's business plans and investment plans, formulating the Company's annual budget and final accounts, formulating proposals for the Company's dividend and bonus distributions and for the increase or reduction of capital, and exercising other powers, functions and duties as authorised by the Articles of Association.

Save as disclosed in the section headed "Statutory and General Information" in Appendix VI to this prospectus and below, each of our Directors has no interests in the Shares within the meaning of Part XV of the SFO and is independent from and is not related to any other Directors, senior management, substantial shareholders and Controlling Shareholders of the Company. Save as disclosed below, each of our Directors has not held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas (apart from our Company) in the three years immediately preceding the date of this prospectus, and has not been involved in any of the events described under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules. Save as disclosed below, there are no other matters concerning each of the Directors' directorship with our Company that need to be brought to the attention of the Shareholders and the Stock Exchange and there are no other matters in connection with each of the Directors' appointment which shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. MOK, Kwai Pui Bill (莫貴標), aged 49, our president, executive Director, company secretary, a member of our remuneration committee and business development committee, joined us as a Director on 23 January 2007. Mr. Mok graduated from the University of Washington in the United States with a Bachelor of Arts degree in Business Administration in 1984 and from Seattle University in the United States with a Master of Business Administration degree in 1987. He began his career in public accounting in the United States and returned to Hong Kong in 1988. From 1988 to 1993 he worked for Price Waterhouse Company (presently known as PriceWaterhouseCoopers) as a staff accountant and was later promoted to deputy manager. From 1993 to 1995, he worked for Jade Dynasty Publications Limited as its finance manager. From 1995 to 1996 he worked for The Hong Kong And China Gas Company Limited (Stock Code 0003), a company listed on the Main Board of the Stock Exchange, as its finance manager of its PRC projects. In 1996, Mr. Mok joined the investment industry where he worked for Nava SC Securities Limited until 1997, when it was taken over by Prudential-Bache, where he continued to work until 1999 before moving to ING Securities Limited in 1999 where he stayed until 2003. He has more than six years experience in the hotel industry. Mr. Mok joined FEC in April 2004 as its chief financial officer and prior to the Listing, was a member of FEC's senior management where he was involved in the design and helped develop the strategies of FEC's hotel operations and is also a director of a number of the Group's subsidiaries. He remains the company secretary of FEC. He is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants, formerly known as the Hong Kong Society of Accountants.

Mr. CHU, Chee Seng (朱志成), aged 37, was appointed as our executive Director on 8 June 2010 and is a member of our business development committee. Mr. Chu graduated from Nanyang Technological University in Singapore with a Bachelor of Accountancy degree in 1998 with a minor in Hospitality and Tourism Management. He has more than 12 years of experience in the hotel industry. Starting as a financial analyst in 1998 with what was then known as Holiday Inn Worldwide (a predecessor of InterContinental Hotel Group ("IHG")), Mr. Chu subsequently took on various financial, development and capital roles within IHG. From 2005 to 2009, Mr. Chu was based in Shanghai where he developed and executed IHG's initiative to build partnerships with strategic real estate developers and investors in China and to deploy capital where needed to support its growth strategy. Whilst working for IHG, he led the structuring, negotiation, execution and set up of the company's first joint venture platform in China. Upon setting up the joint venture, he was responsible for managing IHG's interest in the joint venture's assets. From 1 November 2009, he was responsible for developing IHG's hotel portfolio across South East Asia. He joined our Group on 1 April 2010 as our chief financial officer. He is a member of the Institute of Certified Public Accountants of Singapore.

Mr. LAI, Wai Keung (賴偉強), aged 45, was appointed as our executive Director on 8 June 2010 and has been the chief operating officer, China since 1 June 2010 and is responsible for our hotel operations in Hong Kong and China. Mr. Lai graduated from the Bolton Institute of Higher Education (presently known as the University of Bolton) in the United Kingdom in 1999 with a Bachelor of Arts degree in Business Administration. He has more than 10 years experience in the hotel industry. In 1989, he joined FEC's finance and accounting department as an accountant and internal auditor. In 2002, he was appointed as the financial controller of Kosmopolito Hotels International Services and was responsible for the overall finance and accounting matters of the Company. In 2006, he became the director of hotel operations of the Dorsett Hotel Group, where

DIRECTORS AND SENIOR MANAGEMENT

major duties included managing the group's operation, administration works and developing the business strategy with the general managers of the group's hotels. He was also responsible for the assessment and overall project management of hotel development and redevelopment projects of the group.

Ms. CHIU, Wing Kwan Winnie (邱詠筠), aged 30, was appointed as our executive Director on 8 June 2010, our chief strategy officer on 1 September 2010 and is a member of our business development committee. Ms. Chiu graduated from King's College, University of London in the United Kingdom in 2002 with a Bachelor of Science degree in Business Management. She has accumulated over 8 years of experience in the real estate industry specialising in retail management and hotel development. Since 2002, Ms. Chiu has been a director of Mayland and continues to serve on its board. In addition, Ms. Chiu has been director of project development for FEC since 2005 where she is responsible for overall project development and oversees FEC's hotel development. Prior to joining FEC and Mayland, she worked for a few major international banks where she gained experience in financial management. She has been a non-independent and non-executive director of Land & General Berhad, a company listed on the main board of Bursa Malaysia, since 17 July 2008. She is also a member of the board of governors of the Hong Kong Philharmonic Society Limited. Ms. Chiu is the daughter of Tan Sri Dato' David Chiu (邱達昌).

Non-executive Directors

Tan Sri Dato' CHIU, David (邱達昌), aged 56, our non-executive Director, Chairman, and the chairman of each of our remuneration committee and nomination committee, joined us as a Director on 23 January 2007. He has over 30 years of experience in property development and extensive experience in hotel development. He graduated from the University of Sophia in Japan with a Bachelor of Science degree in Business Administration Economics in 1975. He was appointed as the managing director of FEC and later became the deputy chairman and chief executive officer of the group in 1990, 1994 and 1997, respectively. He is also a director of a number of the Group's subsidiaries. Tan Sri Dato' David Chiu (邱達昌) was appointed as a director of Far East Holdings International Limited (Stock Code 36) on 27 June 1981, redesignated as a non-executive director on 8 January 2004 and he resigned on 7 September 2010. He was appointed as an executive director of Far East Hotels and Entertainment Limited (Stock Code 37) on 24 April 1979, was redesignated as its non-executive director since 1 January 1995. Both companies are listed on the Main Board of the Stock Exchange. Tan Sri Dato' David Chiu (邱達昌) has also been the chairman of the board of directors of Tokai Kanko Co., Ltd. (Stock Code 9704-T), a company listed on the first section of the Tokyo Stock Exchange, since September 1997. In Malaysia, he was conferred an honorary award which carried the title "Dato" and subsequently a more senior honorary title of "Tan Sri" by His Majesty, the King of Malaysia, in 1997 and 2005, respectively. He is the father of Ms. Chiu, Wing Kwan Winnie (邱詠筠).

Mr. IP, Hoi Wah Edmond (葉海華), aged 64, was appointed our non-executive Director and the chief advisor to the Board on 8 June 2010 and is the chairman of our business development committee. Mr. Ip initially joined our Group in February 2010 to head our hotel division and was later appointed as a director of our subsidiary, Kosmopolito Hotels International (S). Mr. Ip has over 37 years of experience in the hotel industry. From 1973 to 1989, Mr. Ip worked for Hyatt International Corporation and in 1987 he was promoted as its vice president in finance and accounting. In 1991 he was appointed the executive vice president and chief operating officer of Banyan Tree Resorts Management Co., Ltd. where he helped create the Banyan Tree product brand

DIRECTORS AND SENIOR MANAGEMENT

and program definition of each hotel and continued working there until 1995. From 1995 to 1996, Mr. Ip was an executive director of CDL Hotels International Limited. From 1997 to 2009 he held key appointments with InterContinental Hotels Group (“IHG”) Asia Pacific. He was appointed as IHG’s chief operating officer – North Asia in 2000 and as its chief advisor in 2009. He established a strong presence for the “InterContinental”, “Crowne Plaza”, “Holiday Inn” and “Holiday Inn Express” brands in China. Mr. Ip also established the InterContinental Hotels Group Academy (“IHG Academy”) in Shanghai, China that provides training in a variety of hospitality-related fields and within five years of opening, expanded IHG Academy to 11 cities across China, partnering with local tourism colleges or vocational institutions in China. He is presently appointed as a member of the advisory committee of the School of Business and Accountancy at Ngee Ann Polytechnic in Singapore. Between the years of 2005 to 2010, Mr. Ip received many industrial awards such as, China Top Leaders by Corporate Research Foundation, Top 10 Figures of China Hotel Industry, Top 30 Most Influential People of China Hotel Industry and Lifetime Achievement Award by China Hotel Starlight Awards and the Hotel Investment Conference Asia Pacific Trailblazer Award by Horwarth HTL Asia Pacific.

Mr. HOONG, Cheong Thard (孔祥達), aged 41, was appointed as our non-executive Director on 8 June 2010. Mr. Hoong has over 12 years of experience in the corporate finance and investment banking industry in Asia. Mr. Hoong graduated from Imperial College of Science, Technology and Medicine, University of London in the United Kingdom in 1989 with a Bachelor of Engineering degree in Mechanical Engineering. In 1997, he joined UBS AG, Hong Kong Branch as an associate director in the corporate finance department and was subsequently promoted to director and executive director in 2000 and 2002, respectively. From 2003 to 2006, Mr. Hoong worked for Deutsche Bank AG, Hong Kong Branch as a director. From 2006 to 2008, Mr. Hoong was the chief executive officer and an executive director of China LotSynergy Holdings Limited (Stock Code 8161), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Hoong remains as a non-executive director of China LotSynergy Holdings Limited. Mr. Hoong has over two years experience in the hotel industry. In September 2008, he joined FEC as the managing director. Mr. Hoong is the president and director of Tokai Kanko Co., Ltd. (Stock Code 9704-T), a company listed on the first section of the Tokyo Stock Exchange, since 27 March 2009, and a non-independent and non-executive director of Land & General Berhad, a company listed on the main board of Bursa Malaysia, since 1 June 2010. Mr. Hoong is a member of the Institute of Chartered Accountants in England and Wales.

Mr. CHAN, Chi Hing (陳志興), aged 47, is our non-executive Director who joined us as a Director on 23 January 2007. He has over 10 years experience in the hotel industry. Mr. Chan joined FEC in 1990 as its chief accountant and was promoted as the group’s financial controller and later chief operating officer in 2002 and 2004, respectively. He is responsible for the Hong Kong, Macau and China based activities of FEC with emphasis on commercial management, hotel and property development and investment, and project development. He is also responsible for the industrial and infrastructure businesses of FEC in the PRC. Mr. Chan is a director of various subsidiaries of FEC. He was appointed as an alternative director of Far East Hotels and Entertainment Limited (Stock Code 37) to Mr. Deacon Te Ken Chiu, the founder of FEC, on 17 May 2003. He has been an independent non-executive director of Hidili Industry International Development Limited (Stock Code 1393), a company listed on the Main Board of the Stock Exchange, since 21 June 2007. Before joining FEC, he was an audit supervisor of Kwan Wong Tan & Fong, an accounting firm. He has over 10 years of audit experience.

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Independent Non-executive Directors

Mr. SHEK, Lai Him Abraham (石禮謙), aged 65, joined us as our independent non-executive Director on 10 September 2010 and is a member of each of our audit committee, remuneration committee and nomination committee. Mr. Shek graduated from the University of Sydney, in Australia in 1969 with a Bachelor of Arts degree and in 1970 with a Diploma in Education. Mr. Shek was appointed as a Justice of Peace in 1995. He currently holds the following positions:

Legislative Council for the Hong Kong Special Administrative Region	member
Court of The University of Hong Kong	member
Independent Police Complaints Council	vice chairman

Mr. Shek had been an independent non-executive director of See Corporation Limited (Stock Code 491) from 1 October 2005 to 1 October 2008 and Hop Hing Holdings Limited (Stock Code 47) from 1 January 2007 to 29 April 2008 and is currently an independent non-executive director of each of the following companies listed on the Main Board of the Stock Exchange:

Midas International Holdings Limited (Stock Code 1172)	since 15 August 2001
Paliburg Holdings Limited (Stock Code 617)	since 10 July 2002
Lifestyle International Holdings Limited (Stock Code 1212)	since 5 March 2004
Chuang's Consortium International Limited (Stock Code 367)	since 28 May 2004
NWS Holdings Limited (Stock Code 659)	since 28 September 2004
Hop Hing Group Holdings Limited (Stock Code 47)	since 4 September 2007
Regal Portfolio Management Limited, the manager of Regal Estate Investment Trust (Stock Code 1881)	since 20 February 2006
Titan Petrochemicals Group Limited (Stock Code 1192)	since 27 February 2006
Eagle Asset Management (CP) Limited, the manager of Champion Real Estate Investment Trust (Stock Code 2778)	since 18 March 2006
ITC Corporation Limited (Stock Code 372)	since 26 June 2006
Country Garden Holdings Company Limited (Stock Code 2007)	since 4 December 2006
MTR Corporation Limited (Stock Code 66)	since 18 December 2007
SJM Holdings Limited (Stock Code 880)	since 11 January 2008
Hsin Chong Construction Group Limited (Stock Code 404)	since 23 January 2008
Chuang's China Investments Limited (Stock Code 298)	since 24 April 2008

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Mr. TO, Peter (杜彼得), aged 62, joined us as our independent non-executive Director on 10 September 2010 and is a member of each of our audit committee, remuneration committee and nomination committee. He obtained a Certificate of Housing from The University of Hong Kong in 1972 and later became a professional member of The Hong Kong Institute of Housing and The Chartered Institute of Housing, United Kingdom, formerly known as the Institute of Housing, United Kingdom. Mr. To has been active in the property development and investment industry for more than 30 years and is currently a member of the board of the Urban Renewal Authority. He was an executive director of PCCW Limited (Stock Code 8), a company listed on the Main Board of the Stock Exchange, from 3 August 1999 to 30 June 2002, its deputy chairman from 3 August 1999 to 10 June 2001 and served as its consultant from 11 June 2001 to 31 October 2003. He was the chief executive officer and executive director of the Pacific Century Regional Developments Limited (Stock Code P15), a company listed on the Singapore Stock Exchange from 1997 to 2002.

Dr. LIU Ngai Wing (廖毅榮), aged 59, joined us as our independent non-executive Director on 10 September 2010 and is the Chairman of our audit committee and a member of each of our remuneration committee and nomination committee. Dr. Liu holds a PhD Degree in hotel and tourism management from the Hotel and Tourism Management School of The Hong Kong Polytechnic University in Hong Kong in 2008, a Master of Science degree from The Chinese University of Hong Kong in 2002, a Master of Science Degree in Hotel and Tourism Management from the Hong Kong Polytechnic University in 2001 and a Master Degree in Business Administration from The Open University of Hong Kong in 1999. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Certified Accountants.

Dr. Liu has relevant hotel industry experience through (i) his obtaining of a PhD Degree in the School of Hotel and Tourism Management at The Hong Kong Polytechnic University, (ii) he was formerly the chief executive officer of Lai Sun Hotels International Limited (presently eSun Holdings Limited), which, among other things, is the owner of the former Ritz Carlton Hong Kong; and (iii) Dr. Liu was also formerly the company secretary and in charge of all finance affairs of Far East Hotels and Entertainment Limited.

Dr. Liu has been an independent non-executive director of Daiwa Associate Holdings Limited (Stock Code 1037) since 17 September 2004. He was an executive director of eSun Holdings Limited (Stock Code 571), formerly known as Lai Sun Hotels International Limited, from 1 November 1998 to 22 May 2008 and chief executive officer from 1 November 1998 to 9 March 2000, an independent non-executive director and the chairman of the audit committee of 3D-GOLD Jewellery Holdings Limited (formerly known as Hang Fung Gold Technology Limited, which is in the process of being delisted) (Stock Code 870) ("3D-Gold") from 16 March 2000 to 5 December 2008 and an independent non-executive director of New Smart Energy Group Limited (Stock Code 91) from 15 July 2005 to 30 September 2009, all being companies listed or previously listed on the Main Board of the Stock Exchange.

Shares in 3D-GOLD were suspended from trading on 29 September 2008 and it was announced on the same day that Dr. Lam Sai Wing ("Dr. Lam"), the chairman of 3D-GOLD had died and that technical breaches of certain loan facilities may arise as a result of Dr. Lam ceasing to be chairman. On 14 October 2008 it was announced that certain wholesale trade receivables of 3D-GOLD may not be recoverable, and a winding-up petition for 3D-GOLD was filed by The Hongkong and Shanghai Banking Corporation Limited on 17 October 2008. The winding-up petition was subsequently adjourned to 8 November 2010. Since Dr. Liu's resignation from the board of 3D-Gold on 5 December 2008, he has been unaware of any further developments in the affairs of 3D-Gold.

DIRECTORS AND SENIOR MANAGEMENT

None of the independent non-executive Directors have, by himself or through the firm in which he practices, provided professional services to the Company or FEC during the Track Record Period.

Information regarding Far East Holdings International Limited (“FEHI”)

On 6 September 2010, FEHI announced that one of its directors and two of its employees had been charged by the Commercial Crime Bureau of the Hong Kong Police Force in respect of alleged offences including section 157H (2)(a) of the Companies Ordinance, Cap. 32 of the Laws of Hong Kong. Tan Sri Dato’ David Chiu (邱達昌) resigned as a director of FEHI on 7 September 2010, but, as at the Latest Practicable Date, remains a holder of approximately 5.3% of the shares in FEHI. Tan Sri Dato’ David Chiu (邱達昌) was not charged and as at the Latest Practicable Date, Tan Sri Dato’ David Chiu (邱達昌) has confirmed that, as far as he is aware, he is neither under investigation nor suspicion by regulatory authorities in relation to the alleged offences referred to in FEHI’s announcement dated 6 September 2010. FEC made an announcement on 7 September 2010 that there is no shareholding relationship between FEC and FEHI. Neither FEC nor we have any business relationship with FEHI and our operations and those of FEC are completely independent of FEHI. The alleged offences referred to in FEHI’s announcement dated 6 September 2010 are unrelated to FEC, ourselves and Tan Sri Dato’ David Chiu (邱達昌). Whilst Tan Sri Dato’ David Chiu did not attend any board meetings of FEHI in the years in which the alleged offences took place, he was, like other directors, in receipt of board minutes and financial statements. Tan Sri Dato’ David Chiu (邱達昌) is aware of his obligations as a non-executive director of our Company, taking into account he is an executive director of FEC and that we will remain a subsidiary of FEC, he will devote sufficient time and attention to our affairs in such capacity.

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Mr. YIP, Shu Kiong (葉樹強), aged 42, joined us as the chief marketing officer on 22 March 2010 and is a member of our business development committee. Mr. Yip graduated from Ngee Ann Polytechnic, Singapore in 1989 with a diploma in mechanical engineering and from The Victoria University of Manchester, United Kingdom in 1994 with a bachelor degree in engineering. He has over eight years experience in the hotel industry. He ventured into the hotel industry with InterContinental Hotels Group (“IHG”) in 2001. At IHG, he was responsible for IHG’s brand development and management in the Asia Pacific region, including responsibility for developing the branding strategy and subsequent rollout of the Hotel Indigo brand in the Asia Pacific region. In 2005, Mr. Yip joined RCI, a global provider of leisure travel services to businesses and consumers, as a director of product development and marketing and was later promoted as its vice president of market development for North East Asia in 2007. In 2008, he returned to IHG Asia Pacific.

Mr. TANG, Seng Mun, aged 43, joined us as chief operating officer for the hotel operations in Malaysia on 1 January 2009. Mr. Tang qualified as a certified public accountant in Malaysia in 1992. He later joined Seni Jaya Corporation (“Seni Jaya”) as its financial controller responsible for all aspects of financial and corporate planning and in 1995, he joined Suremax Group (“Suremax”), a construction company, as its executive director and chief financial officer where he led the construction and property management operations of the company in Malaysia. Seni Jaya and Suremax were both listed on Bursa Malaysia, but Suremax was subsequently delisted on 13 June 2007. In 2005 Mr. Tang joined Malaysia Land Properties Sdn. Bhd. as its chief financial officer and continues to be involved in the management, operations and development of the group. In 2009, he joined FEC as its chief operating officer to oversee FEC’s Malaysian operations including its hotel division in Malaysia and is the president of Dorsett International Sdn. Bhd. Mr. Tang was awarded the Visionary Knowledge Leadership Award at the Global Emerging Knowledge Organisation

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(GEKO) Awards 2009 and in early 2010, he received the “Smart Entrepreneur” award at the 2nd Global Award 2010 and the Corporate Leader of the Year Award 2009. He is also one of the vice presidents, for the 2010 to 2012 term, of the Malaysian Association of Hotel Owners.

Ms. CHAN, Siu Fong Anita (陳小芳), aged 45, has been the general manager of our Cosmopolitan Hotel and Cosmo Hotel since March 2005 and October 2005, respectively, where she manages and oversees the daily operations of both hotels. She has over 20 years of experience in the hotel industry specialised in sales, marketing, branding and revenue management and prior to joining our Group, she worked with various hotel chains such as The Kowloon Hotel, managed by The Peninsula Group, where she joined as its assistant director of sales in 1994 and was later promoted to director of sales & marketing in 1996. She has also worked for Omni The Hong Kong Hotel as its commercial sales manager in 1994. From 1989 to 1994 she worked for the Ramada Renaissance Hotel where she began as the group coordinator in the sales department and was later promoted to senior sales manager. Ms. Chan’s previous roles have involved responsibility for corporate sales and new business development, branding and revenue management, advertising and sales initiatives, online sales and website development. Ms. Chan graduated from the University of Hawaii at Manoa, Hawaii with a Bachelor degree in Business Administration Travel Industry Management in 1989.

Ms. KWAN, Shuk Wah Rebecca (關淑華), aged 44, has been the general manager of our Lan Kwai Fong Hotel @ Kau U Fong and Central Park Hotel since June 2006, where she is responsible for positioning the two boutique hotels in the market, and directing the business development as well as overseeing the daily operations of both hotels. Ms. Kwan obtained a certificate in Jewellery Design and production in 2006 from the School of Continuing Education, Hong Kong Baptist University and a professional diploma in Jewellery Design in 2009 from the School of Continuing Education, Hong Kong Baptist University. She has over 20 years experience in the hotel industry and prior to joining our Group, she worked for The Ritz-Carlton, Hong Kong from 1999 to 2006 where she started as a sales manager and was later promoted to associate director of sales in 2001 and subsequently promoted to director of sales in 2003. As the director of sales in Ritz-Carlton, Hong Kong, Ms. Kwan was responsible for implementing strategies and executing activities to drive financial results and market share, customer satisfaction, employee loyalty and brand strength. From 1994 to 1999 she worked for Kempinski Hotels and Resorts where she worked in various levels and finally headed the Hong Kong sales office which also covered Kempinski’s operations in South East Asia. From 1993 to 1994, she worked at Gold Coast Hotel, Resort and Conference Centre, Hong Kong as its sales manager. From 1992 to 1993 she worked at Grand New World Hotel, Xian as its sales manager. From 1990 to 1992 she worked at Hotel Furama, Kempinski, Hong Kong as its sales manager, Japanese accounts. Ms. Kwan has been a member of the executive committee of the Hong Kong Hotels Association since January 2009.

Mr. KWONG, Wing Cheung (鄺永祥), aged 52, has been the general manager of our Dorsett Kowloon Hotel and Dorsett Seaview Hotel since January 2005 and March 2004, respectively, where he is responsible for the daily operations, sales and marketing and overall administration of both hotels. Mr. Kwong has more than 20 years experience in the hotel industry with experience in managing a hotel’s operations including the provision of training and guidance to hotel managers, budget and revenue forecast, human resources, food and beverage business, finance and purchasing, customer services and general administration works with the aim of improving the hotel’s revenue performance. Prior to joining our Group, he worked for the Grand Plaza Hotel, which is under the Hang Lung Hotel Group, for 14 years until he was promoted as a front office manager and The Kimberly Hotel for six years and was the executive assistant manager before he

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joined our Group where his responsibilities included implementing sales and marketing plans, formulating work policies and procedures, overseeing staff recruitment and training, administering front office operations and, in the case of The Kimberley Hotel, overseeing the hotel's project development during its pre-opening stage.

Mr. CHENG, Wai Ching (鄭維政), aged 47, has been the general manager of Dorsett Far East Hotel since 2007 where he manages and oversees the operation and sales activities of the hotel. He has over 19 years experience in the hotel industry and prior to joining our Group, he worked for the Majestic Hotel for seven years where he began as its front office manager in 2000 and was later promoted to its director of sales in 2005 where he was in charge of the sales and marketing department, reservations department and the front office department whilst at the Majestic Hotel he was responsible for sales initiatives, leading and motivating sales and front office teams to achieve management sales targets and service standards, overseeing the setting of room rates and managing effective front office operations. Mr. Cheng also worked for Century Hong Kong for nine years where he started as an assistant manager in 1991 and was later promoted as its front office manager in 1995 and was in charge of various departments of the hotel including the front desk, executive floors and lounge, business centre, guest relations officers and duty assistant managers.

Ms. TOH, Lai Fong Christina, aged 43, has been the general manager of Dorsett Regency Hotel, Kuala Lumpur since September 2001. Ms. Toh has 9 years of experience in the hotel industry. Ms. Toh is a certified Hotel Administrator and received the Visionary Knowledge Leadership Global Emerging Knowledge Organisation Award in 2009. She is also a vice-president of the Malaysian Association of Hotels.

Ms. HENG, Jasmine Binti Abdullah, aged 58, has been the general manager of Grand Dorsett Subang Hotel since February 2006, prior to our acquisition of the hotel in September 2007. She has over 4 years of experience in the hotel industry and have been a sales manager, marketing director, sales and marketing director in the Sheraton group and was the first Malaysian lady to hold the post of general manager in Starwood South East Asia. She was awarded the "Best General Manager of the year" at Hospitality Asia Platinum Awards 2007-2008 Malaysia series Platinum Awards. She is also a chairperson of the Malaysian Association of Hotels Selangor Chapter and a board member of the Malaysian Association of Hotels, for the 2010 to 2012 term. She is the president of the Kiwanis Club of Bukit Kiara.

Mr. WILFRED, Anthony Hubert, aged 60, has been the general manager of Grand Dorsett Labuan Hotel since April 2004, prior to our acquisition of the hotel in September 2007. He has more than 18 years experience in the hotel industry. Mr. Wilfred did the exit exercise from Starwood and rebranding under our Group's brand and sustained the business and increased the GOP for the Group. Mr. Wilfred had also assisted in the preparing of the policy and procedures, job descriptions for sales and marketing for the Group. Mr. Wilfred was trained at the Taj Mahal Hotel, India and joined the Sheraton Group in 1992. He held various posts at the Sheraton Group including sales & public relations manager, director of sales, hotel manager and finally the general manager of Sheraton Labuan Hotel in 2004 where Mr. Wilfred was responsible for all aspects of sales and marketing of the hotel including advertising and public relations and managing the front office department. His responsibilities have included preparation and drawing up of hotel policies and procedures, overseeing all aspects of sales, marketing and public relations, developing and implementing brand-building initiatives and negotiating contracts with key customers. Mr. Wilfred is a life member of the Institute of Public Relations Malaysia since 1991. Mr. Wilfred obtained his

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diploma in Hotel Management & Catering Technology from the State Board of Technical Education and Training Department of Technical Education in 1976.

Mr. LEE, Soo Wah Clement, aged 37, has been the resident manager of Dorsett Johor Hotel since May 2010 and is in charge of the operational needs of the hotel which includes overlooking all planned additions and changes in the hotel's hardware while ensuring continuous improvement in staff performances. He has more than 16 years experience in the hotel industry. He initially joined Dorsett Johor Hotel in December 2008 as the front office manager. Prior to joining our Group, Mr. Lee worked at Swiss Garden Hotel as the front office assistant in 1994, at Hotel Flamingo Kuala Lumpur as an assistant manager in 1996 and its duty manager in 1997, at Guoman Hotels, Port Dickson as its front office manager in 2005, at Swiss-Garden Resort & Spa as its front office manager in 2006 and at Corus Paradise resort Port Dickson as rooms division manager in 2007. Mr. Lee's responsibilities in his previous roles have included overseeing front office operations and the rooms divisions. Mr. Lee obtained his higher diploma in Hotel Management from Flamingo Institute of Further Education in 2003.

Mr. LAI, Siuw Hong, aged 55, has been the general manager of Maytower Hotel since January 2010. Mr. Lai joined as executive assistant manager of the rooms division at Dorsett Regency Hotel Kuala Lumpur in May 2003 and was later promoted to general manager of Maytower Hotel in 2010. Mr. Lai has over seven years of experience in the hospitality industry, handling operational divisions.

Mr. AU, Tat Ming Gary (歐達明), aged 45, has been the general manager of Cosmo Kowloon Hotel since 2009, where he is responsible for the preparation of the hotel opening including recruiting individual department heads, planning the re-opening budget and setting up guidelines for the respective department about the hotel's goal and responsible for the daily operations of the hotel. Prior to joining our Group, he worked in a number of senior roles at the Shangri-la Hotel Group from 2000 to 2001 as a sales manager and the Regal Hotel Group for 2002 to 2009 in the sales department, where he gained experience in matters such as setting room rates, implementing sales initiatives, negotiating sales with key customers, providing training to sales personnel and overseeing major events at hotels. He has over 10 years of experience in the hotel industry including leading sales team to achieve sales targets, analysing business reports, evaluating client production, implementing sales action plans, researching and exploring new markets, training sales managers and customer service.

COMPANY SECRETARY

Mr. MOK Kwai Pui Bill (莫貴標), aged 49, joined our Group as a Director on 23 January 2007 and became the company secretary of our Group on 8 June 2010. For details regarding Mr. Mok's experience, see the paragraph headed "– Board of Directors – Executive Directors" in this section.

BOARD COMMITTEES

Audit Committee

The Company established an audit committee pursuant to a resolution of the Directors passed on 10 September 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duty of the audit committee of the Company is to review and supervise the financial reporting process and internal control systems of the Group. The audit committee of the Company consists of Mr. SHEK, Lai Him Abraham (石禮謙), Mr. TO, Peter (杜彼得) and Dr. LIU, Ngai Wing (廖毅榮). The audit committee of the Company is chaired by Dr. LIU, Ngai Wing (廖毅榮).

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Remuneration Committee

The Company established a remuneration committee on 10 September 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee of the Company include making recommendations to the Board on the Company's structure and policy for remuneration of Directors and senior management, reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the Share Option Scheme. The remuneration committee of the Company consists of Tan Sri Dato' CHIU, David (邱達昌), Mr. MOK, Kwai Pui Bill (莫貴標), Mr. SHEK, Lai Him Abraham (石禮謙), Mr. TO, Peter (杜彼得) and Dr. LIU Ngai Wing (廖毅榮). The remuneration committee of the Company is chaired by Tan Sri Dato' CHIU, David (邱達昌).

Nomination Committee

The Company established a nomination committee on 10 September 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee of the Company include, without limitation, reviewing the structure, size and composition of the Board of Directors, assessing the independence of Independent Non-executive Directors and making recommendation to the Board on matters relating to the appointment of Directors. The nomination committee of the Company consists of Tan Sri Dato' CHIU, David (邱達昌), Mr. CHAN, Chi Hing (陳志興), Mr. SHEK, Lai Him Abraham (石禮謙), Mr. To, Peter (杜彼得) and Dr. LIU, Ngai Wing (廖毅榮). The nomination committee of the Company is chaired by Tan Sri Dato' CHIU, David (邱達昌).

Business Development Committee

The Company established a business development committee on 29 July 2010. The primary duties of the business development committee of the Company are to review, approve and provide strategic direction to the Company's business development efforts and, where applicable, make recommendations to the Board. The business development committee of the Company consists of Mr. IP, Hoi Wah Edmond (葉海華), Mr. CHU, Chee Seng (朱志成), Mr. MOK, Kwai Pui Bill (莫貴標), Mr. YIP, Shu Kiong (葉樹強) and Ms. CHIU, Wing Kwan Winnie (邱詠筠). The business development committee is chaired by Mr. IP, Hoi Wah Edmond (葉海華).

EMPLOYEES

As at the Latest Practicable Date, we had 1,690 full time employees with responsibilities principally in areas such as management, administration and finance, market research and analysis, marketing planning and development, and commercial management and operations.

For further details of the Group's employees, please refer to the section headed "Business — Employees" in this prospectus.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix VI to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

RETIREMENT SCHEME

Our employees in the PRC participate in various pension schemes organised by the relevant municipal and provincial government under which we are required to make monthly contributions. The local government is responsible for the planning, management and supervision of these scheme, including collecting and investing the contributions, and paying out the pensions to the retired employees.

The total amount of contributions we made for such employee pension schemes for the years ended 31 March 2008, 2009 and 2010 were approximately HK\$7.7 million, HK\$9.2 million and HK\$9.9 million, respectively.

COMPENSATION OF DIRECTORS

All Directors receive reimbursements from our Company for expenses that are necessarily and reasonably incurred for providing services to our Company or executing matters in relation to the operations of our Company. Our executive Directors receive, in their capacity as our employees, compensation in the form of salaries, bonus, other allowances and benefits in kind, including our contribution to the pension scheme for our executive Directors.

Save for Mr. Ip Hoi Wah Edmond (葉海華), who joined the Group in February 2010, no remuneration was paid or is payable to any directors of the companies comprising the Group during the Track Record Period. However, certain executive and non-executive Directors received remuneration from the FEC Group in respect of their services to both the FEC Group and the Group. The amounts paid by the FEC Group were not specifically allocated between their services to the Group and to the FEC Group, respectively, as such allocation of services of the directors to the various group companies in the FEC Group is not feasible.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) that was paid to Tan Sri Dato' David Chiu (邱達昌) by the FEC Group for the year ended 31 March 2010 was approximately HK\$3.75 million.

The aggregate amount of remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind and discretionary bonuses) that was paid to our five highest paid individuals by FEC for the years ended 31 March 2008, 2009 and 2010 were approximately HK\$4.3 million, HK\$5.1 million and HK\$5.3 million, respectively.

It is estimated that remuneration equivalent to an aggregate of approximately HK\$5.9 million (excluding share options granted) will be paid and granted to our Directors by us in respect of the financial year ending 31 March 2011 under arrangements in force as at the date of this prospectus. In addition to their cash remuneration, certain Directors will receive share options granted by the Board as indicated in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix VI to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the Track Record Period. None of our Directors has waived any remuneration during the same period. Further information about the service contracts and letters of appointment entered into between the Company and the Directors is set out in the section headed “Statutory and General Information — C. Further Information about Directors and Substantial Shareholders — 2. Particulars of service contracts” in Appendix VI to this prospectus.

EMPLOYEE COSTS

The staff costs of the Group (including Directors’ remuneration, but excluding retirement benefit scheme contributions, as set out above) charged to the consolidated income statements the years ended 31 March 2008, 2009 and 2010 were approximately HK\$131.6 million, HK\$143.7 million and 157.4 million, respectively.

COMPLIANCE ADVISOR

We have appointed Kingsway Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rules 3A.23 of the Listing Rules, the compliance advisor will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute our annual report to our financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

SHARE CAPITAL

The following is a description of the authorised and issued Share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately after completion of the Global Offering (without taking into account the Shares that may be sold by the Selling Shareholder or issued by the Company upon the exercise of the Over-allotment Option and options granted under the Share Option Scheme).

	Number of Shares	(Nominal value)
		HK\$
Authorised Share capital	5,000,000,000	500,000,000
Share in issue as at the date of this prospectus (Note)	1	US\$1
Shares to be issued:		
Shares to be issued pursuant to the Capitalisation Issue	1,730,000,000	173,000,000
Shares to be issued pursuant to the Global Offering	270,000,000	27,000,000
Shares to be issued on exercise of the Over-allotment Option ..	40,500,000	4,050,000
Total issued Share capital on completion of the Global Offering (prior to the exercise of the Over-allotment Option)	2,000,000,000	200,000,000
Total issued Share capital on completion of the Global Offering (upon the exercise of the Over-allotment Option)	2,040,500,000	204,050,000

Note:

This will be repurchased prior to listing further details are set out in the sub-section headed "Statutory and General Information — A. Further Information about us — 3. Written Resolution of our Shareholders".

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional but does not take into account the exercise of any options to be granted under the Share Option Scheme or which may be issued or repurchased pursuant to the general mandate given to the Directors for issue and allotment of Shares referred to in Appendix VI to this prospectus or the repurchase mandate referred to in Appendix VI to this prospectus, as the case may be.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme, the principal terms of which are set out in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix VI to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue or the exercise of any options under the Share Option Scheme or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our Shareholders) with an aggregate nominal value of not more than the sum of:

- 400,000,000 Shares, representing 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option); and
- the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of our Company's next annual general meeting;
- the expiration of the period within which our Company's next annual general meeting is required by any applicable law or the Articles of Association to be held; or
- it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Particulars of this general mandate to allot, issue and deal with Shares are set forth under "Written resolutions of our Shareholders" in Appendix VI to this prospectus.

REPURCHASE MANDATE

Conditional on the Global Offering becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all our powers to repurchase up to 200,000,000 Shares, representing 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in "Written resolutions of our Shareholders" in Appendix VI to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of our Company's next annual general meeting;
- the expiration of the period within which our Company's next annual general meeting is required by any applicable law or the Articles of Association to be held; or
- it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

As part of the International Offering, the Company and the Joint Global Coordinators have entered into a corporate investor agreement (“Corporate Investor Agreement”) with Chow Tai Fook Nominee Limited, which has agreed to subscribe for the number of Shares equal to the maximum number of Shares that may be purchased with HK\$100.0 million at the initial public offer price, (the “Investor Shares”) which, assuming a mid-point Offer Price of HK\$2.40 and that the Over-allotment Option is not exercised, represents approximately 9.1% of the initial International Offer Shares, approximately 7.7% of the Offer Shares, or approximately 2.1% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering. Pursuant to the Corporate Investor Agreement and immediately following the completion of the Global Offering, the Cornerstone Investor will not be a substantial shareholder (as defined under the Listing Rules). We will disclose the actual number of Shares to be allocated to the Cornerstone Investor in the allotment results announcement that will be issued on or before Friday, 8 October 2010.

The Shares to be placed to the Cornerstone Investor (or their wholly-owned subsidiaries where the Cornerstone Investor so elects (“Investor Subsidiary”)) will not be affected by any re-allocation of the Offer Shares between the International Offering, the Hong Kong Public Offering and Preferential Offering in the event of an over-subscription under the Hong Kong Public Offering nor by any exercise of the Over-allotment Option to be granted by the Company to the Joint Global Coordinators as described in the section headed “Structure of the Global Offering” in this prospectus. The Offer Shares subscribed for by the Cornerstone Investor will rank pari passu in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company.

Our Cornerstone Investor is a company wholly and beneficially owned by Dato Dr. Cheng Yu-Tung (“Dr. Cheng”). Dr. Cheng is the chairman and a director of New World Development Company Limited (Stock Code 0017), a company listed on the Main Board of the Stock Exchange. Pursuant to the Corporate Investor Agreement and immediately following the completion of the Global Offering, the Cornerstone Investor and Dr. Cheng will not have a representative on, nor will Dr. Cheng be a member of, our Board and both will be independent third parties of our Group.

CONDITIONS PRECEDENT

The subscription obligations of the Cornerstone Investor are conditional upon the Underwriting Agreements being entered into and having become unconditional and not having been terminated in accordance with their respective original terms or as subsequently varied by agreement of the relevant parties.

The Cornerstone Investor has confirmed (for itself and on behalf of the Investor Subsidiary) that it is not an existing shareholder of the Company and is not a connected person or an associate (as such terms are defined in the Listing Rules) of the Company. The Cornerstone Investor (for itself and on behalf of the Investor Subsidiary) has agreed that it will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Corporate Investor Agreement referred to above.

CORNERSTONE INVESTOR

RESTRICTIONS ON DISPOSAL BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has covenanted with and undertaken to the Company and the Joint Global Coordinators that, without the prior written consent of the Company and the Joint Global Coordinators, it will not, and will procure that the Investor Subsidiary will not, at any time during the period of six months following the Listing Date, directly or indirectly, dispose of any Shares subscribed pursuant to the Corporate Investor Agreement and any shares or other securities of the Company derived from such Shares other than transfers to its wholly-owned subsidiaries or vice versa or transfers between its wholly-owned subsidiaries provided that the transferee will be subject to the restrictions and obligations as imposed under the Corporate Investor Agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following the completion of the Global Offering (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted pursuant to the Share Option Scheme), the following persons (not being the Director or chief executive) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding immediately after the Global Offering ⁽¹⁾
Ample Bonus ⁽²⁾	Beneficial owner	1,460,000,000 Shares	73.0%
FEC	Interest in controlled corporation	1,460,000,000 Shares	73.0%

Notes:

- 1 The relevant percentages have been calculated by reference only to the aggregate number of Shares expected to be in issue on the Listing Date. We have therefore assumed that no Shares will be sold or issued pursuant to the Share Option Scheme or the Over-allotment Option and that 2,000,000,000 Shares will be in issue on the Listing Date.
- 2 Ample Bonus is wholly owned by FEC. FEC is deemed to be interested in the Shares held by Ample Bonus for the purpose of Part XV of the SFO.

For details of our Director's interests in Shares immediately following the completion of the Global Offering, please refer to the section headed "Statutory and General Information — C. Further Information about Directors and Substantial Shareholders" in Appendix VI to this prospectus.

Save as disclosed herein but taking no account of any Shares which may be taken up in the Global Offering (including any Shares that may be sold by the Selling Shareholder or allotted and issued by the Company pursuant to the exercise of the Over-allotment Option) or any exercise of any options granted or to be granted under the Share Option Scheme, our Directors are not aware of any person (who is not a Director or chief executive) who will, immediately following the completion of the Global Offering and the Capitalisation Issue, have an interest or short position in our shares or underlying shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group. Our Directors are not aware of any arrangement that may at a subsequent date result in a change of control of our Company.

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You should read the following discussion and analysis in conjunction with our audited combined financial statements together with the accompanying notes, set forth in the accountants' report (the "Accountants' Report") included as Appendix I to this prospectus. Our audited combined financial statements are prepared in conformity with Hong Kong Financial Reporting Standards ("HKFRS"), which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, including the United States. You should read the Accountants' Report included as Appendix I to this prospectus in its entirety and not rely merely on the information contained in this section.

For the purpose of this section, unless the context otherwise requires, references to 2008, 2009 and 2010 refer to our financial year ended 31 March of such year. Unless the context otherwise requires, financial information described in this section is described on a combined basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a fast-growing developer, owner and operator of value, mid-scale, upscale and boutique hotels in Asia with a strong presence in Hong Kong and Malaysia and a primary focus on expansion in China and other regions of the Asia Pacific. We commenced operations in 1998 with one hotel consisting of 320 rooms and have since expanded our hotel room portfolio more than ten-fold. We currently own and operate a total of eight hotels in Hong Kong, five hotels in Malaysia and two hotels in China with a combined total of approximately 3,889 rooms (estimated on the basis of completion of current renovations of certain hotels and final room numbers as planned). We also have seven hotels in various stages of planning or development, including four in Hong Kong, two in China and one in Singapore, representing an additional 2,406 rooms. The total capital value of our hotel portfolio as assessed by our Property Valuers as at 30 June 2010 was approximately HK\$10,598 million, while the carrying value of our hotel portfolio was approximately HK\$5,611 million. Our Group's hotel portfolio had a revaluation surplus up to 30 June 2010 of approximately HK\$4,987 million. Based on Hong Kong Tourism Board published estimates, the 1,443 new hotel rooms that are scheduled to be added to our Hong Kong hotel portfolio between 31 March 2010 and the end of 2012 will represent approximately 15.4% of the new hotel rooms to be added in Hong Kong during this period. Upon the addition of these 1,443 hotel rooms, our Hong Kong hotel portfolio will increase to 2,992 rooms, making us one of the largest hotel operators in Hong Kong based on number of rooms, according to HVS. In Malaysia, we added 609 rooms to our hotel portfolio during the Track Record Period, representing an increase of approximately 76.3% compared to the number of hotel rooms we owned in Malaysia as at 31 March 2007. Recently, we entered into a letter of intent to manage a third party hotel in Huangshi, Hubei Province, China, which we expect to operate under our "Hotel Kosmopolito" brand with approximately 400 rooms, which is expected to commence operations in 2013. Our PRC legal advisor has advised us that the letter of intent is legally binding. We expect to own or manage a total of approximately 6,695 rooms by the end of 2013.

We commenced our hotel operations in 1998 with the opening of the Dorsett Regency Hotel Kuala Lumpur in Malaysia. Leveraging on our hotel experience in Malaysia, we expanded our operations

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into Hong Kong in 2000 through our acquisition of Dorsett Seaview Hotel. We have principally grown our hotel portfolio through acquisitions of hotels already in operation, such as our Dorsett Seaview Hotel and Wuhan Cosmopolitan Hotel as well as through the acquisition and subsequent redevelopment or conversion of existing industrial and commercial buildings, such as Cosmopolitan Hotel, which was converted from the previous Xinhua News Agency building, Central Park Hotel, which was converted from a commercial building and Dorsett Regency Kwai Chung, Hong Kong, which was acquired as an existing industrial building and is in the process of being refurbished. Our approach to hotel site acquisition and development, combined with our focus on cost-minimisation and efficient operations, have enabled us to enjoy high EBITDA margins. For the three years ended 31 March 2008, 2009 and 2010, our Adjusted EBITDA margins were 50.2%, 46.0% and 38.6%, respectively. Our Hong Kong hotels also enjoy a GOP margin of 61.2%, 58.8% and 54.2% for the three financial years ended 31 March 2008, 2009 and 2010, respectively, which is above the market average in Hong Kong according to HVS.

Our design-led hotels are characterised by their modern and distinctive interior designs tailored to customer preferences and the specific positioning of each of our brands, by their effective use of space and by the personalised and attentive service provided by our experienced and highly trained staff. Our achievements have also been recognised by external sources. For example, our Lan Kwai Fong Hotel @ Kau U Fong was awarded “The Best Boutique Hotel in Asia” by Travel Weekly in 2007 and “Hong Kong’s Leading Boutique Hotel” and “Asia’s Leading Boutique Hotel” by World Travel Awards in 2008 and 2009, respectively. Our Cosmopolitan Hotel was named one of the few “Comfortable Hotels in Hong Kong” by the “Michelin Hong Kong & Macau Guide” 2009 and 2010 and our Central Park Hotel was a finalist in the World Travel Awards’ “Hong Kong’s Leading Boutique Hotel” category in 2008. Our Dorsett Johor Hotel was awarded the “Johor Tourism Award-Gem’s Award” for 2009.

We are also currently implementing a branding strategy to refresh and streamline our brands to better appeal to our target market segments and to serve as a platform for our expansion into the hotel management business. For further information regarding our branding strategy see the section headed “Business — Our Brands” in this prospectus.

To leverage the substantial experience of our management and employees, we have recently entered into a letter of intent to manage a third party hotel which we expect to operate under our “Hotel Kosmopolito” brand in Huangshi, Hubei Province, China, with approximately 400 rooms. Our PRC legal advisor has advised us that the letter of intent is legally binding. We are also in the process of seeking additional opportunities in the hotel management business in China and other regions of the Asia Pacific. In addition, in further pursuit of an asset-light business model, we have had preliminary non-binding discussions with independent third parties regarding the sale of The Mercer by Kosmopolito in which we would retain the right to manage the hotel via a management agreement between the buyer of the hotel and us. We do not currently have any plans to sell any of our other hotels but may, from time to time, enter into discussions with potential buyers going forward. If we sell any of our hotels in the future, we will make an announcement pursuant to Rule 13.09 of the Listing Rules. We also have had, and expect to continue to have, discussions with independent third parties regarding opportunities to become lessee and operator of additional hotels. We believe that the asset-light and cost-effective nature of the hotel management business will help grow our brand distribution and revenues without requiring substantial capital expenditures or significant costs. For further information on our strategy to expand into the hotel management business see the section headed “Business — Strategies — Expand our hotel management business” in this prospectus.

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Basis of Presentation

Pursuant to the Reorganisation as described in the section headed “History, Reorganisation and Corporate Structure” in this prospectus, our Company acquired from FEC the entire equity interest in Dorsett Regency Hotel (M), Full Benefit Limited, Havena Holdings Limited, Jade River Profits Limited, Rosicky Limited, Tang Hotel Investments Pte. Ltd and Wonder China Investments Limited (the “Combined Entities”) and became the holding company of the companies comprising our Group. The Combined Entities and our Company were under common control of FEC before and after the acquisition. Therefore, the Combined Entities and our Company are regarded as continuing entities and the acquisition of the Combined Entities are accounted for as a reorganisation of entities under common control by applying the principles of merger accounting in accordance with Guideline No. 5 “Merger Accounting for Common Control Combinations”.

On 25 September 2008, certain subsidiaries of our Company acquired hotel operations which were indirectly owned by FEC. The hotel operations and these subsidiaries were under the common control of FEC before and after the acquisition and therefore were also accounted for as a common control reorganisation by applying the principles of merger accounting in accordance with Guideline No. 5 “Merger Accounting for Common Control Combinations”. The combined statements of comprehensive income and the combined statements of cash flow for the Track Record Period include the results and cash flows of the companies and businesses comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, whichever period is shorter. The combined statements of financial position as at 31 March 2008, 2009 and 2010 have been prepared to present the assets and liabilities of the companies and businesses now comprising the Group as if the current group structure had been in existence as at these dates.

Factors Affecting Our Results of Operations

Changes in the Group’s results of operations are most easily explained by the following four performance indicators that are commonly used in the hotel industry:

- Total Available Room Nights;
- Occupancy rate;
- ARR; and
- RevPAR.

We generate revenue primarily from room revenue which is stated after business tax, for which occupancy rate and ARR are the major drivers. Other sources of revenue, for which occupancy rate is the main driver, include the sale of food and beverages at our hotels as well as the provision of ancillary services to hotel customers including business centre fees, laundry fees and Internet charges.

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Our business, financial position and results of operations and their period-to-period comparability have been, and we expect may continue to be, affected by a number of factors, including:

Leisure, business and MICE travel. The occupancy rate, ARR, RevPAR and revenue of our hotels have been directly affected by the levels of leisure, business and MICE travel, which have, in turn, been driven by the development of the leisure industry and business activities, conferences and events in the areas where we operate. As key drivers of hotel demand in Hong Kong, Malaysia and China have been from leisure, business and/or MICE demand according to HVS, we believe a significant portion of the customers of our hotels were leisure, business and MICE travellers during the Track Record Period. We anticipate our results of operations will continue to depend to a substantial degree on demand from leisure, business and MICE travellers.

In addition, the increase in tourists from the PRC following the deregulation by the PRC government of the grant of visas for individual PRC residents in certain cities of the PRC to visit Hong Kong has had a positive impact on our operations in Hong Kong as tourists from the PRC account for a substantial proportion of all visitors to Hong Kong. Any adverse change in the policy of the PRC government, for example, by tightening its control over the grants of visas for visiting Hong Kong or expanding the scope of Individual Visitation Scheme to cover other countries and regions, may reduce the number of PRC tourists to Hong Kong and the demand for our hotel services in Hong Kong.

Current economic conditions, seasonality, special events and epidemics.

- *Economic conditions.* Our financial performance depends upon the demand for our hotel rooms, which is closely linked to the general economy in the areas where we operate. While the hotel industry in the areas where we operate has benefited from the significant growth experienced in Asia in recent years, the recent global financial crisis and economic slowdown in 2008 and 2009 have negatively affected business and consumer confidence and contributed to slowdowns in most industries, including the hotel industry. Despite signs of recovery, there remain uncertainties regarding the general economic conditions and demand for our products.
- *Seasonality.* Our operations are subject to fluctuations in revenues due to seasonality. Generally, the third and fourth quarters of our fiscal year, in which both the Golden Week in China and Chinese New Year holidays fall, account for a higher percentage of our annual revenues than the first and second quarters of our fiscal year. In Hong Kong, revenue from the third and fourth quarters of our Hong Kong operations accounted for 30.4% and 25.2%, respectively, of our Total Revenue generated from our operations in Hong Kong during the Track Record Period. As revenue from our operations in Hong Kong accounted for 66.7%, 61.2% and 55.2% of our Total Revenue for the years ended 31 March 2008, 2009 and 2010, respectively, the seasonality of our operations in Hong Kong led to corresponding seasonal fluctuations in our Total Revenue during the Track Record Period.
- *Special events.* Certain special events, such as the Hong Kong Sevens, the 2009 East Asian Games and the Hong Kong International Jewellery Show in Hong Kong, the 2010 World Expo in Shanghai and the 2010 Asian Games in Guangzhou, may increase the demand for our hotels as such special events may attract travellers into and within the region where we operate our hotels. However, we did not consider special events to have been a significant factor affecting our results of operations in Malaysia.

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- *Epidemics.* During the Track Record Period, our results of operations have been affected by factors beyond our control. The tourism industry, particularly in Hong Kong, was affected in the first half of the financial year ended 31 March 2010 by the outbreak of H1N1. The outbreak of H1N1 adversely affected us in the form of a decrease in occupancy rates and ARR. Similar epidemic events in the future may cause a decline in our corporate, convention and leisure guests, which may have a material adverse impact on our business, financial condition or results of operations.

PRC government policies and regulations. As we expand our presence in China, we anticipate our business and results of operations will be significantly affected by PRC government policies and regulations, such as licensing and zoning. Hotels in the PRC are required to obtain a special industry license issued by the local public security bureau and to comply with licence requirements and laws and regulations with respect to construction permits, fire prevention, public area hygiene, food hygiene, public safety and environmental protection. Any changes to existing laws and regulations in the future may increase our compliance efforts at significant costs.

Competition. The hotel industries in the areas where we operate are highly competitive. We compete primarily with other hotel operators. Competition among hotels in the areas where we operate is primarily based on location, room rates, brand recognition, the quality of the accommodations and service levels.

Access to capital. Our hotel development business is a capital intensive business that requires significant amounts of capital expenditures to acquire existing buildings, hotels and land, to convert and construct new hotels and to maintain and improve our existing hotels. Access to the capital that we need to finance the acquisition and development of land and property assets and to maintain and improve our existing hotels is critical to the continued growth of our hotel development business.

Acquisition, conversion and development opportunities at reasonable costs. An important part of our growth strategy will continue to focus on the acquisition of existing buildings and the conversion of these buildings into hotels, the acquisition of existing buildings and subsequent demolition to construct hotels on these sites, the acquisition of vacant sites and the construction of hotels on these sites and the acquisition of existing hotels, all of which, in turn, depend on appropriate acquisition, conversion and development opportunities at prices that can yield a reasonable return. Property and land acquisition costs in the areas where we operate can fluctuate and we anticipate competition for property and land assets in such areas will remain intense and can increase our land and property acquisition costs.

The total number of hotels and hotel rooms in our hotel network. As we continue to acquire and develop new hotel projects, we anticipate increases in our revenue will be driven in part by the growth of our hotel network. In addition, we believe the expanded geographic coverage of our hotel network will enhance our brand recognition.

Fixed-cost nature of our business. Many of the costs associated with managing and operating hotels are relatively fixed. These costs include personnel costs, insurance and utilities. In addition, hotel properties have an ongoing need for refurbishment and other capital improvements to remain competitive, including the replacement, from time to time, of furniture, fixtures and equipment. We

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need to continue to pay salaries, make regular repairs, perform maintenance and refurbishments and invest in other capital improvements throughout the year to maintain the attractiveness of our hotels. These costs do not vary as significantly as changes in occupancy and revenues. If we are unable to reduce these costs when demand for our hotel rooms decreases, the resulting decline in our revenues can have a material adverse effect on our net cash flows, margins and profits. This effect can be especially pronounced during periods of economic contraction or slow economic growth, such as the recent global financial crisis and economic slowdown in calendar years 2008 and 2009. The effectiveness of any cost-cutting efforts is limited by the fixed-cost nature of our business. As a result, we may not be able to offset revenue reductions through further cost cutting. Any of our efforts to reduce costs, or to defer or cancel capital improvements, could adversely affect the economic value of our properties and brands. In addition, if we do not make needed refurbishments and improvements, we could lose our market share to competitors and our occupancy rates and ARR's may decline.

Expansion into the hotel management business. We intend to pursue opportunities to capitalise on our management expertise and reputation by securing more management agreements for properties wholly or partly owned by third parties. We believe this strategy will allow us to expand our hotel chain and build brand recognition without incurring significant capital expenditures while also providing us with recurring income. Competition in the hotel management business has intensified in recent years with more internationally well-known hotel management companies now active in the areas where we operate, in particular, the PRC. Although our hotel management business is focused on the PRC and we currently only have definitive plans to expand our hotel management business in the PRC, we have explored, and will continue to explore, potential markets in other regions of the Asia Pacific, including the sale of The Mercer by Kosmopolito coupled with the retention of management rights under a management agreement between us and the buyer of the hotel and seeking opportunities where we would be both the lessee and operator of a hotel. The expansion of our hotel management business will depend on various factors, including whether we are successful in implementing our business strategy and securing additional management agreements. For further information on our strategy to expand into the hotel management business see the section headed "Business — Strategies — Expand our hotel management business" in this prospectus.

Critical Accounting Policies and Estimates

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 3 to the Accountants' Report included in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as judgments relating to accounting items such as revenue recognition, cost or expense allocation and liability provisioning. In each case, the determination of these items requires management's judgment based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial information. In addition, we discuss our revenue recognition policies below because of their significance, even though they do not involve significant estimates or judgments.

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Property, plant and equipment

Property, plant and equipment other than hotels under development are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is provided to write off the cost of items of property, plant and equipment, other than hotels under development, over their estimated useful lives and after taking into account their estimated residual value. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year in which the item is derecognised. If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Hotels under development

Hotels under development held for owner's operation are stated at cost less any impairment loss recognised. Cost comprises development expenditure including professional charges directly attributable to the development and interest capitalised during the development period. No depreciation is provided on the cost of the buildings until hotel operation commences. When the building on leasehold land is in the course of development, the leasehold land component is classified as a prepaid lease and is amortised on a straight-line basis over the lease term. The amortisation charge for the leasehold land is included as part of the costs of the buildings under construction during the construction period.

Investment properties

Investment properties are properties held to earn rentals and/or capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditures. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year in which the item is derecognised.

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation. The fair value at the date of transfer becomes the deemed cost for subsequent accounting as property, plant and equipment.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

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As part of improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, leasehold land were required to be classified as operating leases and present as prepaid lease payments. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of our Group's leasehold land for the financial year beginning on 1 April 2010.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Derivative financial instruments

Derivatives are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services provided in the normal course of business, net of discounts and related taxes. Revenue from hotel operations is recognised when the relevant services are provided. Rental income from properties under operating lease is recognised on a straight-line basis over the periods of the respective tenancies. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Description of Certain Items of Statements of Comprehensive Income

Revenue

We generate revenue primarily from room revenue which is stated after business tax and rental income from the rental of space at our hotels to third parties for retail and other uses and from our investment properties. Other sources of revenue include the sale of food and beverages at our hotels as well as from hotel related businesses such as the provision of ancillary services to hotel customers, including business centre fees, laundry fees and telephone charges, Internet charges, mini-bar charges and the sale of hotel consumables and other supplies.

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The following table sets out our revenue in Hong Kong, Malaysia and China for the periods indicated.

	Year ended 31 March					
	2008		2009		2010	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Hong Kong						
Room revenue	386,319	91.4%	381,532	91.4%	308,689	90.8%
Food and beverage revenue	9,374	2.2%	11,535	2.8%	10,679	3.1%
Other revenue	17,754	4.2%	15,452	3.7%	12,072	3.6%
Total Rental Revenue	<u>9,376</u>	<u>2.2%</u>	<u>8,890</u>	<u>2.1%</u>	<u>8,473</u>	<u>2.5%</u>
Total	<u><u>422,823</u></u>	<u><u>100.0%</u></u>	<u><u>417,409</u></u>	<u><u>100.0%</u></u>	<u><u>339,913</u></u>	<u><u>100.0%</u></u>
Malaysia						
Room revenue	104,433	49.8%	127,867	53.9%	136,364	56.4%
Food and beverage revenue	90,999	43.4%	97,182	41.0%	94,246	39.0%
Other revenue	10,028	4.8%	7,508	3.2%	6,130	2.5%
Total Rental Revenue	<u>4,156</u>	<u>2.0%</u>	<u>4,555</u>	<u>1.9%</u>	<u>5,042</u>	<u>2.1%</u>
Total	<u><u>209,616</u></u>	<u><u>100.0%</u></u>	<u><u>237,112</u></u>	<u><u>100.0%</u></u>	<u><u>241,782</u></u>	<u><u>100.0%</u></u>
China						
Room revenue	–	–	4,902	17.9%	8,615	24.9%
Food and beverage revenue	–	–	935	3.4%	2,008	5.8%
Other revenue	–	–	698	2.5%	1,247	3.6%
Total Rental Revenue	<u>1,196</u>	<u>100.0%</u>	<u>20,849</u>	<u>76.1%</u>	<u>22,688</u>	<u>65.7%</u>
Total	<u><u>1,196</u></u>	<u><u>100.0%</u></u>	<u><u>27,384</u></u>	<u><u>100.0%</u></u>	<u><u>34,558</u></u>	<u><u>100.0%</u></u>
Total						
Room revenue	490,752	77.5%	514,301	75.4%	453,668	73.6%
Food and beverage revenue	100,373	15.8%	109,652	16.1%	106,933	17.4%
Other revenue	27,782	4.4%	23,658	3.5%	19,449	3.2%
Total Rental Revenue	<u>14,728</u>	<u>2.3%</u>	<u>34,294</u>	<u>5.0%</u>	<u>36,203</u>	<u>5.9%</u>
Total	<u><u>633,635</u></u>	<u><u>100.0%</u></u>	<u><u>681,905</u></u>	<u><u>100.0%</u></u>	<u><u>616,253</u></u>	<u><u>100.0%</u></u>

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The following table sets out the Total Available Room Nights, Total Occupied Room Nights, occupancy rate, ARR and RevPAR of our hotels in Hong Kong, Malaysia and China for the periods indicated.

	Year ended 31 March		
	2008	2009	2010
Hong Kong			
Total Available Room Nights	563,725	562,695	551,045
Total Occupied Room Nights	501,214	496,278	459,192
Occupancy rate	88.9%	88.2%	83.3%
ARR (HK\$)	771	769	672
RevPAR (HK\$)	685	678	560
Malaysia			
Total Available Room Nights	278,526	388,692	467,565
Total Occupied Room Nights	215,229	258,631	321,721
Occupancy rate	77.3%	66.5%	68.8%
ARR (HK\$)	485	494	424
RevPAR (HK\$)	375	329	292
China			
Total Available Room Nights	–	51,260	66,242
Total Occupied Room Nights	–	19,019	32,301
Occupancy rate	–	37.1%	48.8%
ARR(HK\$)	–	258	267
RevPAR (HK\$)	–	96	130
Total			
Total Available Room Nights	842,251	1,002,647	1,084,852
Total Occupied Room Nights	716,443	773,928	813,214
Occupancy rate	85.1%	77.2%	75.0%
ARR (HK\$)	685	665	558
RevPAR (HK\$)	583	513	418

Depreciation and amortisation

Depreciation and amortisation reflect depreciation expenses of the cost of our property, plant and equipment and amortisation of prepaid lease payments.

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Management fees to Sheraton

Management fees to Sheraton represent fees paid to Sheraton Overseas Management Corporation (“Sheraton”). This management fee was in connection with Grand Dorsett Subang Hotel, which was managed under the “Sheraton” brand when we acquired it in 2007. The management fees were calculated based on revenue generated from the Grand Dorsett Subang Hotel according to the management contract with Sheraton which was already in place when we acquired the Grand Dorsett Subang Hotel. As these fees are a direct operating cost, we deduct it when arriving at our gross profit during the Track Record Period. The management contract with Sheraton expired on 30 September 2009 and as we decided not to renew the management contract, we no longer pay any management fees to Sheraton. We chose not to renew the management contract with Sheraton when it expired on 30 September 2009 as we believed we were sufficiently familiar with the Grand Dorsett Subang Hotel to manage it ourselves and did not need to incur third party management fees for its management after having owned the property for over two years.

Operating costs

Our operating costs primarily consist of staff costs for hotel operations, room costs, food and beverage costs for our self-owned restaurants in our hotels, utilities (including electricity, water and gas) and others. Room costs consist primarily of amenities, laundry costs and travel agent commissions. The following table sets out our operating costs for the periods indicated.

	Year ended 31 March					
	2008		2009		2010	
	HK\$'000	%of total	HK\$'000	%of total	HK\$'000	%of total
Operating costs						
Staff costs for hotel						
operations.....	90,031	47.9%	92,524	44.5%	91,444	42.7%
Room costs	33,213	17.7%	48,341	23.3%	46,822	21.9%
Food and beverage costs....	33,794	18.0%	36,835	17.7%	42,946	20.1%
Utilities.....	23,261	12.4%	19,487	9.4%	21,426	10.0%
Others.....	7,483	4.0%	10,642	5.1%	11,306	5.3%
Total	<u>187,782</u>	<u>100.0%</u>	<u>207,829</u>	<u>100.0%</u>	<u>213,944</u>	<u>100.0%</u>

Gross profit

Gross profit represents revenue less depreciation and amortisation, management fees paid to Sheraton and operating costs.

Other income

Other income consists primarily of interest income.

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Administrative expenses

Administrative expenses primarily consist of selling and distribution expenses, staff costs for management and administrative personnel, repair and maintenance costs, insurance and government rent and rates.

Management fees to FEC

Management fees represent fees paid to companies controlled by FEC for their provision of corporate management services and office support to us and were agreed to be calculated based on the services and support provided to us. These companies controlled by FEC ceased to provide corporate management services and office support to us as the management and office functions of our Group were separated from FEC in preparation for the Listing. Accordingly, we ceased payment of such management fees to these entities on 1 April 2010.

Pre-opening expenses

Pre-opening expenses consist of staff costs, utility charges and other miscellaneous expenses incurred prior to the commencement of operation of a hotel.

Change in fair value of investment properties

Change in fair value of investment properties reflects gains or losses arising from changes in the fair value of our investment properties for the period in which they arise.

The following table sets out the change in fair value of our investment properties for the periods indicated.

	Year ended 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Change in fair value of investment properties			
Wuhan Cosmopolitan Hotel	21,807	(8,245)	1,460
Yue Shanghai Hotel	—	1,941	2,026
	<u>21,807</u>	<u>(6,304)</u>	<u>3,486</u>

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Other gains and losses

Other gains and losses primarily reflect the allowance for or reversal of bad and doubtful debts and decreases in fair value of derivative financial instruments. Other gains and losses also include discounts on acquisition of a subsidiary. The following table sets out our other gains and losses for the periods indicated.

	Year ended 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Other gains and losses			
Discount on acquisition of subsidiary	66,140	–	–
Decrease in fair value of derivative financial instruments	–	(11,694)	(6,577)
(Loss) gain on disposed of furniture, fixtures and equipment	(23)	49	(52)
Net foreign exchange gain	819	1,588	717
(Allowance for) reversal of bad and doubtful debts			
– Trade receivables.....	(3,077)	(1,814)	1,322
– Amount due from a jointly controlled entity of a fellow subsidiary.....	–	(7,200)	–
	<u>63,859</u>	<u>(19,071)</u>	<u>(4,590)</u>

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Finance costs

Finance costs primarily consist of interest expense on bank borrowings and other borrowings. Other borrowings primarily represent borrowings from Parent Entities. The net amount due to Parent Entities of HK\$1,859.8 million as at 31 March 2010 will be capitalised upon Listing. For the years ended 31 March 2008, 2009, 2010, the portion of our finance costs for amounts due to Parent Entities were approximately HK\$9.7 million, HK\$3.6 million and HK\$1.2 million, respectively. The following table sets out our finance costs for the periods indicated.

	Year ended 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Finance costs			
Interest on bank borrowings			
– wholly repayable within five years	17,962	67,831	66,244
– not wholly repayable within five years	36,859	24,763	16,501
Interest on amounts due to fellow subsidiaries			
– wholly repayable within five years	9,650	3,639	1,237
Amortisation of front-end fee	–	4,098	8,449
Others	18	310	122
	64,489	100,641	92,553
Less: amount capitalised to hotel properties under development.....	(8,304)	(10,416)	(15,941)
	56,185	90,225	76,612

Income tax expense

Income tax expense reflects income taxes we pay and any deferred income tax. The applicable income tax rate in Hong Kong was 17.5%, 16.5% and 16.5% for the years ended 31 March 2008, 2009 and 2010, respectively. The applicable income tax rate in the PRC was 33%, 25% and 25% for the years ended 31 March 2008, 2009 and 2010, respectively. The applicable income tax rate in Malaysia was 26%, 25% and 25% for the years ended 31 March 2008, 2009 and 2010, respectively.

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Results of Operations

The following table sets forth selected data (except for Adjusted EBITDA and Adjusted EBITDA margin) from our combined statements of comprehensive income for the periods presented, which have been derived from, and should be read in conjunction with, our financial information, including the notes thereto, included in the Accountants' Report set forth in Appendix I to this prospectus.

	Year ended 31 March		
	2008	2009	2010
	HK\$'000		
Revenue	633,635	681,905	616,253
Depreciation and amortisation.....	(56,290)	(65,027)	(68,325)
Management fees to Sheraton.....	(5,903)	(5,322)	(2,239)
Operating costs.....	(187,782)	(207,829)	(213,944)
Gross profit	383,660	403,727	331,745
Other income	3,645	2,406	3,162
Administrative expenses	(126,772)	(160,495)	(166,886)
Management fees to FEC.....	(31,691)	(29,537)	(28,169)
Pre-opening expenses.....	(1,432)	(1,876)	(6,517)
Change in fair value of investment properties ..	21,807	(6,304)	3,486
Other gains and losses.....	63,859	(19,071)	(4,590)
Finance costs.....	(56,185)	(90,225)	(76,612)
Profit before taxation	256,891	98,625	55,619
Income tax expense	(30,415)	(11,948)	(9,806)
Profit for the year	226,476	86,677	45,813
Adjusted EBITDA ¹	317,833	313,552	238,105
Adjusted EBITDA margin ²	50.2%	46.0%	38.6%

Notes:

¹ Adjusted EBITDA is profit before taxation, interest income, finance costs, depreciation and amortisation, pre-opening expenses, management fees (which have been discontinued), change in fair value of investment properties, change in fair value of derivative financial instruments and other non-recurring items. Adjusted EBITDA is used by management as the primary measure of operating performance of our Group's properties and to compare the operating performance of our Group's properties with those of our competitors. For further details, please refer to the sub-section headed "– Management's Discussion and Analysis of Financial Condition and Results of Operations – Adjusted EBITDA" in this section.

² Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by revenue.

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Our results of operations in Hong Kong were negatively affected by the global financial crisis starting from the second half of the year ended 31 March 2009 and the outbreak of H1N1 in the first half of the year ended 31 March 2010 as occupancy rate and ARR's dropped to 75.1% and HK\$587, respectively, in the first half of year ended 31 March 2010. We have seen a strong recovery in both occupancy and ARR's since the second half of the year ended 31 March 2010. The occupancy and ARR's increased to 91.2% and HK\$739, respectively, in the second half of the year ended 31 March 2010, primarily due to the increase of business and leisure travellers in that period.

In Malaysia, the Total Available Room Nights increased during the Track Record Period due to the commencement of operations of Grand Dorsett Labuan Hotel in the year ended 31 March 2008 and Maytower Hotel and Dorsett Johor Hotel in the year ended 31 March 2009, thereby increasing our revenue during the Track Record Period. Our key performance indicators and results of operations for the year ended 31 March 2009 and the year ended 31 March 2010 were impacted by the global financial crisis and the outbreak of H1N1 and there are still uncertainties regarding the economic conditions and the demand for travel in our key markets for the remainder of 2010 and beyond.

Our first hotel in China, Wuhan Cosmopolitan Hotel, commenced operations in the year ended 31 March 2009. Our Total Revenue, Total Available Room Nights and occupancy rate in China increased for the fiscal year ended 31 March 2010 due to the improvement of operations for Wuhan Cosmopolitan Hotel and the opening of Yue Shanghai Hotel.

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Adjusted EBITDA

The following table sets forth the reconciliation of Adjusted EBITDA to profit for the year. Adjusted EBITDA is profit before taxation, interest income, finance costs, depreciation and amortisation, pre-opening expenses, management fees (which have been discontinued), change in fair value of investment properties, change in fair value of derivative financial instruments and other non-recurring items. Adjusted EBITDA is used by management as the primary measure of operating performance of our Group's properties and to compare the operating performance of our Group's properties with those of our competitors. However, Adjusted EBITDA should not be considered in isolation, construed as an alternative to profit or operating profit or as an indicator of our operating performance and other combined operations or cash flow data or as an alternative to cash flow as a measure of liquidity. Adjusted EBITDA presented in this prospectus may not be comparable to other similarly titled measures of other companies.

	Year ended 31 March		
	2008	2009	2010
	HK\$'000		
Profit for the year	226,476	86,677	45,813
Income tax expense	30,415	11,948	9,806
Profit before taxation	256,891	98,625	55,619
Interest income ¹	(2,612)	(2,258)	(2,467)
Finance costs	56,185	90,225	76,612
Depreciation and amortisation	56,290	65,027	68,325
EBITDA	366,754	251,619	198,089
Pre-opening expenses ²	1,432	1,876	6,517
Management fees ³	37,594	34,859	30,408
Change in fair value of investment properties ..	(21,807)	6,304	(3,486)
Change in fair value of derivative financial instruments	–	11,694	6,577
Other non-recurring items ⁴	(66,140)	7,200	–
Adjusted EBITDA	<u>317,833</u>	<u>313,552</u>	<u>238,105</u>

Notes:

- ¹ Interest income includes interest income from ultimate holding company and bank interest income.
- ² Pre-opening expenses consist of staff costs and other miscellaneous expenses incurred prior to the commencement of operation of a hotel.
- ³ Management fees reflect management fees paid to Sheraton and FEC which have ceased on 30 September 2009 and 1 April 2010, respectively.
- ⁴ Other non-recurring items consist of discount on acquisition of a subsidiary and allowance for bad and doubtful debts in amount due from a jointly controlled entity of a fellow subsidiary.

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YEAR ENDED 31 MARCH 2010 COMPARED TO YEAR ENDED 31 MARCH 2009

Revenue. Revenue decreased by HK\$65.7 million, or 9.6%, from HK\$681.9 million in the year ended 31 March 2009 to HK\$616.3 million in the year ended 31 March 2010 primarily as a result of a decrease in our overall occupancy rate and ARR. Our overall occupancy rate decreased from 77.2% in the year ended 31 March 2009 to 75.0% in the year ended 31 March 2010 and our overall ARR decreased by HK\$107, or 16.1%, from HK\$665 in the year ended 31 March 2009 to HK\$558 in the year ended 31 March 2010. These decreases were offset by an increase in our Total Available Room Nights by 82,205, or 8.2%, from 1,002,647 room nights in the year ended 31 March 2009 to 1,084,852 room nights in the year ended 31 March 2010.

In Hong Kong, our revenue decreased by HK\$77.5 million, or 18.6%, from HK\$417.4 million in the year ended 31 March 2009 to HK\$339.9 million in the year ended 31 March 2010 as a result of the decrease in our occupancy rate and ARR. This was primarily due to the impact of the global economic slowdown and the outbreak of H1N1 swine flu in the first half of the year ended 31 March 2010 as well as a decrease in Total Available Room Nights due to room and facility upgrades in a number of our hotels. Occupancy rate of our hotels in Hong Kong decreased from 88.2% in the year ended 31 March 2009 to 83.3% in the year ended 31 March 2010 and our ARR decreased by HK\$97, or 12.6%, from HK\$769 in the year ended 31 March 2009 to HK\$672 in the year ended 31 March 2010. Total Available Room Nights decreased by 11,650, or 2.1%, from 562,695 in the year ended 31 March 2009 to 551,045 in the year ended 31 March 2010. However, the occupancy rate of our hotels in Hong Kong increased from 75.1% in the first half of the year ended 31 March 2010 to 91.2% in the second half of the year ended 31 March 2010 and ARR increased from HK\$587 in the first half of the year ended 31 March 2010 to HK\$739 in the second half of the year ended 31 March 2010, primarily due to the increase of business and leisure travellers in the second half of the year ended 31 March 2010.

In Malaysia, our revenue increased by HK\$4.7 million, or 2.0%, from HK\$237.1 million in the year ended 31 March 2009 to HK\$241.8 million in the year ended 31 March 2010 primarily as a result of the full year operation of Maytower Hotel and Dorsett Johor Hotel, hotels which we acquired in the year ended 31 March 2009. Total Available Room Nights increased by 78,873, or 20.3%, from 388,692 in the year ended 31 March 2009 to 467,565 in the year ended 31 March 2010. Occupancy rate of our hotels in Malaysia increased by 2.3%, from 66.5% in the year ended 31 March 2009 to 68.8% in the year ended 31 March 2010. These were partially offset by a 14.2% reduction in our ARR, from HK\$494 in year ended 31 March 2009 to HK\$424 in year ended 31 March 2010, primarily as a result of the full year operation of Maytower Hotel and Dorsett Johor Hotel, each of which, as a mid-scale and value hotel, respectively, had lower ARR's than our existing product offerings in Malaysia.

In China, our revenue increased by HK\$7.2 million, or 26.2%, from HK\$27.4 million in the year ended 31 March 2009 to HK\$34.6 million in the year ended 31 March 2010, primarily as a result of the increase in our occupancy rate and ARR. Occupancy rate of our hotels in China increased from 37.1% in the year ended 31 March 2009 to 48.8% in the year ended 31 March 2010 and ARR increased by HK\$9, or 3.5%, from HK\$258 in the year ended 31 March 2009 to HK\$267 in the year ended 31 March 2010. Our revenue increase was driven by the partial completion of the upgrade of our Wuhan Cosmopolitan Hotel and also partly due to the opening of our first boutique hotel in China, the Yue Shanghai Hotel, in February 2010 which increased our ARR.

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Our key performance indicators and results of operations for the year ended 31 March 2009 and the year ended 31 March 2010 were impacted by the global financial crisis and the outbreak of H1N1 and there are still uncertainties regarding the economic conditions and the demand for travel in our key markets for the remainder of 2010 and beyond.

Depreciation and amortisation. Depreciation and amortisation increased by HK\$3.3 million, or 5.1%, from HK\$65.0 million in the year ended 31 March 2009 to HK\$68.3 million in the year ended 31 March 2010 primarily due to the full year operation of Maytower Hotel and Dorsett Johor Hotel in Malaysia and Wuhan Cosmopolitan Hotel in China and, to a lesser extent, the opening of Yue Shanghai Hotel in February 2010. Our depreciation and amortisation also increased as our hotel properties have an ongoing need for refurbishment and other capital improvements such as the replacement of furniture, fixtures and equipment.

Management fees to Sheraton. Management fees paid to Sheraton decreased by HK\$3.1 million, or 57.9%, to HK\$2.2 million in the year ended 31 March 2010 from HK\$5.3 million in the year ended 31 March 2009 as a result of the expiration of the management contract with Sheraton on 30 September 2009 in connection with Grand Dorsett Subang Hotel, which was managed under the “Sheraton” brand when we acquired it in 2007. Since the management contract with Sheraton expired on 30 September 2009, we have managed the Grand Dorsett Subang Hotel ourselves. We chose not to renew the management contract with Sheraton when it expired on 30 September 2009 as we believed we were sufficiently familiar with the Grand Dorsett Subang Hotel to manage it ourselves and did not need to incur third party management fees for its management after having owned the property for over two years.

Operating costs. Operating costs increased slightly by HK\$6.1 million, or 2.9%, to HK\$213.9 million in the year ended 31 March 2010 from HK\$207.8 million in the year ended 31 March 2009 primarily as a result of the full year operation of Maytower Hotel and Dorsett Johor Hotel in Malaysia and Wuhan Cosmopolitan Hotel in China and, to a lesser extent, the opening of Yue Shanghai Hotel in February 2010.

Gross profit. Our gross profit decreased by HK\$72.0 million, or 17.8%, to HK\$331.7 million in the year ended 31 March 2010 from HK\$403.7 million in the year ended 31 March 2009 and our gross margin decreased to 53.8% in the year ended 31 March 2010 from 59.2% in the year ended 31 March 2009, primarily as a result of the decrease in our revenues and increase in depreciation and amortisation and operating costs, which was partially offset by a decrease in the management fee paid to Sheraton.

Other income. Other income increased by HK\$0.8 million, or 31.4%, to HK\$3.2 million in the year ended 31 March 2010 from HK\$2.4 million in the year ended 31 March 2009 primarily because of the increase in interest income from our ultimate holding company.

Administrative expenses. Administrative expenses increased by HK\$6.4 million, or 4.0%, to HK\$166.9 million in the year ended 31 March 2010 from HK\$160.5 million in the year ended 31 March 2009 primarily as a result of the full year operation of Maytower Hotel and Dorsett Johor Hotel in Malaysia and Wuhan Cosmopolitan Hotel in China and, to a lesser extent, the opening of Yue Shanghai Hotel in February 2010.

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Management fees to FEC. Management fees paid to companies controlled by FEC amounted to HK\$28.2 million in the year ended 31 March 2010 which was comparable to HK\$29.5 million in the year ended 31 March 2009.

Pre-opening expenses. Pre-opening expenses increased by HK\$4.6 million, or 247.4%, to HK\$6.5 million in the year ended 31 March 2010 from HK\$1.9 million in the year ended 31 March 2009 primarily as a result of the pre-opening preparation of Yue Shanghai Hotel, Hotel Kosmopolito City Centre, Chengdu and Cosmo Kowloon Hotel.

Change in fair value of investment properties. The increase in the fair value of our investment properties amounted to HK\$3.5 million in the year ended 31 March 2010 compared to a decrease in the fair value of our investment properties of HK\$6.3 million in the year ended 31 March 2009. We had a HK\$3.5 million increase in the fair value of our investment properties in the year ended 31 March 2010 as our investment properties within our hotel properties in Shanghai increased by HK\$2.0 million while our investment properties within our hotel properties in Wuhan increased by HK\$1.5 million due to the improvement in the property market. The HK\$6.3 million decrease in the fair value of our investment properties in the year ended 31 March 2009 was due to a HK\$8.2 million decrease in the fair value of our investment properties within our Wuhan Cosmopolitan Hotel offset by a HK\$1.9 million increase in the fair value of our investment properties within our Yue Shanghai Hotel. The HK\$8.2 million decrease in the fair value of our investment properties within our Wuhan Cosmopolitan Hotel was primarily due to changes in local property market conditions and constituted 2.5% of the fair value of our investment properties within our Wuhan Cosmopolitan Hotel as at 31 March 2008.

Other gains and losses. Our net other losses decreased by HK\$14.5 million, or 75.9%, to HK\$4.6 million in the year ended 31 March 2010 from HK\$19.1 million in the year ended 31 March 2009 primarily due to a smaller decrease in the fair value of our interest rate cap (to hedge against future increases in interest rate on our Syndicated Loan) recorded in the year ended 31 March 2010.

Finance costs. Finance costs decreased by HK\$13.6 million, or 15.1%, to HK\$76.6 million in the year ended 31 March 2010 from HK\$90.2 million in the year ended 31 March 2009 primarily due to a decrease in our effective interest rates, partially offset by an increase in our bank borrowings.

Profit before taxation. As a result of the foregoing, our profit before taxation decreased by HK\$43.0 million, or 43.6%, to HK\$55.6 million in the year ended 31 March 2010 from HK\$98.6 million in the year ended 31 March 2009.

Income tax expense. Our income tax expense decreased by HK\$2.1 million, or 17.9%, to HK\$9.8 million in the year ended 31 March 2010 from HK\$11.9 million in the year ended 31 March 2009 primarily as a result of the decrease in our profit before taxation, partially offset by the normalisation in our effective income tax rate in the year ended 31 March 2010. Our effective income tax rate was lower in the year ended 31 March 2009 mainly due to the reversal of deferred tax as a result of the reduction in statutory income tax rates in Hong Kong and China in that year.

Profit for the year. As a result of the foregoing, our profit for the year decreased by HK\$40.9 million, or 47.1%, to HK\$45.8 million in the year ended 31 March 2010 from HK\$86.7 million in the year ended 31 March 2009 and net profit margins decreased by 5.3% to 7.4% in the year ended 31 March 2010 from 12.7% in the year ended 31 March 2009.

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YEAR ENDED 31 MARCH 2009 COMPARED TO YEAR ENDED 31 MARCH 2008

Revenue. Revenue in the year ended 31 March 2009 was HK\$681.9 million compared to HK\$633.6 million in the year ended 31 March 2008, representing an increase of HK\$48.3 million, or 7.6%, primarily as a result of the increase in our Total Available Room Nights from 842,251 in the year ended 31 March 2008 to 1,002,647 in the year ended 31 March 2009 due to the expansion of our hotel operations. We commenced operation of three new hotels in the year ended 31 March 2009, namely Maytower Hotel and Dorsett Johor Hotel in Malaysia and Wuhan Cosmopolitan Hotel in China. In addition, revenue in the year ended 31 March 2009 reflected the full year operation of Grand Dorsett Labuan Hotel which we acquired in the year ended 31 March 2008. However, our overall occupancy rate decreased from 85.1% in the year ended 31 March 2008 to 77.2% in the year ended 31 March 2009 and our overall ARR decreased by HK\$20, or 2.9%, from HK\$685 in the year ended 31 March 2008 to HK\$665 in the year ended 31 March 2009, in part due to the opening of our new hotels which were still in the early stage of their ramp up period and in part due to the global financial crisis in the second half of the year ended 31 March 2009.

In Hong Kong, revenue decreased by HK\$5.4 million, or 1.3%, to HK\$417.4 million in the year ended 31 March 2009 from HK\$422.8 million in the year ended 31 March 2008 as the occupancy rate in our hotels in Hong Kong decreased to 88.2% in the year ended 31 March 2009 from 88.9% in the year ended 31 March 2008 and our ARR decreased by HK\$2, or 0.3%, to HK\$769 in the year ended 31 March 2009 from HK\$771 in the year ended 31 March 2008. Although we experienced growth in the first half of the year ended 31 March 2009, this growth was negatively impacted by the global financial crisis during the second half of the year ended 31 March 2009.

In Malaysia, revenue increased by HK\$27.5 million, or 13.1%, to HK\$237.1 million in the year ended 31 March 2009 from HK\$209.6 million in the year ended 31 March 2008 primarily due to the commencement of operation of Maytower Hotel and Dorsett Johor Hotel and the full year operation of Grand Dorsett Labuan Hotel. Total Available Room Nights in Malaysia increased by 110,166, or 39.6%, to 388,692 in the year ended 31 March 2009 from 278,526 in the year ended 31 March 2008. In addition, the ARR of our hotels in Malaysia increased by HK\$9, or 1.9%, to HK\$494 in the year ended 31 March 2009 from HK\$485 in the year ended 31 March 2008. These increases were offset by a decrease in our occupancy rate to 66.5% in the year ended 31 March 2009 from 77.3% in the year ended 31 March 2008 because Maytower Hotel and Dorsett Johor Hotel were still in the early stage of their ramp up period.

In China, revenue increased by HK\$26.2 million, from HK\$1.2 million in the year ended 31 March 2008 to HK\$27.4 million in the year ended 31 March 2009 as a result of the commencement of hotel operations of Wuhan Cosmopolitan Hotel. The HK\$1.2 million revenue we generated in the year ended 31 March 2008 was from Total Rental Revenue we received prior to the commencement of hotel operations of Wuhan Cosmopolitan Hotel.

Depreciation and amortisation. Depreciation and amortisation increased by HK\$8.7 million, or 15.5%, from HK\$56.3 million in the year ended 31 March 2008 to HK\$65.0 million in the year ended 31 March 2009 primarily as a result of the commencement of operation of Wuhan Cosmopolitan Hotel, Maytower Hotel and Dorsett Johor Hotel in the year ended 31 March 2009 and the full year operation of Grand Dorsett Labuan Hotel which we acquired in the year ended 31 March 2008.

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Management fees to Sheraton. Management fees paid to Sheraton decreased by HK\$0.6 million, or 9.8%, to HK\$5.3 million in the year ended 31 March 2009 from HK\$5.9 million in the year ended 31 March 2008 mainly due to the drop in revenue of Grand Dorsett Subang Hotel in the year ended 31 March 2009.

Operating costs. Operating costs increased by HK\$20.0 million, or 10.7%, from HK\$187.8 million in the year ended 31 March 2008 to HK\$207.8 million in the year ended 31 March 2009 primarily due to the increase in revenue and the commencement of operation of Wuhan Cosmopolitan Hotel, Maytower Hotel and Dorsett Johor Hotel and the full year operation of Grand Dorsett Labuan Hotel.

Gross profit. Our gross profit increased by HK\$20.1 million, or 5.2%, from HK\$383.7 million in the year ended 31 March 2008 to HK\$403.7 million in the year ended 31 March 2009 and gross margin decreased slightly from 60.5% in the year ended 31 March 2008 to 59.2% in the year ended 31 March 2009, primarily as a result of the increase in our revenues and decrease in management fees paid to Sheraton, which were partially offset by the increase in depreciation and amortisation and operating costs.

Other income. Other income decreased by HK\$1.2 million, or 33.3%, from HK\$3.6 million in the year ended 31 March 2008 to HK\$2.4 million in the year ended 31 March 2009 primarily as a result of the decrease in bank interest income.

Administrative expenses. Administrative expenses increased by HK\$33.7 million, or 26.6%, to HK\$160.5 million in the year ended 31 March 2009 from HK\$126.8 million in the year ended 31 March 2008 primarily as a result of the commencement of operation of Wuhan Cosmopolitan Hotel, Maytower Hotel and Dorsett Johor Hotel and the full year operation of Grand Dorsett Labuan Hotel.

Management fees to FEC. Management fees paid to companies controlled by FEC decreased by HK\$2.2 million, or 6.9%, to HK\$29.5 million in the year ended 31 March 2009 from HK\$31.7 million in the year ended 31 March 2008 mainly due to these entities providing fewer corporate management services and office support in the year ended 31 March 2009.

Pre-opening expenses. Pre-opening expenses increased by HK\$0.4 million, or 31.0%, to HK\$1.9 million in the year ended 31 March 2009 from HK\$1.4 million in the year ended 31 March 2008 primarily as a result of the pre-opening preparation of the Hotel Kosmoplito City Centre, Chengdu.

Change in fair value of investment properties. We had a decrease in the fair value of our investment properties in the amount of HK\$6.3 million in the year ended 31 March 2009 compared to an increase in the fair value of our investment properties in the amount of HK\$21.8 million in the year ended 31 March 2008. The HK\$6.3 million decrease in the fair value of our investment properties in the year ended 31 March 2009 was due to a HK\$8.2 million decrease in the fair value of our investment properties within our Wuhan Cosmopolitan Hotel offset by a HK\$1.9 million increase in our investment properties within our Yue Shanghai Hotel. The HK\$8.2 million decrease in the fair value of our investment properties within our Wuhan Cosmopolitan Hotel was primarily due to changes in local property market conditions and constituted 2.5% of the fair value of our investment properties within our Wuhan Cosmopolitan Hotel as at 31 March 2008. We had a HK\$21.8 million increase in the fair value of our investment properties in the year ended 31 March 2008 due to the increase in our investment properties within our Wuhan Cosmopolitan Hotel due to improving conditions in the property market.

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Other gains and losses. We had net other losses of HK\$19.1 million in the year ended 31 March 2009 primarily as a result of the aggregate effect of a HK\$11.7 million decrease in the fair value of our interest rate cap and HK\$7.2 million allowance for bad and doubtful debts on amounts due from a jointly controlled entity of a fellow subsidiary. For the year ended 31 March 2008, we had net other gains of HK\$63.9 million primarily due to our recognition of HK\$66.1 million from the discount on acquisition of a subsidiary. The recognition of HK\$66.1 million from the discount on acquisition of a subsidiary arose in connection with our acquisition of Merlin Labuan Sdn. Bhd. (the “Merlin Acquisition”), which operated the Grand Dorsett Labuan Hotel, in September 2007 for a consideration of HK\$73.0 million. As the fair value of the net assets we acquired were valued at HK\$139.1 million, we recognised a HK\$66.1 million discount on acquisition of subsidiary for the year ended 31 March 2008.

Finance costs. Finance costs increased by HK\$34.0 million, or 60.6%, to HK\$90.2 million in the year ended 31 March 2009 compared to HK\$56.2 million in the year ended 31 March 2008 as a result of a change in the financing structure of our hotel operations, which involved a drawdown of the Syndicated Loan in the full amount of HK\$1.9 billion thus causing our interest expenses on bank borrowings to increase to HK\$92.6 million in the year ended 31 March 2009 from HK\$54.8 million in the year ended 31 March 2008.

Profit before taxation. As a result of the foregoing, profit before taxation decreased by HK\$158.3 million, or 61.6%, from HK\$256.9 million in the year ended 31 March 2008 to HK\$98.6 million in the year ended 31 March 2009.

Income tax expense. Our income tax expense decreased by HK\$18.5 million, or 60.9%, from HK\$30.4 million in the year ended 31 March 2008 to HK\$11.9 million in the year ended 31 March 2009 primarily as a result of a reversal of deferred tax in the year ended 31 March 2009 largely due to a reduction in statutory income tax rates in Hong Kong and China and a decrease in our profit before taxation.

Profit for the year. As a result of the foregoing, profit for the year decreased by HK\$139.8 million, or 61.7%, from HK\$226.5 million in the year ended 31 March 2008 to HK\$86.7 million in the year ended 31 March 2009 and net profit margins decreased by 23.0% from 35.7% in the year ended 31 March 2008 to 12.7% in the year ended 31 March 2009.

Liquidity and Capital Resources

Our liquidity requirements relate primarily to hotel investment, development and refurbishment and other capital expenditures, operating activities, repayment of liabilities as they become due, and interest and dividend payments. Our principal sources of liquidity have been borrowings from commercial banks, advances from Parent Entities and cash generated from operating activities.

For the year ended 31 March 2009, we made changes to the financing structure of our hotel operations, which involved a drawdown of the Syndicated Loan in the full amount of HK\$1.9 billion, and an advance and repayment of HK\$932.9 million to Parent Entities.

For the years ended 31 March 2008, 2009 and 2010, the amount outstanding under the Syndicated Loan was nil, HK\$1.9 billion and HK\$1.9 billion, respectively. As at 31 July 2010, the amount outstanding under the Syndicated Loan was HK\$1.9 billion.

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The principal amounts outstanding under the Syndicated Loan bear interest at floating interest rates with reference to the Hong Kong Interbank Offer Rate Interest plus a margin of 1.5% per annum. Interest is payable quarterly. The Syndicated Loan is repayable in full on maturity which is September 2013. It is secured by certain properties of our Group and is guaranteed by our Company, certain of our subsidiaries and, prior to Listing, by FEC. The Syndicated Loan is also, prior to Listing, secured by a charge given by Ample Bonus over its shares in the Company.

Under the Syndicated Loan, we and the FEC Group (including our Group) were subject to certain financial ratio requirements and other covenants. Since entering into the Syndicated Loan, the FEC Group and our Group have been in compliance with all financial ratio requirements. Based on the compliance reports submitted by FEC to the facility agent under the Syndicated Loan, compliance with the debt service coverage ratio outlined below has historically been on the basis of the FEC Group's EBITDA being sufficient to meet the minimum DSCR of equal to or greater than 2:1, notwithstanding that the Syndicated Loan required such compliance to be measured against the EBITDA of the seven hotels named in the Syndicated Loan (being (i) Dorsett Far East Hotel; (ii) Dorsett Kowloon Hotel; (iii) Central Park Hotel; (iv) Cosmo Hotel; (v) Cosmopolitan Hotel; (vi) Dorsett Seaview Hotel; and (vii) Lan Kwai Fong Hotel @ Kau U Fong). The facility agent, on behalf of the lenders, has confirmed that the compliance reports historically submitted by FEC, and in particular the use of the EBITDA of the FEC Group (including our Group) to meet the DSCR ratio, was and is acceptable.

The following table summarises the financial ratio requirements we were subject to under our Syndicated Loan before the terms were amended and the calculation of such financial ratios as at and for the periods indicated:

	As at and for the six months ended 30 September 2008	As at and for the 12 months ended 31 March 2009	As at and for the six months ended 30 September 2009	As at and for the 12 months ended 31 March 2010
Loan-to-value Ratio not to exceed 47% ¹	45%	46%	46%	43%
DSCR equal or greater than 2:1 ²	2.59:1	5.32:1	6.92:1	7.55:1

Notes:

- 1 The value of the assets used to calculate the denominator in the Loan-to-value Ratio under the Syndicated Loan is based on the market value of the following properties of our Group as at and for the periods indicated above: (i) Dorsett Far East Hotel; (ii) Dorsett Kowloon Hotel; (iii) Central Park Hotel; (iv) Cosmo Hotel; (v) Cosmopolitan Hotel; (vi) Dorsett Seaview Hotel; and (vii) Lan Kwai Fong Hotel @ Kau U Fong. For further information, please see the section headed "Risk Factors — Risks Relating To Our Business — If we breach our undertaking to maintain certain loan covenant ratios under our Amended Syndicated Loan, we may be required to repay all our indebtedness under the Amended Syndicated Loan and other bank borrowings on an accelerated basis" in this prospectus.
- 2 DSCR under our Syndicated Loan is the consolidated EBITDA of the FEC Group (including our Group), for the financial quarter ending immediately prior to an interest payment date and the three preceding financial quarters divided by aggregate actual finance costs, as specified under our Syndicated Loan, for the four interest periods immediately following such interest payment date.

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We amended the terms of the Syndicated Loan with the lenders of the Syndicated Loan on 17 September 2010. Pursuant to the Amended Syndicated Loan, FEC shall cease to be a guarantor on the date on which the underwriting agreements in respect of the Global Offering become unconditional and immediately prior to the commencement of trading in the Shares, the charge given by Ample Bonus over its shares in the Company will be released on the date on which the underwriting agreements in respect of the Global Offering become unconditional and immediately prior to the commencement of trading in the Shares and upon the Listing Date, the financial ratio requirements previously applicable to the FEC Group (including our Group) will only apply to our Group.

The following table summarises the financial ratio requirements we will be subject to under our Amended Syndicated Loan upon the Listing Date:

Financial Ratio	Threshold
Loan-to-value Ratio ⁽¹⁾	≤ 47%
Consolidated tangible net worth ⁽²⁾	≥ HK\$2,200.0 million
Consolidated total liabilities ⁽³⁾	≤ 120% of consolidated tangible net worth
Consolidated total net debt ⁽⁴⁾	≤ 75% of consolidated tangible net worth
Consolidated EBITDA ⁽⁵⁾	≥ 200% of consolidated net finance charges
DSCR ⁽⁶⁾	≥ 2:1

Notes:

- 1 The value of the assets used to calculate the denominator in the Loan-to-value Ratio under the Amended Syndicated Loan is based on the market value of the following properties of our Group: (i) Dorsett Far East Hotel; (ii) Dorsett Kowloon Hotel; (iii) Central Park Hotel; (iv) Cosmo Hotel; (v) Cosmopolitan Hotel; (vi) Dorsett Seaview Hotel; and (vii) Lan Kwai Fong Hotel @ Kau U Fong. For further information, please see the section headed "Risk Factors – Risks Relating To Our Business – If we breach our undertaking to maintain certain loan covenants under our Amended Syndicated Loan, we may be required to repay all our indebtedness under the Amended Syndicated Loan and other bank borrowings on an accelerated basis" in this prospectus.
- 2 The value of consolidated tangible net worth of the Group is determined by using the aggregate amounts of paid up or credited as paid up issued ordinary share capital of the Group and any amount standing to the credit of the Group's reserves, including amounts credited to the share premium account and the market value of the properties as described under footnote 1 above in this prospectus, but subtracting (i) any debit balance on the consolidated profit and loss account of the Group, (ii) (to the extent included) goodwill (including goodwill arising on consolidation) or intangible assets, (iii) interests of non Group members in Group subsidiaries or minority interests in subsidiaries, (iv) (to the extent included) any provision for tax, deferred tax or bad debts, (v) (to the extent included) amounts attributable to a revaluation of investment properties, (vi) if applicable, any amount attributable to redeemable shares redeemed prior to September 2013, and (vii) any amount in respect of any dividend or distribution declared, recommended or made by any member of the Group to the extent such dividend or distribution is payable to a non member of the Group and not provided for in the most recent financial statements.
- 3 Consolidated total liabilities means the aggregate of all indebtedness which would be treated as a liability of the Group, including any amount raised by the issuance of redeemable shares which are redeemable before September 2013 but excluding redeemable shares redeemable solely at the option of the relevant issuer and excluding any intra-Group indebtedness.
- 4 Consolidated total net debt means the aggregate amount of all obligations of the Group in respect of borrowings, as defined under the Amended Syndicated Loan, excluding any such obligations due to any other member of the Group and deducting the aggregate amount of freely available cash held by any member of the Group, such that no amount shall be included or excluded more than once.
- 5 Consolidated EBITDA means, for any relevant period, as defined under the Amended Syndicated Loan, the consolidated operating profits of the Group for that relevant period before taxation plus (i) consolidated net finance charges, as defined under the Amended Syndicated Loan, (ii) accrued interest owing to any member of the Group, (iii) exceptional or extraordinary items, (iv) profits of any Group member attributable to minority interests, (v) amortisation of goodwill or other intangible assets and (vi) depreciation of tangible assets.
- 6 The aggregate amount of our consolidated EBITDA, as defined under the Amended Syndicated Loan and summarised under footnote 6 above, for the financial quarter ending immediately prior to an interest payment date and the three preceding financial quarters divided by aggregate actual finance costs, as defined under the Amended Syndicated Loan, for the four interest periods immediately following such interest payment date.

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During the term of the Amended Syndicated Loan, we are required to certify compliance with the financial ratio requirements in the Amended Syndicated Loan as at 31 March and 30 September in each financial year. Part of the certification process is the commissioning of a valuation report in respect of the hotel properties in the Amended Syndicated Loan which are subject to the Loan-to-value Ratio covenant. The valuation is conducted by a valuer selected by us applying the same bases and assumptions as set forth in Appendix IVa to this prospectus. Under the terms of the Amended Syndicated Loan, while the compliance certification is done by reference to 31 March and 30 September, the valuations used for these certifications are by reference to the annual valuations obtained as part of our audit for each financial year ended 31 March. In the normal course, valuations of our properties may fluctuate by reference to the market conditions as at time of valuation. Based on the property valuation as of 30 June 2010 set forth in Appendix IVa to this prospectus and an outstanding principal amount under the Syndicated Loan of HK\$1.9 billion as of 30 June 2010, our Loan-to-value Ratio was approximately 43% as of 30 June 2010, which represented a buffer of approximately 4% to our Loan-to-value Ratio threshold of 47%.

Other covenants in the Syndicated Loan restrict our ability to create encumbrances on our properties or assets, make investments, dispose assets, incur additional indebtedness, guarantee indebtedness, effect a merger and change the nature or scope of our business operations. We continue to be subject to these restrictions and covenants under the Amended Syndicated Loan.

If we are unable to comply with the restrictions and covenants under the Amended Syndicated Loan, there could be a default under the terms of the Amended Syndicated Loan. In the event of a default under the Amended Syndicated Loan, the holders of the debt could terminate their commitments to lend to us, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements. Furthermore, our Amended Syndicated Loan contains cross-acceleration or cross-default provisions. As a result, any default under our other loans may cause the acceleration of or result in a default, under our Amended Syndicated Loan.

We monitor our compliance with the financial ratios and covenants under our Syndicated Loan on a regular basis. Our president, Mr. MOK Kwai Pui, Bill (莫貴標), has been primarily responsible for monitoring our compliance with the financial ratios and covenants prior to Listing. Subsequent to Listing, our senior management and our chief financial officer, Mr. CHU, Chee Seng (朱志成), will be primarily responsible for monitoring our compliance with these financial ratios and covenants. We are required to provide the facility agent for the Amended Syndicated Loan with compliance certificates which set out computations as to our compliance with the financial ratios under the Amended Syndicated Loan in conjunction with our consolidated financial statements we provide the facility agent for every 12 month period ended and as at 31 March and for every six month period ended and as at 30 September.

Going forward, we expect to fund our foreseeable working capital, capital expenditures and other capital requirements from a combination of various sources, including cash generated from our operating activities, bank and other borrowings and the net proceeds from the Global Offering. We expect to fund our indebtedness and other known and reasonably foreseeable cash requirements from a combination of cash generated from our operating activities, refinancings and bank and other borrowings. Taking into account our bank balances and cash on hand, the net cash flow from our operating activities, our available borrowing facilities and the estimated net proceeds from the Global Offering, our Directors are satisfied that we have sufficient working capital for at least 12 months from the date of this prospectus.

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Cash Flows

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated.

	Year ended 31 March		
	2008	2009	2010
	HK\$'000		
Net cash from operating activities.....	317,156	249,196	209,475
Net cash used in investing activities.....	(1,118,503)	(1,473,163)	(960,409)
Net cash from financing activities	865,820	1,174,952	773,325
Increase (decrease) in cash and cash equivalents	64,473	(49,015)	22,391
Cash and cash equivalents as at 31 March	118,274	66,784	93,637

Year ended 31 March 2010

Net cash from operating activities in the year ended 31 March 2010 was HK\$209.5 million. This amount primarily reflected our profit before taxation of HK\$55.6 million for the year ended 31 March 2010, finance costs in the amount of HK\$76.6 million and depreciation and amortisation in the amount of HK\$68.3 million and an increase in creditors and accruals in the amount of HK\$30.8 million, offset by income tax paid in the amount of HK\$16.3 million.

Net cash used in investing activities in the year ended 31 March 2010 was HK\$960.4 million, primarily reflecting additions of prepaid lease payments in the amount of HK\$604.3 million, development expenditures on hotel properties in the amount of HK\$227.5 million, acquisition of hotel properties in the amount of HK\$82.1 million and acquisition of property, plant and equipment in the amount of HK\$30.9 million.

Net cash from financing activities in the year ended 31 March 2010 was HK\$773.3 million, primarily reflecting new bank borrowings in the amount of HK\$604.2 million and advances from Parent Entities in the amount of HK\$299.8 million, offset by interest paid in the amount of HK\$82.9 million and repayment of bank borrowings in the amount of HK\$47.8 million.

Year ended 31 March 2009

Net cash from operating activities in the year ended 31 March 2009 was HK\$249.2 million. This amount primarily reflected our profit before taxation of HK\$98.6 million for the year ended 31 March 2009, finance costs in the amount of HK\$90.2 million and depreciation and amortisation in the amount of HK\$65.0 million, offset by income tax paid in the amount of HK\$23.4 million.

Net cash used in investing activities in the year ended 31 March 2009 was HK\$1,473.2 million, primarily reflecting additions of prepaid lease payments in the amount of HK\$529.2 million, advances to Parent Entities of HK\$536.9 million, development expenditures on hotel properties in the amount of HK\$261.4 million, acquisition of hotel properties in the amount of HK\$95.6 million, acquisition of investment properties in the amount of HK\$27.2 million and acquisition of property, plant and equipment in the amount of HK\$26.7 million.

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Net cash from financing activities in the year ended 31 March 2009 was HK\$1,175.0 million, primarily reflecting new bank borrowings in the amount of HK\$2,461.5 million, which primarily reflected the full drawdown of the Syndicated Loan in the amount of HK\$1.9 billion in connection with our decision to change the financing structure of our hotel operations. These amounts were offset by the repayment to Parent Entities in the amount of HK\$396.0 million, repayment of bank borrowings in the amount of HK\$768.6 million and interest paid in the amount of HK\$92.9 million. The HK\$768.6 million repayment of bank borrowings were repaid primarily from refinancings as well as funds from our drawdown of the Syndicated Loan.

Year ended 31 March 2008

Net cash from operating activities in the year ended 31 March 2008 was HK\$317.2 million, primarily reflecting profit before taxation of HK\$256.9 million, depreciation and amortisation of HK\$56.3 million, finance costs of HK\$56.2 million and an increase in creditors and accruals by HK\$42.3 million, offset by a discount on acquisitions of subsidiary in the amount of HK\$66.1 million in connection with the acquisition of Grand Dorsett Labuan Hotel, an increase in fair value of investment properties in the amount of HK\$21.8 million and income tax paid in the amount of HK\$20.5 million.

Net cash used in investing activities in the year ended 31 March 2008 was HK\$1,118.5 million, primarily reflecting development expenditures on hotel properties in the amount of HK\$324.4 million, acquisition of investment properties in the amount of HK\$294.7 million, additions of prepaid lease payments in the amount of HK\$252.0 million, and acquisition of hotel properties in the amount of HK\$190.0 million.

Net cash from financing activities in the year ended 31 March 2008 was HK\$865.8 million, primarily reflecting advances from Parent Entities in the amount of HK\$684.1 million and new bank borrowings in the amount of HK\$304.7 million, offset by repayment of bank borrowings in the amount of HK\$68.2 million and interest paid in the amount of HK\$54.8 million.

Capital Expenditures

Our capital expenditures consist primarily of expenditures for acquisition and development expenditures on hotel properties, acquisition of investment properties and property, plant and equipment and expenditures on prepaid lease payments. For the years ended 31 March 2008, 2009 and 2010, our capital expenditures amounted to HK\$1,073.9 million, HK\$940.1 million and HK\$944.7 million, respectively. These capital expenditures were funded by bank borrowings, advances from Parent Entities and funds generated from our operating activities.

For the year ending 31 March 2011, we plan to incur HK\$744.4 million in capital expenditures primarily for the expansion of our hotel portfolio and our expansion into the hotel management business. We expect to fund our capital expenditures for the year ending 31 March 2011 from bank and other borrowings and funds generated from our operating activities.

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Description of Certain Items of Statements of Financial Position

Property, plant and equipment

Property, plant and equipment consist of hotel properties, hotels under development and furniture, fixture and equipment.

Our hotel properties had a carrying value of HK\$1,885.9 million, HK\$2,115.8 million and HK\$2,424.3 million as at 31 March 2008, 2009 and 2010, respectively. Our hotel properties increased from HK\$1,885.9 million as at 31 March 2008 to HK\$2,115.8 million as at 31 March 2009 primarily as a result of the acquisition of Wuhan Cosmopolitan Hotel, Maytower Hotel and Dorsett Johor Hotel in the year ended 31 March 2009. Our hotel properties increased from HK\$2,115.8 million as at 31 March 2009 to HK\$2,424.3 million as at 31 March 2010 primarily as a result of the completion of Yue Shanghai Hotel in the year ended 31 March 2010.

Hotels under development had a carrying value of HK\$359.1 million, HK\$648.4 million and HK\$712.6 million as at 31 March 2008, 2009 and 2010, respectively. Hotels under development increased from HK\$359.1 million as at 31 March 2008 to HK\$648.4 million as at 31 March 2009 primarily as a result of an increase in the number of hotels under development from five as at 31 March 2008 to seven as at 31 March 2009. Hotels under development increased from HK\$648.4 million as at 31 March 2009 to HK\$712.6 million as at 31 March 2010 as we continued to develop our hotels under development as at 31 March 2010.

Furniture, fixture and equipment had a carrying value of HK\$41.3 million, HK\$56.0 million and HK\$78.2 million as at 31 March 2008, 2009 and 2010, respectively. Furniture, fixture and equipment increased from HK\$41.3 million as at 31 March 2008 to HK\$56.0 million as at 31 March 2009 primarily as a result of an increase in furniture and fixtures due to the increase in the number of hotels under our operation. Furniture, fixture and equipment increased from HK\$56.0 million as at 31 March 2009 to HK\$78.2 million as at 31 March 2010 also primarily as a result of the increase in the number of hotels under our operation.

Prepaid lease payments

Prepaid lease payments reflect leasehold land that is in the course of being developed for hotel operations. We have land leases in Hong Kong, China, Malaysia and Singapore. Our prepaid lease payments increased from HK\$953.9 million as at 31 March 2008 to HK\$1,363.0 million as at 31 March 2009 primarily as a result of an increase in the number of our hotels under development in Hong Kong and China. Prepaid lease payments increased from HK\$1,363.0 million as at 31 March 2009 to HK\$1,928.6 million as at 31 March 2010 primarily as a result of the addition of our hotel under planning in Singapore.

Investment properties

Investment properties are properties held by us to earn rental income. Our investment properties were valued at HK\$331.5 million, HK\$358.3 million and HK\$364.0 million as at 31 March 2008, 2009 and 2010, respectively. The increase in the value of our investment properties from HK\$331.5 million as at 31 March 2008 to HK\$358.3 million as at 31 March 2009 was primarily due to the reclassification of the retail sections within Yue Shanghai Hotel from hotels under development to investment properties, partially offset by the decrease in fair value of our investment properties. The increase in the value of our investment properties from HK\$358.3 million as at 31 March 2009 to HK\$364.0 million as at 31 March 2010 was primarily as a result of the reclassification of certain

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sections within Wuhan Cosmopolitan Hotel to investment properties as well as an increase in the fair value of our investment properties.

Deposits for acquisition of property, plant and equipment

Deposits for acquisition of property, plant and equipment reflect deposits paid to acquire potential hotel properties. Deposits for acquisition of property, plant and equipment decreased from HK\$97.2 million as at 31 March 2008 to HK\$73.5 million as at 31 March 2009 primarily as a result of the transfer of deposits paid for the acquisition of Dorsett Regency Kwai Chung, Hong Kong to hotel properties under development once an acquisition process is completed. Deposits for acquisition of hotel properties increased from HK\$73.5 million as at 31 March 2009 to HK\$110.1 million as at 31 March 2010 primarily as a result of the increase in deposits paid for Dorsett Regency CBD, Zhongshan.

Amounts due to Parent Entities

Amounts due to Parent Entities amounted to HK\$2,157.5 million, HK\$2,090.0 million and HK\$2,416.3 million as at 31 March 2008, 2009 and 2010, respectively. The amounts are unsecured and have no fixed terms of repayment. Of those amounts due to Parent Entities, HK\$1,977.7 million, HK\$1,645.4 million and HK\$2,008.7 million were interest-free as at 31 March 2008, 2009 and 2010, respectively, while HK\$179.8 million as at 31 March 2008 bore interest at prevailing commercial rates and HK\$403.2 million and HK\$350.4 million as at 31 March 2009 and 2010, respectively, bore interest at 0.5% per annum. Certain portions of the amounts due from and to Parent Entities were interest-free as these were intra-group loans which were typically interest-free. Prior to September 2008, if our Parent Entities borrowed from a bank and subsequently lent to us from these funds, we were charged interest at commercial rates. The interest rate we were charged by our Parent Entities for the amount due to Parent Entities in the amount of HK\$179.8 million, HK\$403.2 million and HK\$350.4 million as at 31 March 2008, 2009 and 2010 were the same as our Parent Entities' cost of funding for such amount. The net amount due to Parent Entities of HK\$1,859.8 million as at 31 March 2010 will be capitalised upon Listing.

Inventory

Inventory consists primarily of food and beverage and amounted to HK\$2.8 million, HK\$3.5 million and HK\$3.9 million as at 31 March 2008, 2009 and 2010, respectively. Inventory as a percentage of our total assets amounted to 0.07%, 0.07% and 0.06% as at 31 March 2008, 2009 and 2010, respectively.

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Trade debtors and trade creditors

Trade debtors amounted to HK\$43.7 million, HK\$33.8 million and HK\$37.7 million as at 31 March 2008, 2009 and 2010, respectively, and are included in our debtors, deposits and prepayments. Trade debtors as a percentage of our total assets amounted to 1.1%, 0.6% and 0.6% as at 31 March 2008, 2009 and 2010, respectively. The table below sets forth the aging analysis of our trade debtors as at the dates indicated:

	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
0 – 60 days.....	38,210	30,679	30,722
61 – 90 days.....	2,055	2,515	2,084
91 – 180 days.....	3,452	587	4,882
	<u>43,717</u>	<u>33,781</u>	<u>37,688</u>

Trade creditors amounted to HK\$16.2 million, HK\$17.3 million and HK\$24.4 million as at 31 March 2008, 2009 and 2010, respectively, and are included in creditors and accruals. Trade creditors as a percentage of our total liabilities amounted to 0.5%, 0.3% and 0.4% as at 31 March 2008, 2009 and 2010, respectively. The table below sets forth the aging analysis of our trade creditors as at the dates indicated:

	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
0 – 60 days.....	15,031	14,377	14,170
61 – 90 days.....	639	1,410	8,795
91 – 180 days.....	525	1,469	1,428
	<u>16,195</u>	<u>17,256</u>	<u>24,393</u>

As at 21 July 2010, the subsequent settlement of trade debtors amounting to HK\$37.7 million as at 31 March 2010 was HK\$27.8 million.

Net current liabilities

As at 31 March 2010, we had net current liabilities of HK\$2,321.3 million, consisting of HK\$747.4 million of current assets and HK\$3,068.6 million of current liabilities, which represented an increase of HK\$630.0 million from our net current liabilities of HK\$1,691.2 million as at 31 March 2009. This increase was principally driven by a HK\$326.3 million increase in amounts due to Parent Entities, a HK\$330.6 million increase in our secured bank borrowings and a HK\$36.9 million increase in creditors and accruals, offset by a HK\$26.9 million increase in our bank balances and cash and a HK\$18.4 million increase in amounts due from Parent Entities.

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Under the Reorganisation, the net amount due to Parent Entities of HK\$1,859.8 million, equivalent to the amount outstanding as at 31 March 2010, will be capitalised on the date the Global Offering becomes unconditional and will be effected simultaneously with the issue of the Offer Shares. The net current liabilities as at 31 July 2010 would have been HK\$466.3 million if the capitalisation of net amount due to Parent Entities of HK\$1,859.8 million had been capitalised on 31 July 2010.

The table below sets forth a breakdown of our net current liabilities as at 31 July 2010:

	HK\$'000
Current assets	
Inventories	4,617
Debtors, deposits and prepayments	64,326
Amount due from Parent Entities	149,891
Amounts due from related companies	222
Investment held-for-trading	2,300
Derivative financial instruments	609
Prepaid lease payments	34,556
Tax recoverable	2,856
Pledged deposits	430
Bank balances and cash	73,674
 Total current assets	 333,481
Current liabilities	
Creditors and accruals	150,369
Amounts due to Parent Entities	1,998,080
Secured bank borrowings	508,625
Tax payable	2,524
 Total current liabilities	 2,659,598
 Net current liabilities	 (2,326,117)
 Capitalisation of net amount due to Parent Entities as at 31 March 2010 ¹	 1,859,812

Note:

¹ Capitalisation of a net amount due to Parent Entities of HK\$1,859.8 million will be completed on the date the Global Offering becomes unconditional and will be effected simultaneously with the issue of the Offer Shares

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Indebtedness, Capital Commitments, Contractual Obligations and Contingent Liabilities

Bank Borrowings

Our bank borrowings primarily consist of short-term and long-term loans from commercial banks (all of which are secured).

Our bank borrowings increased from HK\$1,244.0 million as at 31 March 2008 to HK\$2,964.3 million as at 31 March 2009. In particular, we made changes to the financing structure of our hotel operations, which involved a drawdown of the Syndicated Loan in the full amount of HK\$1.9 billion and an advance and repayment of HK\$932.9 million to Parent Entities. Our bank borrowings increased from HK\$2,964.3 million as at 31 March 2009 to HK\$3,569.0 million as at 31 March 2010 as a result of the acquisition of land and existing buildings and the development and refurbishment of hotels in connection with the expansion of our business operations.

The table below sets forth the maturity profiles of our bank borrowings as at the dates indicated:

	As at 31 March		
	2008	2009	2010
	HK\$'000		
On demand or within one year	384,100	198,032	528,629
More than one year but not exceeding two years	203,672	292,650	163,496
More than two years but not exceeding five years	290,160	2,074,279	2,519,243
More than five years	366,059	399,383	357,644
Total	<u>1,243,991</u>	<u>2,964,344</u>	<u>3,569,012</u>

Our bank borrowings are denominated in HK dollars, Ringgit, Renminbi and Singapore dollars. Our bank borrowings carry interest at prevailing market rates. The table below sets forth the effective annual interest rates of our bank borrowings as at the dates indicated:

	As at 31 March		
	2008	2009	2010
Bank borrowings	5.0% – 10.7%	1.07% – 8.25%	1.01% – 7.13%

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As at 31 March 2010, outstanding bank loans amounted to HK\$3,569.0 million and unutilised bank loans amounted to HK\$227.1 million. As at 31 July 2010, outstanding bank loans amounted to HK\$3,630.4 million and unutilised bank loans amounted to HK\$880.0 million.

We had two short-term loans due in September 2010, which, as at 31 July 2010 amounted to HK\$101.9 million and HK\$171.3 million, respectively. We have received confirmation from the lender that the maturity date for the loan in the amount of HK\$101.9 million outstanding as at 31 July 2010 will be extended to September 2011. As at the Latest Practicable Date, we are currently in discussions with the lender of the loan in the amount of HK\$171.3 million outstanding as at 31 July 2010 to also extend the maturity date for another year.

As at 31 March 2008, 2009 and 2010, an aggregate of HK\$1,569.5 million, HK\$3,150.4 million and HK\$3,450.1 million of our borrowings was guaranteed by FEC and an aggregate of HK\$60.8 million, HK\$52.8 million and HK\$59.5 million was guaranteed by one of our Directors, Tan Sri Dato' David CHIU (邱達昌). Guarantees by FEC will be released on or prior to Listing.

Our return on asset, which is our profit for the year divided by our total asset, was 5.9%, 1.6% and 0.7% for the years ended 31 March 2008, 2009 and 2010, respectively. Our return on asset decreased from 5.9% for the year ended 31 March 2008 to 1.6% for the year ended 31 March 2009 primarily as a result of a decrease in our profit for the year by HK\$139.8 million, or 61.7%, from HK\$226.5 million in the year ended 31 March 2008 to HK\$86.7 million in the year ended 31 March 2009. In addition, our total assets increased by HK\$1,436.6 million, or 37.3%, from HK\$3,852.3 million as at 31 March 2008 to HK\$5,288.9 million as at 31 March 2009. Our return on asset decreased from 1.6% for the year ended 31 March 2009 to 0.7% for the year ended 31 March 2010 primarily because our profit for the year decreased by HK\$40.9 million, or 47.1%, to HK\$45.8 million in the year ended 31 March 2010 from HK\$86.7 million in the year ended 31 March 2009. In addition, our total assets increased by HK\$1,051.9 million, or 19.9%, from HK\$5,288.9 million as at 31 March 2009 to HK\$6,340.8 million as at 31 March 2010.

Due to the capital intensive nature of our hotel development business, we customarily pledge our hotel properties in connection with bank borrowings we incur for developing and constructing our hotels. As at 31 March 2008, 2009 and 2010, bank borrowings granted to us in the amount of HK\$1,244.0 million, HK\$2,926.4 million and HK\$3,533.7 million were secured by fixed charges over hotel properties and investment properties with aggregate carrying values of HK\$2,514.6 million, HK\$4,279.2 million and HK\$4,577.5 million, respectively and bank deposits of HK\$5.1 million and some of the loans are also secured by floating charges over all assets of certain borrowers and benefits accrued to the hotel and investment properties.

Amounts due to Parent Entities

HK\$1,977.7 million, HK\$1,645.4 million and HK\$2,008.7 million were interest-free as at 31 March 2008, 2009 and 2010, respectively, while HK\$179.8 million as at 31 March 2008 bore interest at prevailing commercial rates and HK\$403.2 million and HK\$350.4 million as at 31 March 2009 and 2010, respectively, bore interest at 0.5% per annum. The net amount due to Parent Entities of HK\$1,859.8 million, equivalent to the amount outstanding at 31 March 2010, will be capitalised on the date the Global Offering becomes unconditional and will be effected simultaneously with the issue of the Offer Shares.

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Capital commitments

The following table summarises our capital commitments relating to the development and refurbishment of our hotel properties as at the dates indicated:

	As at 31 March		
	2008	2009	2010
	HK\$'000		
Capital expenditures in respect of acquisition, development and refurbishment of hotel properties:			
– Contracted but not provided in the combined financial statements	352,024	327,289	315,527
– Authorised for but not contracted for	303,636	126,801	271,948
Total	<u>655,660</u>	<u>454,090</u>	<u>587,475</u>

Indebtedness

As at 31 July 2010, being the latest practicable date for the indebtedness statement, we had outstanding indebtedness in the amount of HK\$5,628.5 million, comprising bank loans in the amount of HK\$3,627.1 million, bank overdrafts in the amount of HK\$3.3 million and amounts due to Parent Entities in the amount of HK\$1,998.1 million. The bank loans and overdrafts were secured by certain of our assets, including properties in the amount of HK\$5,397.9 million and bank deposits in the amount of HK\$5.2 million. Certain bank borrowings were guaranteed by certain of our subsidiaries and the Company or FEC or one of our Directors. Guarantees by FEC will be released on or prior to Listing

As part of the Reorganisation, the net amount due to Parent Entities in the amount of HK\$1,859.8 million, equivalent to the amount outstanding at 31 March 2010, will be capitalised by the issue of 1,730,000,000 Shares to Parent Entities. The Capitalisation Issue is conditional on the Global Offering becoming unconditional and will be effected simultaneously with the issue of the Offer Shares.

In response to a lawsuit one of our subsidiaries filed against a contractor in connection with the construction of a hotel, the contractor has filed counter-claims against our subsidiary for an amount of HK\$25.8 million. While the financial impact and outcome of these proceedings cannot yet be assessed with reasonable certainty due to the preliminary stage of these proceedings, our Directors are of the view that the counter-claims would not have a material adverse impact on our financial position.

Save as disclosed above and apart from intra-Group liabilities, we did not, as at 31 July 2010, have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, and authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, contingent liabilities or guarantees.

We confirm that there has been no material change in our indebtedness or contingent liabilities since 31 July 2010.

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Off-balance Sheet Arrangements

We have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

Related Party Transactions

Amounts due to and from Parent Entities

Amounts due to Parent Entities amounted to HK\$2,157.5 million, HK\$2,090.0 million and HK\$2,416.3 million as at 31 March 2008, 2009 and 2010, respectively. The amounts were unsecured and have no fixed terms of repayment. Of those amounts due to Parent Entities, HK\$1,977.7 million, HK\$1,645.4 million and HK\$2,008.7 million were interest-free as at 31 March 2008, 2009 and 2010, respectively, while HK\$179.8 million as at 31 March 2008 bore interest at prevailing commercial rates and HK\$403.2 million and HK\$350.4 million as at 31 March 2009 and 2010, respectively, bore interest at 0.5% per annum.

Amounts due from Parent Entities amounted to nil, HK\$538.1 million and HK\$556.5 million as at 31 March 2008, 2009 and 2010, respectively. The amounts were unsecured and repayable on demand.

The net amount due to Parent Entities of HK\$1,859.8 million, equivalent to the amount outstanding at 31 March 2010, will be capitalised upon Listing.

Guarantees from our Shareholders and Directors

As at 31 March 2008, 2009 and 2010, an aggregate of HK\$1,569.5 million, HK\$3,150.4 million and HK\$3,450.1 million of our borrowings was guaranteed by FEC and an aggregate of HK\$60.8 million, HK\$52.8 million and HK\$59.5 million was profit for the year guaranteed by one of our Directors, Mr. Tan Sri Dato' David CHIU (邱達昌). Guarantees by FEC will be released prior to Listing.

Management Fees to FEC

Management fees to FEC represent fees paid to companies controlled by FEC for their provision of corporate management services and office support to us and were agreed to based on the services and support provided to us. These companies controlled by FEC ceased to provide corporate management services and office support to us as the management and office functions of our Group were separated from FEC in connection with our spin-off from FEC. Accordingly, we ceased payment of such management fees to these entities on 1 April 2010. Management fees paid to companies controlled by FEC amounted to HK\$31.7 million, HK\$29.5 million and HK\$28.2 million in the years ended 31 March 2008, 2009 and 2010.

Amounts due to and from Related Companies

Amounts due to related companies amounted to nil, HK\$3.9 million and nil as at 31 March 2008, 2009 and 2010, respectively. The amounts were unsecured, interest-free and repayable on demand. The HK\$3.9 million due as at 31 March 2009 was due to a jointly controlled entity of a fellow subsidiary and a company controlled by one of our Directors, Mr. Tan Sri Dato' David CHIU (邱達昌).

Amounts due from related companies amounted to HK\$2.7 million, nil and HK\$0.2 million as at 31 March 2008, 2009 and 2010, respectively. The amounts were unsecured, interest-free and repayable on demand. The HK\$2.7 million amount as at 31 March 2008 was due from a jointly

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controlled entity of a fellow subsidiary. During the year ended 31 March 2009, we reviewed the carrying value and recognised a full impairment loss of HK\$7.2 million as we considered this related company was not expected to generate sufficient cash flow to repay the amount due. The HK\$0.2 million as at 31 March 2010 was due from a company controlled by one of our Directors, Mr. Tan Sri Dato' David CHIU (邱達昌), and was settled subsequent to 31 March 2010.

Transactions with FECL

Cosmopolitan Hotel Limited as licensee entered into a licence agreement with FECL as licensor on 16 February 2009 for the use of the Shops 1-4, G/F, Grand View Mansion, 383-385 Queen's Road East, Hong Kong for a monthly fee of HK\$30,000 inclusive of management fees excluding government rates. The duration of the licence agreement is three years commencing from 1 January 2009 to 31 December 2011 (both days inclusive). Cosmopolitan Hotel Limited paid HK\$360,000 for the financial year ended 31 March 2009 and HK\$360,000 for the financial year ended 31 March 2010.

FECL as tenant entered into a tenancy agreement with Cosmopolitan Hotel Limited as landlord on 10 November 2009 for the lease of the first floor of Cosmopolitan Hotel for a monthly rental of HK\$200,000 inclusive of government rent, government rates, air-conditioning charges and management fees. The duration of the tenancy is three years commencing from 1 October 2009 to 30 September 2012 (both days inclusive) with an option to extend for another three years. FECL paid HK\$2.4 million for the financial year ended 31 March 2010.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix VI to this prospectus.

Quantitative and Qualitative Disclosure about Market Risks

Interest Rate Risk

We are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on our bank balances and deposits, amounts due to Parent Entities and bank borrowings. We have entered into certain interest rate cap contracts with Deutsche Bank AG to mitigate the risk of the fluctuation of interest rates on the future interest payments on our Amended Syndicated Loan which carry variable rates of interest based on HIBOR. Under the terms of the interest rate cap contracts, we are required to pay interest at the rate of three months HIBOR with a maximum interest rate capped at 7.5% per annum. In return, we receive three months interest at the rate of HIBOR. The interest rate cap contracts will mature on 25 September 2013 but are subject to early termination at our discretion. As of March 2010, the maximum financial impact our interest rate cap contracts may have on our Group is HK\$1.7 million which is the maximum loss than can be recorded in our income statement. The interest rate cap contracts are not accounted for under hedge accounting as hedge accounting is not required under Hong Kong Accounting Standards 39. As we have the option to choose whether to use hedge accounting for the interest rate cap contracts and chose not to do so, we have not evaluated whether the criteria for hedge accounting under Hong Kong Accounting Standards 39 has been met. The senior management of FEC was primarily responsible for making the decision to enter into the interest rate cap contracts, and our president, Mr. MOK, Kwai Pui Bill (莫貴標), who was previously the chief financial officer of FEC at the time, is primarily responsible for monitoring the interest rate cap contracts prior to

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Listing. Subsequent to Listing, our senior management and our chief financial officer, Mr. CHU, Chee Seng (朱志成), will be primarily responsible for monitoring the interest rate cap contracts.

Price Risk

We are exposed to price risk arising from investment held-for-trading.

Liquidity Risk

Our liquidity requirement for operation and compliance with lending covenants is monitored closely by the management team of our respective companies to ensure that each company maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

DIVIDEND POLICY

Subject to the Companies Law, we, through a general meeting, may declare final dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits that the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account that can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide: (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to us on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of our Directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors that the Board may deem relevant.

Our Directors will declare dividends, if any, in Hong Kong dollars with respect to Shares on a per share basis and will pay such dividends in Hong Kong dollars. Any final dividend for a fiscal year will be subject to our Shareholders' approval. Considering our financial position, our Board currently intends, subject to the above limitations, and in the absence of any circumstances which might reduce the amount of available distributable reserves, whether by losses or otherwise, to distribute

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to our Shareholders approximately 30% of any distributable profit (excluding net fair value gains or losses on investment properties) for the financial year ending 31 March 2011. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in such year or in any given year.

As at 31 March 2010, there were no reserves available for distribution to the equity holders of our Company.

PROFIT FORECAST

The following unaudited pro forma forecast earnings per Share for the six months ending 30 September 2010 has been prepared on the basis set out in notes (2) and (3) below for the purposes of illustrating the effect of the Global Offering as if it had taken place on 1 April 2010. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Unaudited forecast combined profit attributable to equity holders of our Company for the six months ending 30 September 2010 ^{(1) (2)}	not less than HK\$32.2 million
Unaudited pro forma forecast earnings per Share ⁽³⁾	not less than HK1.61 cents

PROPERTY INTERESTS AND PROPERTY VALUATION

Particulars of our property interests are set out in Appendix IV to this prospectus. DTZ Debenham Tie Leung Limited, an independent property valuer, has valued our property interests in Hong Kong, China and Singapore as at 30 June 2010. Raine and Horne, an independent property valuer, has valued our property interests in Malaysia as at 30 June 2010. The full text of their letters, summaries of values and valuation certificates in connection with such property interests are set out in Appendix IV to this prospectus.

Notes:

- 1 We have undertaken to the Stock Exchange that the interim report for the six months ending 30 September 2010 will be audited pursuant to Rule 11.18 of the Listing Rules.
- 2 The bases and assumptions on which the forecast combined profit attributable to equity holders of our Company for the six months ending 30 September 2010 has been prepared are set out in Appendix III to this prospectus.
- 3 The calculation of the unaudited pro forma forecast earnings per Share is based on the unaudited forecast combined profit attributable to equity holders of our Company for the six months ending 30 September 2010 of HK\$32.2 million (including one-off Global Offering and Listing expenses of approximately HK\$19 million), assuming the Capitalisation Issue and the Global Offering were completed on 1 April 2010 and a total of 2,000,000,000 Shares were in issue and outstanding during the entire six-month period, without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

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The table below sets forth the reconciliation of aggregate carrying amounts of property interests from our combined financial information as at 31 March 2010 to 30 June 2010 and the revalued amount of our property interests as at 30 June 2010.

	HK\$ million
Hotels	2,424
Hotels under development.....	713
Prepaid lease payments	
– current portion	33
– non-current portion.....	1,895
Investment properties	364
Deposits for acquisition of property, plant & equipment	110
	5,539
Carrying amount of our property interests as at 31 March 2010.....	5,539
Movement for the three months ended 30 June 2010	
– Additions ¹	92
– Depreciation and amortisation	(20)
	5,611
Carrying amount of our property interests as at 30 June 2010.....	5,611
Revaluation surplus up to 30 June 2010	4,987
	10,598
Valuation as at 30 June 2010	10,598

Note:

¹ Includes increase in fair value of investment properties for the three months ended 30 June 2010 of HK\$1 million.

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UNAUDITED PRO FORMA NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had been taken place on 31 March 2010 and based on the net tangible assets attributable to equity holders of our Company as at 31 March 2010 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group after the completion of the Global Offering.

	Audited combined net tangible assets of the Group as at 31 March 2010 ¹ HK\$'000	Estimated net proceeds from the Global Offering ² HK\$'000	Unaudited pro forma adjusted net tangible assets of the Group ^{3, 4} HK\$'000	Unaudited pro forma adjusted net tangible assets per Share ^{4, 5} HK\$
Based on an Offer Price of HK\$2.04 per Share	184,005	510,627	694,632	0.35
Based on an Offer Price of HK\$2.75 per Share	184,005	695,618	879,623	0.44

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has not been any material adverse change in our financial or trading position since 31 March 2010, being the date of our last audited accounts.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Save for the release of a share charge given by Ample Bonus over the shares of the Company on the Listing Date, our Directors confirm that, as at the Latest Practicable Date, they are not aware of any circumstances that would give rise to a disclosure requirement under Listing Rules 13.13 to 13.19.

Notes:

- ¹ The audited combined net tangible assets of the Group as at 31 March 2010 is extracted from the Accountants' Report included in Appendix I to this prospectus.
- ² The estimated net proceeds from the Global Offering are based on 270,000,000 shares at the respective low and high-ends of the indicative Offer Price range of HK\$2.04 and HK\$2.75 per Share, respectively after deduction of underwriting fee and other related expenses payable by us, and take no account of any Shares which may be issued by us pursuant to the Over-allotment Option.
- ³ Based on the valuation reports as at 30 June 2010 as set out in Appendix IV to this prospectus, our Group's hotel portfolio had a revaluation surplus up to 30 June 2010, of approximately HK\$4,987.0 million. The unaudited pro forma adjusted net tangible assets has not taken into account of this revaluation surplus nor will the Group incorporate the revaluation surplus in its future financial statements. If the revaluation surplus up to 30 June 2010 is to be incorporated in the Group's future financial statements, additional annual depreciation and amortisation of approximately HK\$120.0 million would be charged to profit or loss.
- ⁴ Does not take into account the effect of the Capitalisation Issue, which would increase the unaudited net tangible assets by HK\$1,860 million and HK\$0.93 per Share, respectively.
- ⁵ The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and assuming that 2,000,000,000 Shares were issued immediately following the completion of Global Offering after taking into account the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Global Offering payable to us (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK\$2.40 per Share, being the mid-point of the proposed Offer Price range of HK\$2.04 to HK\$2.75 per Share, will be approximately HK\$604 million. We currently intend to apply these net proceeds for the following purposes:

- approximately HK\$483 million (approximately 80% of the net proceeds payable to our Company) to continue the expansion of our hotel portfolio.

The Company is in the process of identifying hotel sites and other hotel or project acquisition opportunities in Hong Kong, China, Singapore and other regions in the Asia Pacific. We expect to pursue one or more of these opportunities within six months of the Listing Date. The actual opportunities pursued will depend on, among other things, whether the Company is successful in any public tender or bidding processes (where applicable) and the final pricing of the sites or projects involved. The Company currently expects that any hotels developed pursuant to such acquisitions, if not existing hotels, will be completed within two to three years from the date of acquisition.

- approximately HK\$121 million (approximately 20% of the net proceeds payable to our Company) for the purposes of our expansion into the hotel management business, which will incorporate our rebranding initiative.

Part of the funding will be directed towards investments in hotels that we will operate for independent third parties, which is necessary to secure long term management contracts. The form of investment may either be through minority equity investments or hotel refurbishment/rebranding costs. Additionally, we will create a number of showcase properties as part of our rebranding initiative, namely Hotel Kosmopolito City Centre, Chengdu, Lan Kwai Fong Hotel @ Kau U Fong, Dorsett Regency Hotel Kuala Lumpur, Cosmopolitan Hotel and Dorsett Seaview Hotel.

The Company does not currently have any intention to expand into Japan or the Maldives because the Company believes that Japan has higher operating costs and a substantially different operating environment to our other markets and the Maldives is geographically distant from our other operating markets.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds from the Global Offering are not sufficient to fund the uses set forth above, we intend to fund the balance through a variety of means including cash generated from our operations and bank financing. We currently believe that the net proceeds from the issue of new Shares, when combined with such alternate sources of financing, are sufficient for the uses set forth above.

In the event that the Over-allotment Option is exercised in full and based on the mid-point of the indicative Offer Price range, we estimate that we will receive additional net proceeds from the issue of additional new Shares of HK\$94 million, deducting underwriting fees and estimated expenses payable by us. The additional proceeds received from the exercise of the Over-allotment Option from the issue and allotment of up to 40,500,000 additional new Shares by the Company will be applied to working capital and other general corporate purposes.

In the event that the Offer Price is finally determined at the lowest end of the indicative Offer Price range, being HK\$2.04 per Offer Share, the net proceeds payable to us from the issue of new Shares will decrease by approximately HK\$93 million to approximately HK\$511 million, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range). In such case, we will adjust our allocation of the proceeds for the above purposes on a pro rata basis.

In the event that the Offer Price is finally determined at the highest end of the indicative Offer Price range, being HK\$2.75 per Offer Share, the net proceeds payable to us of the issue of new Shares will increase by approximately HK\$92 million to approximately HK\$696 million, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range). Our Directors intend to apply such additional net proceeds for working capital purposes.

To the extent that the net proceeds from the Global Offering and the Over-allotment Option, if exercised, are not immediately applied for the above purposes, we will deposit the net proceeds into interest-bearing bank accounts.

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholder from the Offer for Sale or pursuant to the exercise of the portion of the Over-allotment Option granted by the Selling Shareholder. Assuming the Over-allotment Option is not exercised and the Offer Price is HK\$2.40 per Share (being the midpoint of the stated offer price range of HK\$2.04 to HK\$2.75 per Share), the Selling Shareholder will receive total net proceeds of approximately HK\$611 million. If the Over-allotment Option is exercised in full, the Selling Shareholder's total net proceeds will increase to HK\$704 million based on the mid-point of the indicative Offer Price range of HK\$2.40 per Share.

UNDERWRITING

HONG KONG UNDERWRITERS

Credit Suisse (Hong Kong) Limited
Morgan Stanley Asia Limited
The Royal Bank of Scotland N.V., Hong Kong Branch
China Everbright Securities (HK) Limited
Taifook Securities Company Limited
Sun Hung Kai International Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreements

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Offering and Preferential Offering is expected to be fully underwritten by the International Underwriters, in each case on a several basis. The Hong Kong Underwriting Agreement was entered into on Monday, 27 September 2010 and, subject to an agreement being reached on the Offer Price between us, the Selling Shareholder and the Joint Global Coordinators (on behalf of the Underwriters). The International Underwriting Agreement is expected to be entered into on or around Monday, 4 October 2010. The Hong Kong Underwriting Agreement is conditional upon (among other things) the International Underwriting Agreement being entered into and having become effective, and the respective Underwriting Agreements are expected to be inter-conditional. For further information please see the section headed "Structure of the Global Offering" in this prospectus.

Hong Kong Underwriting Agreement

Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and our Shares to be issued as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe for or procure subscribers to subscribe for, their respective applicable proportions of the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The respective obligations of the Hong Kong Underwriters to subscribe for, or procure subscribers for, the Hong Kong Offer Shares are subject to termination.

Grounds for termination by the Hong Kong Underwriters

The Joint Global Coordinators (on behalf of themselves and the Hong Kong Underwriters) shall have the absolute right to terminate the Hong Kong Underwriting Agreement with immediate effect upon giving prior notice to us orally or in writing at any time prior to 8:00 a.m. on the Listing Date ("Termination Time") if:

- (A) there shall develop, occur, exist or come into effect:
 - (i) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the Cayman Islands, the British Virgin Islands, Singapore, Malaysia or in any other relevant jurisdiction; or

UNDERWRITING

- (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in the credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), the local, national, regional or international financial, political, military, industrial, economic, currency, market, military, fiscal, exchange control or regulatory conditions or any monetary or trading settlement system (including but not limited to a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currency or currencies) in or affecting the United States, Hong Kong, the PRC, the Cayman Islands, the British Virgin Islands, Singapore, Malaysia, the European Union (or any member thereof), Japan or any other jurisdiction; or
- (iii) a disruption or any general moratorium on commercial banking activities or securities settlement, or payment or clearance services or procedures in or affecting Hong Kong (imposed by the Financial Secretary and/or the Hong Kong Monetary Authority or otherwise), New York (imposed at Federal or New York State level or otherwise), London, Tokyo, the PRC, the Cayman Islands, the British Virgin Islands, Singapore, Malaysia, the European Union (or any member thereof) or any other relevant jurisdiction; or
- (iv) any change or development in the conditions of local, national or international equity securities or other financial markets; or
- (v) the imposition of any moratorium, suspension or restriction on trading in securities generally on or by the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ National Market, the American Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority; or
- (vi) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control or currency exchange rates) in any relevant jurisdiction; or
- (vii) any adverse change or prospective adverse change in the earnings, results of operations business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of the Company or any member of the Group (including any litigation or claim being threatened or instigated against the Company or any member of the Group); or
- (viii) any event or series of events in the nature of force majeure, including, without limitation, any acts of government, labour disputes strikes, lock-outs, riots, public disorder, fire, explosion, flooding, earthquakes, civil commotion, acts of war, acts of God, acts of terrorism, outbreak of diseases, pandemics or epidemics including, but not limited to, SARS and H1N1 and such related/mutated forms, or accident or interruption or delay in transportation, economic sanction and any local, national, regional or international

UNDERWRITING

- outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis, the United States, Hong Kong, the PRC, the Cayman Islands, the British Virgin Islands, Singapore, Malaysia, the European Union (or any member thereof), Japan or any other jurisdiction relevant to any member of the Group; or
- (ix) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in the Prospectus; or
 - (x) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; the chairman or chief executive officer of the Company vacating his or her office in circumstances where the operations of the Group may be adversely affected; the commencement by any regulatory or political body or organisation of any action against a Director or an announcement by any regulatory or political body or organisation that it intends to take any such action; or
 - (xi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof) on Hong Kong, the Cayman Islands, the British Virgin Islands, the PRC, Malaysia, Singapore or any other jurisdiction relevant to any member of the Group; or
 - (xii) any litigation or claim by any third party being threatened or instigated against any member of the Group; or
 - (xiii) save as disclosed in the Prospectus, a contravention by any member of the Group of the Listing Rules or applicable laws; or
 - (xiv) save as disclosed in the Prospectus, a demand by any tax authority for payment of any overdue tax liability of any member of the Group; or

which, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (a) is or is likely to be adverse to or prejudicially affect the business, financial or other condition or prospects of the Company or the Group or, in the case of paragraph (vi) above, to any present or prospective shareholder of the Company in his/its capacity as such; or
- (b) has or is likely to have an adverse effect on the success of the Hong Kong Public Offering or the Global Offering or the level of Offer Shares being applied for or accepted or the distribution of Offer Shares and/or make it impracticable or inadvisable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or
- (c) makes it inadvisable, impracticable or inexpedient to proceed with the Hong Kong Public Offering or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the Prospectus; or

UNDERWRITING

- (B) there comes to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters any matter or event showing any of the Warranties or undertakings given by the Warrantors under this Agreement or the International Underwriting Agreement to be untrue, incorrect, inaccurate or misleading when given or repeated; or
- (C) there comes to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters any breach on the part of the Company, FEC or the Selling Shareholder of any of the provisions of this Agreement or the International Underwriting Agreement; or
- (D) there comes to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters that any matter which would, had it arisen or been discovered immediately before the Prospectus Date, not having been disclosed in the Prospectus, constitute a material omission therefrom; or
- (E) there comes to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters that any statement contained in the Prospectus, the Application Forms, the WPIP, the Formal Notice and any announcements issued by the Company in connection with the Hong Kong Public Offering and Global Offering (including any supplement or amendment thereto) has become or is discovered to be untrue, incorrect, inaccurate in any material respect or misleading in any respect; or
- (F) there comes to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters that any event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnity provisions under this Agreement; or
- (G) a valid demand by any creditor for repayment or payment of any indebtedness of the Company or any member of the Group or in respect of which the Company or any member of the Group is liable prior to its stated maturity; or
- (H) a petition is presented for the winding-up or liquidation of the Company or any member of the Group or the Company or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of the Company or any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any member of the Group or anything analogous thereto occurs in respect of the Company or any member of the Group; or
- (I) approval by the Listing Committee of the Hong Kong Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld.

UNDERWRITING

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company, the Selling Shareholder and FEC will enter into the International Underwriting Agreement with the International Underwriters on or about Monday, 4 October 2010, shortly after the determination of the Offer Price.

Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters are expected to severally agree to subscribe or procure purchasers for, or failing which to purchase, the International Offer Shares and Reserved Shares initially being offered pursuant to the International Offering (including the Offer for Sale) and the Preferential Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, our Company, the Selling Shareholder and the covenantors of the International Underwriting Agreement will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the sub-section headed “— Underwriting Arrangements and Expenses — Undertakings” in this section.

Undertakings

Our undertakings to the Stock Exchange and the Underwriters

We have undertaken to the Stock Exchange and the Underwriters that no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

We have undertaken to each of the Underwriters that except pursuant to the Global Offering, the Capitalisation Issue, the Over-allotment Option and the Share Option Scheme, we will not, and will cause each member of our Group not to, without the prior written consent of the Underwriters and unless in compliance with the Listing Rules:

- (a) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (the “First Six-Month Period”):
 - (i) offer, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, conditionally or unconditionally, any of its share capital, debt capital or any securities or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive such share capital or any securities or any interest therein); or
 - (ii) enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of such share capital, debt capital or securities or interest

UNDERWRITING

therein, whether any of the foregoing transactions is to be settled by delivery of share capital, debt capital or such other securities, in cash or otherwise, or offer to or agree to do, or publicly disclose that the Company will or may enter into any transaction described in (i) and (ii) above; or

- (iii) effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares of persons who count as members of the “public” for the purposes of the Listing Rules below 25% of the Company’s issued share capital; and
- (b) In the event of an issue or a disposal of any Shares or any interest therein as described after the First Six-Month Period, the Company will ensure that such an issue or disposal will not create a disorderly or false market for the shares of the Company.

Undertakings given by each of our Controlling Shareholders to the Stock Exchange, us and the Underwriters

Each of our Controlling Shareholders have undertaken to the Stock Exchange, us and the Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option and Stock Borrowing Agreement in connection with the Global Offering) and in the circumstances contemplated pursuant to Note 2 of Rule 10.07 of the Listing Rules:

- (a) at any time in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date, it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which they are shown by this prospectus to be the beneficial owner;
- (b) at any time in the period of six months commencing on the date on which the period referred to in paragraph (a) expires (the “Second Six-month Period”), it shall not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company;
- (c) within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, it will:
 - (i) when it pledges or charges any Shares beneficially owned by it in favour of any authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
 - (ii) when it receives indications, either verbal or written, from the pledgee or chargee of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

UNDERWRITING

Each of the Controlling Shareholders has further undertaken to each of us and the Underwriters that it will not, without the prior written consent of the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules:

- (a) at any time during the First Six-Month Period, offer, pledge, charge, sell, lend, mortgage, assign, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the share capital, debt capital or other securities of the Company or any interest therein held by it (including, but not limited to any securities convertible into or exercisable or exchangeable for, or that represent the right to receive, any such share capital, debt capital or other securities of the Company or any interest therein) or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or securities or any interest therein, whether any of the foregoing transactions is to be settled by delivery of share capital, debt capital or such other securities, in cash or otherwise, or offer to or agree to do, or publicly disclose that he or it will or may enter into any of the foregoing or announce any intention to do so;
- (b) at any time during the Second Six-Month Period enter into any of the transactions specified in paragraphs (a)(i) above or publicly disclose any intention to do so if, immediately following such transaction, it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; or
- (c) in the event of a disposal of any share capital, debt capital or other Shares of the Company or any interest therein during the Second Six-Month Period, they will take all steps to ensure that such a disposal will not create a disorderly or false market for the Shares or other securities of the Company.

This restriction does not apply to any disposal of Shares pursuant to possible stock lending arrangements and the Offer for Sale referred to in the section headed “Structure of the Global Offering — The International Offering” in this prospectus.

Commissions and expenses

Under the terms and conditions of the Underwriting Agreements, the Company has agreed to pay: (i) the Underwriters a commission equal to 2.5% of the gross proceeds raised from the Global Offering as base fees; and (ii) the Joint Global Coordinators a discretionary incentive fee (payable at the sole discretion of the Company) of up to 1% of the gross proceeds raised from the Global Offering.

The aggregate commissions and estimated expenses, together with the Stock Exchange trading fee of 0.005%, SFC transaction levy of 0.003%*, Stock Exchange listing fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in the aggregate to approximately HK\$80 million (assuming the Over-allotment Option is not exercised and an Offer Price of HK\$2.40 per Share, being the mid-point of the stated range of the Offer Price between HK\$2.04 and HK\$2.75 per Share).

* SFC transaction levy of 0.003% to come into effect on 1 October 2010

UNDERWRITING

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save for its obligations under the relevant Underwriting Agreement(s) or as otherwise disclosed in this prospectus, none of the Underwriters owns any shares or securities in our Company or any other member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares or securities in our Company or any member of our Group.

Joint Sponsors' Independence

The Joint Sponsors satisfy the independence criteria applicable to the sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering and Preferential Offering as part of the Global Offering. Credit Suisse, Morgan Stanley and RBS are the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and Joint Sponsors for the Global Offering. The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- the Hong Kong Public Offering of 54,000,000 new Shares (subject to re-allocation as mentioned below) in Hong Kong as described below in the sub-section headed “— The Hong Kong Public Offering” in this section;
- the International Offering of 187,374,000 new Shares and 270,000,000 Shares to be offered by the Selling Shareholder (subject to adjustment, re-allocation and the Over-allotment Option as mentioned below) in the United States with QIBs in reliance on Rule 144A or another exemption under the U.S. Securities Act, and outside the United States in reliance on Regulation S;
- the Preferential Offering, under which we are offering up to 28,626,000 Shares, being the Reserved Shares, for subscription by Qualifying FEC Shareholders (subject to re-allocation).

Investors may apply for our Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our Shares under the International Offering, but may not do both (except those eligible to apply for the Reserved Shares in the Preferential Offering may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering, if eligible). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of our Shares to QIBs in the United States in reliance on Rule 144A or another exemption under the U.S. Securities Act, as well as to institutional and professional investors and other investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring our Shares in the International Offering. Prospective investors will be required to specify the number of our Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. The Preferential Offering is open only to Qualifying FEC Shareholders.

The number of Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to re-allocation as described in the sub-section headed “— Pricing and Allocation” in this section.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholder and us on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, 4 October 2010 and in any event, no later than Thursday, 7 October 2010.

The Offer Price will be not more than HK\$2.75 per Share and is expected not to be less than HK\$2.04 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters and with our consent) consider it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of Monday, 4 October 2010, being the last day for lodging applications under the Hong Kong Public Offering and the Preferential Offering, cause to be published in *The Standard* (in English) and the *Sing Tao Daily* (in Chinese) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction. Before submitting applications for Hong Kong Offer Shares and Reserved Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering and Preferential Offering.

The Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

Allocation of our Shares pursuant to the International Offering will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional and retail or corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, but will be made strictly on a pro-rata basis (subject to rounding down to the nearest board lot of Shares), although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The Offer Price, level of applications in the Hong Kong Public Offering and the Preferential Offering, the level of indications of interest in the International Offering, and the basis of allocations of the Hong Kong Offer Shares and the Reserved Shares are expected to be announced on Friday, 8 October 2010 through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares — IV. Publication of Results, Despatch/Collection of Share Certificates and Refunds of Application Monies" in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE HONG KONG PUBLIC OFFERING AND THE PREFERENTIAL OFFERING

Acceptance of any application for the Hong Kong Offer Shares and Reserved Shares pursuant to the Hong Kong Public Offering and Preferential Offering will be conditional on:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in the Shares in issue, the Shares to be issued pursuant to the Global Offering (including any additional shares which may be issued pursuant to the exercise of the Over-allotment Option), the Shares to be issued pursuant to the Capitalisation Issue, the Shares which may fall to be issued on the exercise of the options which may be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- the Offer Price having been duly agreed upon between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), the Selling Shareholder and us and the delivery of the price determination agreement on or around the Price Determination Date;
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Underwriters under both the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become and remaining unconditional and such obligations not being terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason, the Offer Price is not agreed by Thursday, 7 October 2010 between the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholder and us, the Global Offering will not proceed and will lapse.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause notice of the lapse of the Hong Kong Public Offering and Preferential Offering to be published by us in The Standard (in English) and the Sing Tao Daily (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares — IV. Publication of Results, Despatch/Collection of Share Certificates and Refunds of Application Monies" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance, Chapter 155 of the Laws of Hong Kong, as amended.

The consummation of each of the Hong Kong Public Offering and the International Offering (including the Preferential Offering) is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

STRUCTURE OF THE GLOBAL OFFERING

Share certificates for the Offer Shares are expected to be issued on Friday, 8 October 2010 but will only become valid certificates of title at 8.00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Monday, 11 October 2010, if (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed “Underwriting — Grounds for termination by the Hong Kong Underwriters” in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

We are initially offering 54,000,000 new Shares at the Offer Price, representing 10% of the 540,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to the re-allocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Shares initially offered under the Hong Kong Public Offering will represent approximately 2.7% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. In Hong Kong, individual retail investors are expected to apply for Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Offering will not be allotted Offer Shares in the International Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

The Offer Price will be not more than HK\$2.75 and is expected to be not less than HK\$2.04. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum offer price of HK\$2.75 per Share plus brokerage fee of 1%, SFC transaction levy of 0.003%* and Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$2.75, being the maximum price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares and Reserved Shares — IV. Publication of Results, Despatch, Collection of Share Certificates and Refunds of Application Monies” in this prospectus.

For allocation purposes only, the Hong Kong Offer Shares (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools: Pool A and Pool B, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total subscription amount (excluding brokerage of 1%, SFC transaction levy of 0.003%* and the Stock Exchange trading fee of 0.005%) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total subscription amount (excluding brokerage of 1%, SFC transaction levy of 0.003%* and Stock Exchange trading fee of 0.005%) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

* SFC transaction levy of 0.003% to come into effect on 1 October 2010

STRUCTURE OF THE GLOBAL OFFERING

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 50% of the 54,000,000 Shares initially comprised in the Hong Kong Public Offering (that is 27,000,000 Hong Kong Offer Shares) are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Hong Kong Offer Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 162,000,000, 216,000,000 and 270,000,000 Hong Kong Offer Shares, respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and such reallocation being referred to in this prospectus as "Mandatory Reallocation". In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deems appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B in the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deems appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators may, at its discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

THE PREFERENTIAL OFFERING

In order to enable shareholders of FEC to participate in the Global Offering on a preferential basis as to allocation only, Qualifying FEC Shareholders are being invited to apply for an aggregate of up to 28,626,000 Reserved Shares (representing approximately 5.3% of the Offer Shares initially available under the Global Offering and approximately 1.4% of the enlarged issued share capital of our Company upon completion of the Global Offering and assuming the Over-allotment Option and the options may be granted under the Share Option Scheme are not exercised) in the Preferential Offering on the basis of an Assured Entitlement of 15 Reserved Shares for every whole multiple of

STRUCTURE OF THE GLOBAL OFFERING

1,000 FEC Shares held by them as at 5:00 p.m. on the Record Date. Fractional shareholders will not be entitled to apply for any Reserved Share. The Reserved Shares are being offered out of the Offer Shares, expected to be underwritten by the International Underwriters and are not subject to the clawback mechanism as described in the sub-section headed “— The Hong Kong Public Offering” in this section.

The Assured Entitlements may represent Shares which are not in a multiple of a full board lot of 1,000 Shares. Dealings in odd lots of Shares may be at or below their prevailing market price.

A **BLUE** Application Form is being despatched to each Qualifying FEC Shareholder together with an electronic copy of this prospectus on CD-ROM. Qualifying FEC Shareholders are permitted to apply for a number of Reserved Shares which is equal to, less than or greater than their Assured Entitlements under the Preferential Offering. A valid application in respect of a number of Reserved Shares equal to or less than a Qualifying FEC Shareholder’s Assured Entitlement will be accepted in full, subject to the terms and conditions set forth in the prospectus and the **BLUE** Application Form. If an application is made for a number of Reserved Shares which is greater than the Assured Entitlement of a Qualifying FEC Shareholder, the Assured Entitlement will be satisfied in full but the excess portion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other Qualifying Shareholders declining to take up some or all their Assured Entitlement. If an application is made for a number of Reserved Shares less than or greater than the Assured Entitlement of a Qualifying FEC Shareholder, the applicant is **recommended** to apply for a number in one of the multiples of full board lots stated in the table of multiples and payments on the back page of the **BLUE** Application Form which also states the amount of remittance payable on application for each multiple of full board lots of Reserved Shares; if such applicant does not follow this recommendation when applying for less than or greater than the Assured Entitlement, the applicant must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out below the table of multiples and payments on the back page of the **BLUE** Application Form. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Share will be allotted to such applicant. The Joint Global Coordinators, on behalf of the Underwriters, will allocate any Assured Entitlements not taken up by Qualifying FEC Shareholders to the International Offering.

The Reserved Shares are not available to existing beneficial owners of shares, the Directors or chief executive of our Company or their respective associates (as defined in the Listing Rules) or any other connected persons (as defined in the Listing Rules) of our Company or persons who will become our connected persons immediately upon completion of the Global Offering unless such Director or chief executive or their respective associates is a Qualifying FEC Shareholder.

In addition to any application for the Reserved Shares on a **BLUE** Application Form, Qualifying FEC Shareholders will be entitled to make one application for the Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the HK eIPO White Form Service Provider via the **HK eIPO White Form** service. Qualifying FEC Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving **electronic application instructions** to HKSCC or through the HK eIPO White Form Service Provider under the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

Assured Entitlements of Qualifying FEC Shareholders are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange. The Reserved Shares being offered pursuant to the Preferential Offering are being offered out of the Offer Shares. Please see the sub-section headed “— The Preferential Offering” in this section.

The procedures for application under, and the terms and conditions of, the Preferential Offering are set forth in the sections headed “How to Apply for Hong Kong Offer Shares and Reserved Shares” and “Further Terms and Conditions of the Hong Kong Public Offering and Preferential Offering” in this prospectus and on the **BLUE** Application Form.

The documents to be issued in connection with the Hong Kong Public Offering and the Preferential Offering (comprising this prospectus and the Application Forms) will not be registered under any applicable securities legislation of any jurisdiction other than Hong Kong. Accordingly, no Reserved Share is being offered to Overseas FEC Shareholders under the Preferential Offering and no **BLUE** Application Form will be sent to such persons. Applications on **BLUE** Application Forms will not be accepted from Overseas FEC Shareholders or persons who are acting for the benefit of Overseas FEC Shareholders.

THE INTERNATIONAL OFFERING

The number of Shares to be initially offered under the International Offering will be 457,374,000 Shares, representing 84.7% of the Offer Shares under the Global Offering. The International Offering is subject to the Hong Kong Public Offering becoming unconditional. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Shares initially offered under the International Offering will represent 22.9% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Pursuant to the International Offering, the International Underwriters will conditionally place our Shares with QIBs in the United States in reliance on Rule 144A or another exemption under the U.S. Securities Act, as well as with institutional and professional investors and other investors in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S.

The Joint Global Coordinators have the authority to reallocate all or any of the Reserved Shares not taken up by the Qualifying FEC Shareholders to the International Offering.

The Over-allotment Option is expected to be granted by the Selling Shareholder and us to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last date for lodging of Application Forms under the Hong Kong Public Offering and Preferential Offering being Wednesday, 3 November 2010. Pursuant to the Over-allotment Option, the Stabilising Manager will have the right to require us to allot and issue up to 40,500,000 additional new Shares, and require the Selling Shareholder to sell 40,500,000 additional Shares, being an aggregate of 81,000,000 Shares, representing in aggregate up to 15% of the initial number of Offer Shares, at the Offer Price. An announcement will be made in the event that the Over-allotment Option is exercised.

STRUCTURE OF THE GLOBAL OFFERING

In order to facilitate the settlement of over-allocations in connection with the International Offering, the Stabilising Manager or any person acting for it may choose to borrow Shares from our immediate Controlling Shareholder, Ample Bonus, under the Stock Borrowing Agreement. The Stock Borrowing Agreement shall not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:—

- such stock borrowing arrangement with the Selling Shareholder will only be effected by the Stabilising Manager for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Ample Bonus under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued and sold upon exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Ample Bonus or its nominees within three Business Days after the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;
- the borrowing of shares pursuant to the Stock Borrowing Agreement will be effected in compliance with applicable laws, Listing Rules and other regulatory requirements; and
- no payments will be made to Ample Bonus by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

THE SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the Stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering and the International Offering become unconditional at or before 8:00 a.m. in Hong Kong on Monday, 11 October 2010, it is expected that dealings in Shares on the Stock Exchange will commence at 9:30 a.m. on Monday, 11 October 2010.

STRUCTURE OF THE GLOBAL OFFERING

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters), the Selling Shareholder and us on the Price Determination Date and subject to the other conditions set out in the sub-section headed “— Conditions of the Hong Kong Public Offering and the Preferential Offering” in this section.

We expect shortly after determination of the Offer Price on the Price Determination Date, to enter into the International Underwriting Agreement relating to the International Offering.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed “Underwriting” in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

I. HOW TO APPLY FOR HONG KONG OFFER SHARES

1. Who can apply for the Hong Kong Offer Shares

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not inside the United States (as defined in Regulation S under the U.S. Securities Act) when completing and submitting the Application Form and are not either (a) a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act or (b) a QIB; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for the Hong Kong Offer Shares online through the HK eIPO White Form service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form** service by submitting an electronic application instruction through the designated website at www.hkeipo.hk if you are an individual applicant. Corporations or joint applicants may not apply by means of the **HK eIPO White Form** service.

If the applicant is a firm, the application must be in the names of the individual members, not in the name of the firm. If the applicant is a body corporate, the application must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Company, the Joint Global Coordinators, the Hong Kong Underwriters (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions as they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Joint Global Coordinators or the HK eIPO White Form Service Provider (where applicable) in their capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares, the Directors or chief executive of our Company or their respective associates (as defined in the Listing Rules) or any other connected persons (as defined in the Listing Rules) of our Company or persons who will become our connected persons immediately upon completion of the Global Offering.

You may apply for Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Offering, but may not do both (except in respect of the Reserved Shares applied for pursuant to the Preferential Offering).

2. Method of applying for the Hong Kong Offer Shares

There are four ways to make an application for the Hong Kong Offer Shares:

- You may apply for the Hong Kong Offer Shares by using a **WHITE** Application Form. Use a **WHITE** Application Form if you want the Shares issued in your own name;
- Instead of using a **WHITE** Application Form, you may apply for the Hong Kong Offer Shares by means of the **HK eIPO White Form** service by submitting an electronic application instruction through the designated website at www.hkeipo.hk if you want the Shares issued in your own name;
- You may apply for the Hong Kong Offer Shares by using a **YELLOW** Application Form. Use a **YELLOW** Application Form if you want the Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account; or
- Instead of using a **YELLOW** Application Form, you may give electronic application instructions to HKSCC to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf. Any Hong Kong Offer Shares allocated to you will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Except where you are a nominee and provide the required information in your application, you or your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or applying online through the **HK eIPO White Form** Service Provider under the **HK eIPO White Form** service.

3. Where to collect the prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus from:

Any of the following addresses of the Hong Kong Underwriters:

Credit Suisse (Hong Kong) Limited

45/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Morgan Stanley Asia Limited

Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

The Royal Bank of Scotland N.V., Hong Kong Branch

38/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

China Everbright Securities (HK) Limited

36/F, Far East Finance Centre
16 Harcourt Road
Central
Hong Kong

Tai Fook Securities Company Limited

25/F, New World Tower
16-18 Queen's Road Central
Hong Kong

Sun Hung Kai International Limited

42/F, The Lee Gardens
33 Hysan Avenue
Causeway Bay
Hong Kong

(a) Any of the following branches of The Hongkong and Shanghai Banking Corporation Limited

District	Branch Name	Branch Address
Hong Kong	Hong Kong Office	Level 3, 1 Queen's Road Central, Central, Hong Kong
	Aberdeen Centre Branch	Shop 2, G/F, Site I, Aberdeen Centre, Aberdeen, Hong Kong
	Cityplaza Branch	Unit 065, Cityplaza I, Taikoo Shing, Hong Kong
	Hay Wah Building Branch	G/F, Hay Wah Bldg, 71-85B Hennessy Rd, Wan Chai, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

District	Branch Name	Branch Address
Kowloon	Kwun Tong Branch	No. 1, Yue Man Square, Kwun Tong, Kowloon
	Telford Gardens Branch	Shop Unit P16, Blk G, Telford Plaza I, Kowloon Bay, Kowloon
	Mong Kok Branch	L/G & U/G, 673 Nathan Road, Mong Kok, Kowloon
	Lai Chi Kok Road Branch	245 Lai Chi Kok Road, Sham Shui Po, Kowloon
	Tsim Sha Tsui Branch	Basement, UG/F & 1/F, 82-84 Nathan Road, Tsim Sha Tsui, Kowloon
New Territories	Tuen Shing Street Branch	Shop No. 1225, 1/F, Tuen Mun Town Plaza Phase 1, 1 Tuen Shing Street, Tuen Mun, New Territories

(b) or any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

District	Branch Name	Branch Address
Hong Kong	Queen's Road Central Branch	122-126 Queen's Road Central, Central, Hong Kong
	West Point Branch	242-244 Queen's Road West, Sai Ying Pun, Hong Kong
	Hennessy Road Branch	Shop 2A, G/F & Basement, Cameron Commercial Centre, 468 Hennessy Road, Causeway Bay, Hong Kong
Kowloon	Tsim Sha Tsui Branch	Shop 1&2, G/F, No. 35-37 Hankow Road, Tsimshatsui, Kowloon
	Prince Edward Branch	777 Nathan Road, Mongkok, Kowloon
	Mok Cheong Street Branch	12-14 Mok Cheong Street, Tokwawan, Kowloon
New Territories	Sha Tsui Road Branch	Shop 4, G/F., Chung On Building, 297-313 Sha Tsui Road, Tsuen Wan, New Territories
	Yuen Long Branch	G/F., 197-199 Castle Peak Road, Yuen Long, New Territories
	Shatin Branch	Shop 22J, Level 3, Shatin Centre, New Territories
	Tai Po Branch	Shop F, G/F, Mee Fat Building, No 34-38 Tai Wing Lane, Tai Po, New Territories

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

Prospectuses and Application Forms will be available for collection at the above places during the following times:

Tuesday, 28 September 2010	—	9:00 a.m. to 4:30 p.m.
Wednesday, 29 September 2010	—	9:00 a.m. to 4:30 p.m.
Thursday, 30 September 2010	—	9:00 a.m. to 4:30 p.m.
Saturday, 2 October 2010	—	9:00 a.m. to 1:00 p.m.
Monday, 4 October 2010	—	9:00 a.m. to 12:00 noon

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 28 September 2010 until 12:00 noon on Monday, 4 October 2010, from the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.

Your stockbroker may also have Application Forms and this prospectus available.

4. How to apply by using a WHITE or YELLOW Application Form

- (a) Obtain an Application Form as described in the sub-section headed “— I. How to Apply for Hong Kong Offer Shares — 3. Where to collect the prospectus and Application Forms” in this section.
- (b) Complete the Application Form in English in ink, and sign it. There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker’s cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.
- (c) Each Application Form must be accompanied by payment, in the form of either one cheque or one banker’s cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker’s cashier order does not meet the requirements set out on the Application Form.
- (d) Lodge the Application Form in one of the collection boxes by the time and at one of the locations as described in the sub-section headed “— I. How to Apply for Hong Kong Offer Shares — 7. When may applications be made — (a) Applications on **WHITE** or **YELLOW** Application Forms” in this section.

In order for an application made on a **YELLOW** Application Form to be valid:

- (i) If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):
 - the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

HOW TO APPLY FOR HONG KONG OFFER SHARES AND RESERVED SHARES

- (ii) If you are applying as an individual CCASS Investor Participant:
- the Application Form must contain your name and Hong Kong identity card number; and
 - your participant I.D. must be inserted in the appropriate box in the Application Form.
- (iii) If you are applying as a joint individual CCASS Investor Participant:
- the Application Form must contain names and Hong Kong identity card numbers of all joint CCASS Investor Participants; and
 - your participant I.D. must be inserted in the appropriate box in the Application Form.
- (iv) If you are applying as a corporate CCASS Investor Participant:
- the Application Form must contain the company's name and its Hong Kong business registration number; and
 - your participant I.D. and your company chop (bearing your company's name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

5. How to apply through the HK eIPO White Form service

- (a) If you are an individual and meet the criteria set out in the sub-section headed “— I. How to Apply for Hong Kong Offer Shares — 1. Who can apply for the Hong Kong Offer Shares” in this section, you may apply through the HK eIPO White Form service by submitting an electronic application instruction through the designated website at www.hkeipo.hk. If you apply through the HK eIPO White Form service, the Shares will be issued in your own name.
- (b) Detailed instructions for application through the HK eIPO White Form service are set out on the designated website at www.hkeipo.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the HK eIPO White Form Service Provider and may not be submitted to our Company.
- (c) In addition to the terms and conditions set out in this prospectus, the HK eIPO White Form Service Provider may impose additional terms and conditions upon you for the use of the HK eIPO White Form service. Such terms and conditions are set out on the designated website at www.hkeipo.hk. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.
- (d) By submitting an application to the HK eIPO White Form Service Provider through the HK eIPO White Form service, you are deemed to have authorised the HK eIPO White Form Service Provider to transfer the details of your application to our Company and the Hong Kong Share Registrar.

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- (e) You may submit an application through the HK eIPO White Form service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.hkeipo.hk.
- (f) You should give electronic application instructions through the HK eIPO White Form service at the times set out in the sub-section headed “— I. How to Apply for the Hong Kong Offer Shares — 7. When may applications be made — (b) HK eIPO White Form” in this section.
- (g) You should make payment for your application made by the HK eIPO White Form service in accordance with the methods and instructions set out in the designated website at www.hkeipo.hk. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Monday, 4 October 2010, or such later time as described under the sub-section headed “— I. How to Apply for the Hong Kong Offer Shares — 7. When may applications be made — (e) Effect of bad weather conditions on the opening of the application lists” in this section, the HK eIPO White Form Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.hkeipo.hk.
- (h) Warning: The application for the Hong Kong Offer Shares through the HK eIPO White Form service is only a facility provided by the designated HK eIPO White Form Service Provider to public investors. Our Company, the Directors, the Joint Sponsors and the Underwriters take no responsibility for any such applications and provide no assurance that applications through the **HK eIPO White Form** service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Please note that internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the HK eIPO White Form service, you are advised not to wait until the last minute for submitting applications in the Hong Kong Public Offering to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the HK eIPO White Form service, you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** Application Form. Please refer to the sub-section headed “— I. How to Apply for the Hong Kong Offer Shares — 8. How many applications may be made” in this section.

6. How to apply by giving electronic application instructions to HKSCC

(a) General

CCASS Participants may give electronic application instructions to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

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If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS phone system by calling 2979 7888 or through the CCASS internet system (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
2/F Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses will be available for collection at the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company, the Joint Sponsors and our registrars.

(b) Minimum Subscription Amount and Permitted Multiples

You may give electronic application instructions in respect of a minimum of 1,000 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms.

(c) Warning

The subscription for the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Our Company, the Directors, the Joint Sponsors and the Underwriters take no responsibility for any such applications and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS phone system or the CCASS internet system, CCASS Investor Participants are advised not to wait until the last minute to input their electronic application instructions. In the event that CCASS Investor Participants have problems connecting to the CCASS phone system or the CCASS internet system to submit their electronic application instructions, they should either:

- (i) submit a **WHITE** or **YELLOW** Application Form; or
- (ii) apply online by means of the HK eIPO White Form service by submitting an election application instruction through the designated website at www.hkeipo.hk; or

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- (iii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Monday, 4 October 2010, or such later time as described under the section headed "— I. How to Apply for Hong Kong Offer Shares — 7. When may applications be made — (e) Effect of bad weather conditions on the opening of the application lists" below.

7. When may applications be made

(a) Applications on **WHITE** or **YELLOW** Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed in the section headed "— I. How to Apply for Hong Kong Offer Shares — 3. Where to collect the prospectus and Application Forms" above at the following times:

Tuesday, 28 September 2010	— 9:00 a.m. to 4:30 p.m.
Wednesday, 29 September 2010	— 9:00 a.m. to 4:30 p.m.
Thursday, 30 September 2010	— 9:00 a.m. to 4:30 p.m.
Saturday, 2 October 2010	— 9:00 a.m. to 1:00 p.m.
Monday, 4 October 2010	— 9:00 a.m. to 12:00 noon

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Monday, 4 October 2010, or, if the application lists are not open on that day, then by the time and date stated in the sub-section headed "— I. How to Apply for Hong Kong Offer Shares — 7. When may applications be made — (e) Effect of bad weather conditions on the opening of the application lists" in this section.

(b) **HK eIPO White Form**

You may submit your application to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk from 9:00 a.m. on Tuesday, 28 September 2010, until 11:30 a.m. on Monday, 4 October 2010, or such later time as described under the sub-section headed "— I. How to Apply for Hong Kong Offer Shares — 7. When may applications be made — (e) Effect of bad weather conditions on the opening of the application lists" in this section (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 4 October 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the sub-section headed "— I. How to Apply for Hong Kong Offer Shares — 7. When may applications be made — (e) Effect of bad weather conditions on the opening of the application lists" in this section.

You will not be permitted to submit your application to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

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(c) *Electronic Application Instructions to HKSCC via CCASS*

CCASS Clearing or Custodian Participants should input electronic application instructions at the following times on the following dates:

Tuesday, 28 September 2010	—	9:00 a.m. to 8:30 p.m.⁽¹⁾
Wednesday, 29 September 2010	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Thursday, 30 September 2010	—	8:00 a.m. to 8:30 p.m.⁽¹⁾
Saturday, 2 October 2010	—	8:00 a.m. to 1:00 p.m.⁽¹⁾
Monday, 4 October 2010	—	8:00 a.m.⁽¹⁾ to 12:00 noon

(1) These times are subject to changes as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, 28 September 2010, until 12:00 noon on Monday, 4 October 2010 (24 hours daily, except the last application day).

The latest time for inputting electronic application instructions will be 12:00 noon on Monday, 4 October 2010, the last application day, or if the application lists are not open on that day, by the time and date stated in the sub-section headed “— I. How to Apply for Hong Kong Offer Shares — 7. When may applications be made — (e) Effect of bad weather conditions on the opening of the application lists” in this section.

(d) *Application Lists*

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 4 October 2010, save as provided in the sub-section headed “— I. How to Apply for Hong Kong Offer Shares — 7. When may applications be made — (e) Effect of bad weather conditions on the opening of the application lists” in this section.

Applicants should note that cheques or banker’s cashier orders will not be presented for payment before the closing of the application lists but may be presented at any time thereafter.

(e) *Effect of Bad Weather Conditions on the Opening of the application lists*

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 4 October 2010. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does

Note:

¹ These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing or Custodian Participants.

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not have either of those signals in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon. For this purpose, “Business Day” means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

8. How many applications may be made

Multiple applications or suspected multiple applications are liable to be rejected.

You may make more than one application for the Hong Kong Offer Shares if you are a nominee, in which case you may make an application as a nominee by (i) giving electronic application instructions to HKSCC via CCASS (if you are a CCASS Participant); or (ii) lodging more than one Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked “For nominees”, you must include:

- an account number; or
- some other identification code

for each beneficial owner or, in the case of joint beneficial owners, for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are a Qualifying FEC Shareholder applying for Reserved Shares under the Preferential Offering on a **BLUE** Application Form, as beneficial owner, you may also make one application for Hong Kong Offer Shares either on a **WHITE** or **YELLOW** Application Form or electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application to the HK eIPO White Form Service Provider at www.hkeipo.hk. However, in respect of any application for Hong Kong Offer Shares using the above-mentioned methods, you will not enjoy any preferential treatment accorded to you under the Preferential Offering as described in the section headed “Structure of the Global Offering — The Preferential Offering” in this prospectus.

Otherwise, multiple applications are not allowed.

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any electronic application instruction given by you or for your benefit to the HK eIPO White Form Service Provider to make an application for the Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction through the HK eIPO White Form service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the HK eIPO White Form service by giving more than one electronic application instructions through the designated website at www.hkeipo.hk and completing payment in respect of such electronic application instructions, or of submitting one application through the HK eIPO White Form service and one or more applications by any other means (other than an application (if any) made on a **BLUE** Application Form in the capacity as a Qualifying FEC Shareholder), all of your applications are liable to be rejected.

If you have made an application by giving electronic application instructions to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your

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benefit (other than an application (if any) made on a **BLUE** Application Form in the capacity as a Qualifying FEC Shareholder), the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

For further information, you should read the section headed “Further Terms and Conditions of Hong Kong Public Offering and the Preferential Offering — 5. Multiple Applications” in this prospectus.

II. HOW TO APPLY FOR RESERVED SHARES

1. Who can apply for the Reserved Shares

Qualifying FEC Shareholders are entitled to apply on the basis of an Assured Entitlement of 15 Reserved Shares for every whole multiple of 1,000 FEC Shares held by them as at 5:00 p.m. on the Record Date.

You may apply for the Reserved Shares if you, or any person(s) for whose benefit you are applying, are a Qualifying FEC Shareholder, and if you are an individual and:

- are 18 years of age or older; and
- are not inside the United States (as defined in Regulation S under the U.S. Securities Act when completing and submitting the Application Form and are not either (a) a person described in paragraph (h)(3) of Rule 902 of Regulation S under the U.S. Securities Act 1933, as amended or (b) a QIB).

If the applicant is a firm, the application must be in the names of the individual members, not in the name of the firm. If the applicant is a body corporate, the application must be stamped with the company chop (bearing the company name) and signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Joint Sponsors (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions as they think fit, including production of evidence of the authority of the attorney.

The Reserved Shares are not available to existing beneficial owners of Shares, the Directors or chief executive of our Company or their respective associates (as defined in the Listing Rules) or any other connected persons (as defined in the Listing Rules) of our Company or persons who will become our connected persons immediately upon completion of the Global Offerings unless such Director or chief executive or their respective associates is a Qualifying FEC Shareholder.

2. Method of applying for the Reserved Shares

An application for Reserved Shares under the Preferential Offering may only be made by Qualifying FEC Shareholders using a **BLUE** Application Form which is being despatched to Qualifying FEC Shareholders by our Company. Using the **BLUE** Application Form, Qualifying FEC Shareholders may apply on an assured basis for a number of Reserved Shares greater than, less than or equal to their Assured Entitlement, which will be specified on their individual **BLUE** Application Form.

A valid application for a number of Reserved Shares equal to or less than a Qualifying FEC Shareholder's Assured Entitlement will be accepted in full, subject to the terms and conditions set forth on the **BLUE** Application Form assuming that the conditions of the Preferential Offering are satisfied. If an application is made for a number of Reserved Shares greater than the Assured Entitlement of a Qualifying FEC Shareholder, the Assured Entitlement will be satisfied in full but the excess portion of such application will only be met to the extent that there are sufficient available Reserved Shares resulting from other Qualifying Shareholders declining to take up some or all their Assured Entitlement. If an application is made for a number of Reserved Shares less than or greater than the Assured Entitlement of a Qualifying FEC Shareholder, the applicant is recommended to apply for a number in one of the multiples of full board lots stated in the table of multiples and payments on the back page of the **BLUE** Application Form which also states the amount of remittance payable on application for each multiple of full board lots of Reserved Shares; if such applicant does not follow this recommendation when applying for less than or greater than the Assured Entitlement, he/she/it must calculate the correct amount of remittance payable on application for the number of Reserved Shares applied for by using the formula set out below the table of multiples and payments on the back page of the **BLUE** Application Form. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Share will be allotted to such applicant. The Joint Global Coordinators, on behalf of the Underwriters, will allocate any Assured Entitlements not taken up by Qualifying FEC Shareholders to the International Offering.

Qualifying FEC Shareholders who have applied for Reserved Shares under the Preferential Offering on a **BLUE** Application Form, as beneficial owner, may also make one application either on a **WHITE** or **YELLOW** Application Form, or by giving electronic application instructions to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or through the HK eIPO White Form service for the Hong Kong Offer Shares in the Hong Kong Public Offering. However, Qualifying FEC Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made on **WHITE** or **YELLOW** Application Forms or by giving electronic application instructions to HKSCC or through the HK eIPO White Form Service Provider under the Hong Kong Public Offering.

3. Despatch of the prospectus and BLUE Application Forms

A **BLUE** Application Form, together with an electronic copy of this prospectus on CD-ROM, are being despatched to you by our Company at your address recorded on FEC's register of members as at 5:00 p.m. on the Record Date if you are a Qualifying FEC Shareholder with an Assured Entitlement. Persons who held their FEC Shares as at 5:00 p.m. on the Record Date in CCASS indirectly through a broker or custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Shares on their behalf no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their

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instructions, and submit their instructions to their broker/custodian as required by them. Persons who held their FEC Shares as at 5:00 p.m. on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instruction to HKSCC via the CCASS Phone System or CCASS Internet System no later than the deadline set by HKSCC or HKSCC Nominees. Qualifying FEC Shareholders who require a replacement **BLUE** Application Form should contact Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong or at its hotline 2980 1333.

4. How to apply by using a **BLUE** Application Form

- (a) Complete the **BLUE** Application Form in English in ink, and sign it. There are detailed instructions on each **BLUE** Application Form. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the **BLUE** Application Form.
- (b) Each **BLUE** Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order. You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be rejected if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.
- (c) Lodge the **BLUE** Application Form in one of the collection boxes by the time and at one of the locations as described in the sub-section headed "— II. How to Apply for Reserved Shares — 5. When may applications be made" in this section.

5. When may applications be made

(a) *Applications on **BLUE** Application Forms*

Your completed **BLUE** Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed in the section headed "— I. How to Apply for Hong Kong Offer Shares — 3. Where to collect the prospectus and Application Forms" above or at the office of **Tricor Investor Services Limited** at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong at the following times:

Tuesday, 28 September 2010	—	9:00 a.m. to 4:30 p.m.
Wednesday, 29 September 2010	—	9:00 a.m. to 4:30 p.m.
Thursday, 30 September 2010	—	9:00 a.m. to 4:30 p.m.
Saturday, 2 October 2010	—	9:00 a.m. to 1:00 p.m.
Monday, 4 October 2010	—	9:00 a.m. to 12:00 noon

Completed **BLUE** Application Forms, together with payment attached, must be lodged by 12:00 noon on Monday, 4 October 2010, or, if the application lists are not open on that day, then by the time and date stated in the sub-section headed "— II. How to Apply for Reserved Shares — 5. When may applications be made — (c) Effect of bad weather conditions on the opening of the application lists" in this section.

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(b) Application lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 4 October 2010, save as provided in the sub-section headed “— II. How to Apply for Reserved Shares — 5. When may applications be made — (c) Effect of bad weather conditions on the opening of the application lists” in this section.

Applicants should note that cheques or banker’s cashier orders will not be presented for payment before the closing of the application lists but may be presented at any time thereafter.

(c) Effect of bad weather conditions on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 4 October 2010. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those signals in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon. For this purpose, “Business Day” means a day that is not a Saturday, Sunday or a public holiday in Hong Kong.

6. How many applications may be made

You should see the sub-section headed ‘ — I. How to Apply for Hong Kong Offer Shares — 8. How many applications may be made’ in this section for the situations where you may make more than one application for Hong Kong Offer Shares.

III. HOW MUCH ARE THE HONG KONG OFFER SHARES AND RESERVED SHARES

The maximum Offer Price is HK\$2.75 per Share. You must also pay brokerage of 1%, SFC transaction levy of 0.003%* and Stock Exchange trading fee of 0.005%. This means that for every board lot of 1,000 Shares you will pay HK\$2,777.72. The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for numbers of Shares applied for up to 27,000,000 Shares. The **BLUE** Application Form has a table showing the exact amount payable for multiples of Shares applied for.

If the Offer Price as finally determined is less than HK\$2.75 per Share, appropriate refund payments (including brokerage of 1%, SFC transaction levy of 0.003%* and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Details of the procedure for refund are set out in the sub-section headed “— IV. Publication of Results, Despatch/Collection of Share Certificates and Refunds of Application Monies” in this section.

You must pay the maximum Offer Price and related brokerage, SFC transaction levy and the Stock Exchange trading fee in full when you apply for the Hong Kong Offer Shares and the Reserved Shares. You must pay the amount payable upon application for the Hong Kong Offer Shares and the

* SFC transaction levy of 0.003% to come into effect on 1 October 2010

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Reserved Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Form. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Hong Kong Offer Shares and/or Reserved Shares will be allotted to such applicant.

If your application is successful, brokerage is paid to participants of the Stock Exchange (or the Stock Exchange, as the case may be), the Stock Exchange trading fee of 0.005% is paid to the Stock Exchange, and the SFC transaction levy of 0.003%* is paid to the SFC.

IV. PUBLICATION OF RESULTS, DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUNDS OF APPLICATION MONIES

It is expected that the final Offer Price, the level of indications of interest in the International Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares and the Reserved Shares will be published on Friday, 8 October 2010 in The Standard (in English) and the Sing Tao Daily (in Chinese).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Preferential Offering will be available at the times and date and in the manner specified below:

- Results of allocations for the Hong Kong Public Offering and the Preferential Offering can be found in our Announcement to be posted on the Company's website at www.kosmohotels.com and on the website of the Stock Exchange at www.hkexnews.hk on Friday, 8 October 2010;
- Results of allocations for the Hong Kong Public Offering and the Preferential Offering will be available from our designated results of allocations website at www.tricor.com.hk/ipo/result (a hyper link to which can also be found on the Company's website at www.kosmohotels.com) on a 24-hour basis from 8:00 a.m. on Friday, 8 October 2010 to 12:00 midnight on Thursday, 14 October 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application form to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offering allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, 8 October 2010 to Wednesday, 13 October 2010 (excluding Saturday, Sunday or public holiday in Hong Kong); and
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches from Friday, 8 October 2010 to Monday, 11 October 2010 at all the receiving bank branches at the addresses set out in the sub-section headed "— I. How to Apply for Hong Kong Offer Shares — 3. Where to collect the prospectus and Application Forms" in this section.

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Refund cheques for surplus application monies (if any) under **WHITE, YELLOW** or **BLUE** Application Forms and in respect of applications made via the HK eIPO White Form service where payment of applications monies are made through multiple bank accounts, and Share certificates for successful applicants under **WHITE** or **BLUE** Application Forms and applications made via the HK eIPO White Form service, are expected to be posted and/or available for collection (as the case may be) on or around Friday, 8 October 2010. E-Auto Refund payment instructions for surplus application monies (if any) in respect of applications made via the HK eIPO White Form service where payment of applications monies are made through single bank account will be despatched to the applicants' payment bank accounts on or around Friday, 8 October 2010.

Share certificates will only become valid certificates of title at 8:00 a.m. on Monday, 11 October 2010, provided that the Hong Kong Public Offering and the Preferential Offering have become unconditional in all respects and the right of termination under the Underwriting Agreements as described in the section headed "Underwriting — Grounds for termination by the Hong Kong Underwriters" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

For further information on arrangements for the despatch/collection of Share certificates and refunds of application monies, you should refer to the sections headed "Further Terms and Conditions of Hong Kong Public Offering and the Preferential Offering — 7. If Your Application for Hong Kong Offer Shares and/or Reserved Shares is Successful (in Whole or in Part)" and "Further Terms and Conditions of Hong Kong Public Offering and the Preferential Offering — 8. Refund of Application Monies" in this prospectus.

V. COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Monday, 11 October 2010. The Shares will be traded in board lots of 1,000 Shares.

Shares will be eligible for CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange as well as the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

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1. GENERAL

- (a) If you apply for the Hong Kong Offer Shares in the Hong Kong Public Offering and/or the Reserved Shares in the Preferential Offering, you will be agreeing with our Company and the Joint Sponsors (for themselves and on behalf of the Underwriters) as set out below.
- (b) If you give electronic application instructions to HKSCC via CCASS to cause HKSCC Nominees to apply for the Hong Kong Offer Shares on your behalf, you will have authorised HKSCC Nominees to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the relevant application method.
- (c) If you give electronic application instructions through the designated website at www.hkeipo.hk, you will have authorised the HK eIPO White Form Service Provider to apply on the terms and conditions set out below, as supplemented and amended by the terms and conditions applicable to the HK eIPO White Form service.
- (d) In this section, references to “you”, “applicants”, “joint applicants” and other like references shall, if the context so permits, include references to making applications electronically by submitting an application to the HK eIPO White Form Service Provider through the designated website for the HK eIPO White Form service and both nominees and principals on whose behalf HKSCC Nominees is applying for the Hong Kong Offer Shares, and references to the making of an application shall, if the context so permits, include references to making applications electronically by giving instructions to HKSCC.
- (e) Applicants should read this prospectus carefully, including the terms and conditions set out herein and in the Application Forms or imposed by HKSCC or the HK eIPO White Form Service Provider prior to making any application for the Hong Kong Offer Shares and/or the Reserved Shares.

2. OFFER TO PURCHASE THE HONG KONG OFFER SHARES AND RESERVED SHARES

- (a) You offer to purchase from our Company at the Offer Price the number of the Hong Kong Offer Shares and/or the Reserved Shares indicated in your Application Form (or any smaller number in respect of which your application is accepted) on the terms and conditions set out in this prospectus and the relevant Application Form.
- (b) For applicants using **WHITE, YELLOW** or **BLUE** Application Forms or applying via the HK eIPO White Form service where payment of applications monies are made through multiple bank accounts, a refund cheque in respect of the surplus application monies (if any) representing the Hong Kong Offer Shares and/or the Reserved Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including the brokerage of 1%, SFC transaction levy of 0.003%* and Stock Exchange trading fee of 0.005% attributable thereto), is expected to be sent to you by ordinary post at your own risk to the address stated on your Application Form on or before Friday, 8 October 2010. For applications made via the HK eIPO White Form service where payment of applications monies are made through single bank account, e-Auto Refund payment instructions in respect

FURTHER TERMS AND CONDITIONS OF HONG KONG PUBLIC OFFERING AND PREFERENTIAL OFFERING

of the surplus application monies (if any) representing the Hong Kong Offer Shares applied for but not allocated to you and representing the difference (if any) between the final Offer Price and the maximum Offer Price (including the brokerage of 1%, SFC transaction levy of 0.003%* and Stock Exchange trading fee of 0.005% attributable thereto), is expected to be despatched to the applicants' payment bank accounts on or around Friday, 8 October 2010. Details of the procedure for refunds relating to each of the Hong Kong Public Offering and the Preferential Offering methods are contained below in the sub-sections headed "— 7. If Your Application for Hong Kong Offer Shares and/or Reserved Shares is Successful (in Whole or in Part)", "— 8. Refund of Application Monies" and "— 9. Additional Information for Applicants Applying by Giving Electronic Application Instructions to HKSCC" in this section.

- (c) Any application may be rejected in whole or in part.
- (d) Applicants under the Hong Kong Public Offering and the Preferential Offering should note that in no circumstances can applications be withdrawn once submitted. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application list if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under the section which excludes or limits the responsibility of that person for this prospectus. For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, electronic application instructions to HKSCC via CCASS is a person who may be entitled to compensation under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance).
- (e) The section of the Application Form headed "Personal Data" applies to any personal data held by the Company and the registrars about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

3. ACCEPTANCE OF YOUR OFFER

- (a) The Hong Kong Offer Shares and the Reserved Shares will be allocated after the application lists close. We expect to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications under the Hong Kong Public Offering and the Preferential Offering and the basis of allocations of the Hong Kong Offer Shares and the Reserved Shares on Friday, 8 October 2010. Please see the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares — IV. Publication of Results, Despatch/Collection of Share Certificates and Refunds of Application Monies" in this prospectus.
- (b) The results of allocations of the Hong Kong Offer Shares under the Hong Kong Public Offering and the Reserved Shares under the Preferential Offering, including the Hong Kong identity card numbers, passport numbers or Hong Kong business registration numbers (where applicable) of successful applicants and the number of the Hong Kong Offer Shares and the Reserved Shares successfully applied for, will be made available on Friday, 8 October 2010,

* SFC transaction levy of 0.003% to come into effect on 1 October 2010

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in the manner described in the sub-section headed “How to Apply for Hong Kong Offer Shares and the Reserved Shares — IV. Publication of Results, Despatch/Collection of Share Certificates and Refunds of Application Monies” in this prospectus.

- (c) We may accept your offer to purchase (if your application is received, valid, processed and not rejected) by announcing the basis of allocations and/or making available the results of allocations publicly.
- (d) If we accept your offer to purchase (in whole or in part), there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares and/or the Reserved Shares in respect of which your offer has been accepted if the conditions of the Global Offering are satisfied or the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.
- (e) You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

4. EFFECT OF MAKING ANY APPLICATION

- (a) By completing and submitting any Application Form, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:
 - instruct and authorise our Company and/or the Joint Sponsors (or their respective agents or nominees), each acting as an agent of our Company, to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Offer Shares allocated to you in your name(s) or the name of HKSCC Nominees, as the case may be, as required by the Articles and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;
 - undertake to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Offer Shares allocated to you, and as required by the Articles;
 - represent, warrant and undertake that (a) you are not, and none of the other person(s) for whose benefit you are applying is, within the United States (as defined in Regulation S under the U.S. Securities Act) and will acquire the Hong Kong Offer Shares and/or the Reserved Shares in an offshore transaction (within the meaning of Regulation S under the U.S. Securities Act) or (b) you are, or the person for whose account for whose benefit you are applying is, a qualified institutional buyer within the meaning of Rule 144A under the U.S. Securities Act;
 - confirm that you have received a copy of this prospectus and have only relied on the information and representations contained in this prospectus in making your application,

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and not on any other information or representation concerning our Company save as set out in any supplement to this prospectus and you agree that neither our Company, the Joint Sponsors and the Hong Kong Underwriters nor any of their respective directors, officers, employees, partners, agents, advisors or any other parties involved in the Global Offering will have any liability for information or representations not contained in this prospectus;

- agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it due to an innocent misrepresentation;
- (if the application is made for your own benefit) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the HK eIPO White Form Service Provider via the HK eIPO White Form service;
- (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (if you are an agent for another person) warrant that reasonable inquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the HK eIPO White Form Service Provider via the HK eIPO White Form service, and that you are duly authorised to sign the Application Form or to give electronic application instructions as that other person's Agent;
- agree that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offering and the Preferential Offering made available by our Company;
- undertake and confirm that if you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application is a connected person, you have not applied for, taken up or indicated an interest in, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Offering, nor otherwise participate in the International Offering (except in respect of the Reserved Shares applied for pursuant to the Preferential Offering);
- warrant the truth and accuracy of the information contained in your application;
- agree to disclose to our Company, the Joint Global Coordinators and their respective agents any information about you or the person(s) for whose benefit you have made the application which they require;
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

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- undertake and agree to accept the Offer Shares applied for, or any lesser number allocated to you under the application;
- authorise our Company to place your name(s) or HKSCC Nominees, as the case may be, on the Company's branch register of members as the holder(s) in Hong Kong of any Offer Shares allocated to you, and our Company and/or the Company's agents to send any Share certificate(s) (where applicable) and/or any refund cheque (where applicable) to you or (in case of joint applicants) the first named applicant in the Application Form by ordinary post to the address stated on your Application Form at your own risk (except if you have applied for 1,000,000 Hong Kong Offer Shares or more or 1,000,000 Reserved Shares or more, as the case may be, and have indicated in your Application Form that you wish to collect your refund cheque and/or Share certificates (where applicable) in person);
- authorise our Company to despatch e-Auto Refund payment instructions to your bank account if you have completed payment of the HK eIPO White Form application monies from a single bank account; or authorise our Company to issue and despatch refund cheque(s) to the address given on the HK eIPO White Form application if you have completed payment of the application monies from multiple bank accounts;
- agree that the processing of your application, including the dispatch of refund cheque(s) (if any), may be done by any of our Company's receiving bankers and is not restricted to the bank at which your Application Form is lodged;
- confirm that you are aware of the restrictions on the Global Offering of the Offer Shares described in this prospectus;
- understand that these declarations and representations will be relied upon by our Company and the Joint Sponsors in deciding whether or not to allocate any Hong Kong Offer Shares and/or Reserved Shares in response to your application and that you may be prosecuted for making a false declaration;
- if the laws of any place outside Hong Kong are applicable to your application, you agree and warrant that you have complied with all such laws and none of our Company, the Joint Sponsors and the Hong Kong Underwriters, nor any of their respective officers or advisors will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus; deciding whether or not to allocate any Offer Shares in response to your application;
- agree with our Company, for itself and for the benefit of each shareholder of our Company (and so that our Company will be deemed by its acceptance in whole or in part of the application to have agreed, for itself and on behalf of each shareholder of our Company) (and if applicable, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Act, the Memorandum and the Articles;

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- agree with our Company and each shareholder of our Company, to observe and comply with the Companies Act, the Memorandum and the Articles;
 - agree with the Company and each shareholder of our Company that the Shares in our Company are freely transferable by the holder thereof;
 - agree that our Company, the Joint Sponsors, the Hong Kong Underwriters and any of their respective directors, officers, employees, partners, agents or advisors, and any other parties involved in the Global Offering are not liable for the information and representations not contained in this prospectus and any supplement to this prospectus; and
 - agree to disclose to our Company, the Company's registrar, the receiving bankers, the Joint Sponsors and their respective advisors and agents any personal data and any other information which they require about you or the person(s) for whose benefit you have made the application.
- (b) If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in (a) above, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee agree that:
- any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and deposited directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the Application Form;
 - each of HKSCC and HKSCC Nominees reserves the right (1) not to accept any or part of such allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees or not to accept such allotted Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are a joint applicant, to the first-named applicant) at your own risk and costs; and (3) to cause such allotted Hong Kong Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the Share certificates for such allotted Hong Kong Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;
 - each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees;
 - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and
 - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

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- (c) In addition, by giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things and neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:
- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
 - instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage of 1%, SFC transaction levy of 0.003%* and Stock Exchange trading fee of 0.005% by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the Offer Price per Share initially paid on application, refund of the application monies, in each case including brokerage of 1%, SFC transaction levy of 0.003%* and Stock Exchange trading fee of 0.005%, by crediting your designated bank account;
 - (where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given electronic application instructions to apply for the Hong Kong Offer Shares) HKSCC Nominees is only acting as nominee for the applicants and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus. In addition to the confirmations and agreements set out in paragraph (a) above, instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it has stated to do on your behalf in the **WHITE** Application Form, and the following:
 - agree that the Hong Kong Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has input electronic application instructions on your behalf or for your CCASS Investor Participant stock account;
 - undertake and agree to accept the Hong Kong Offer Shares in respect of which you have given electronic application instructions or any lesser number;
 - (if the electronic application instructions are given for your own benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the benefit of that other person and that you are duly authorised to give those instructions as that other person's agent;

* SFC transaction levy of 0.003% to come into effect on 1 October 2010

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- understand that the above declaration will be relied upon by our Company, the Directors and the Joint Sponsors in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the electronic application instructions given by you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of your electronic application instructions and to send Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them; and are aware of the restrictions on the Hong Kong Public Offering described in this prospectus;
- confirm that you have only relied on the information and representations in this prospectus in giving your electronic application instructions or instructing your broker or custodian to give electronic application instructions on your behalf;
- agree (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purposes any day that is a Saturday, Sunday or public holiday in Hong Kong). However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;
- agree that once the application of HKSCC Nominees is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering published by our Company;
- agree to the arrangements, undertakings and warranties specified in the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of electronic application instructions relating to Hong Kong Offer Shares; and

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- agree with our Company, for itself and for the benefit of each of the shareholders of our Company (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our shareholders of the Company, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance and our Articles.
- (d) If you apply for the Reserved Shares using a **BLUE** Application Form, in addition to the confirmations and agreements referred to in (a) above, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee;
- warrant that, in making an application, you or any person(s) on whose behalf you may be acting is/are Qualifying FEC Shareholder(s); and
 - represent, warrant and undertake that in making this application, you and/or any person(s) for whose behalf you may be acting are not, save where you are also a Qualifying FEC shareholder, a connected person(s) or person(s) who will become connected person(s) of our Company immediately upon completion of the Global Offering, the subscription for Reserved Shares by you and/or any person(s) on whose behalf you may be acting is not financed directly or indirectly by a connected person of our Company, and you and/or any person(s) on whose behalf you may be acting is not taking instructions from a connected person of our Company in making this subscription for Reserved Shares.
- (e) Our Company, the Selling Shareholder, the Joint Sponsors, the Underwriters and their respective directors and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in your application.
- (f) In the event of this application being made by joint application, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally. You may be prosecuted if you make a false declaration.

5. MULTIPLE APPLICATIONS

- (a) It will be a term and condition of all applications that by completing and delivering an Application Form, you:
- (if the application is made for your own benefit) warrant that the application is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the HK eIPO White Form Service Provider via the HK eIPO White Form service;

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- (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application; and
 - (if you are an agent for another person) warrant that reasonable inquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the HK eIPO White Form Service Provider via the HK eIPO White Form service, and that you are duly authorised to sign the Application Form or to give electronic application instructions as that other person's agent.
- (b) Except where you are a nominee and provide the information required to be provided in your application, all of your applications (including the part of the application made by HKSCC Nominees acting on electronic application instructions) will be rejected as multiple applications if you, or you and your joint applicant(s) together:
- make more than one application (whether individually or jointly) on a **WHITE** and/or **YELLOW** Application Form and/or by giving electronic application instructions to HKSCC or to the HK eIPO White Form Service Provider via the HK eIPO White Form service;
 - apply both (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give electronic application instructions to HKSCC or to HK eIPO White Form Service Provider via the HK eIPO White Form service;
 - apply (whether individually or jointly) on one **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the HK eIPO White Form Service Provider via the HK eIPO White Form service for more than 27,000,000 Hong Kong Offer Shares, being 50% of the Hong Kong Offer Shares initially made available for public subscription under the Hong Kong Public Offering as more particularly described in the sub-section headed "Structure of the Global Offering — The Hong Kong Public Offering" in this prospectus; or
 - have applied for or taken up, or indicated an interest for, or have been or will be allocated or placed (including conditionally and/or provisionally) International Offer Shares under the International Offering (except in respect of the Reserved Shares applied for pursuant to the Preferential Offering).
- (c) All of your applications will also be rejected as multiple applications if more than one application is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions but other than an application (if any) made on a **BLUE** Application Form in the capacity as a Qualifying FEC Shareholder). If an application is made by an unlisted company and
- the principal business of that company is dealing in securities; and

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- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” in relation to a company means you:

- control the composition of the board of directors of that company; or
- control more than half of the voting power of that company; or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

6. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES OR RESERVED SHARES

You should note the following situations in which the Hong Kong Offer Shares and the Reserved Shares will not be allotted to you or your application is liable to be rejected:

(a) If your application is revoked

By completing and submitting an Application Form or electronic application instructions to HKSCC you agree that you cannot revoke your application or the application made by HKSCC Nominees on your behalf on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong).

Your application or the application made by HKSCC Nominees on your behalf may only be revoked before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day), if a person responsible for this prospectus under section 40 of the Companies Ordinance (as applied by section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all application that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

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If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) If our Company, the Joint Sponsors or their respective agents exercise their discretion to reject your application

Our Company, the Selling Shareholder, the Joint Sponsors (as agents of our Company) or their respective agents have full discretion to reject or accept any application, or to accept only part of any application without having to give any reasons for any rejection or acceptance.

(c) If the allotment of Hong Kong Offer Shares and/or the Reserved Shares is void

The allotment of Hong Kong Offer Shares and/or the Reserved Shares to you or to HKSCC Nominees (if you give electronic application instructions to HKSCC or apply by a YELLOW Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) In the following circumstances

- your application is a multiple or a suspected multiple application;
- the Application Form is not completed correctly;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored on its first presentation;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allotted (including conditionally and/or provisionally) International Offer Shares in the International Offering (except in respect of the Reserved Shares applied for pursuant to the Preferential Offering). By filling in any of the Application Forms or giving electronic application instructions to HKSCC or the HK eIPO White Form Service Provider, you agree not to apply for the International Offer Shares in the International Offering (except in respect of the Reserved Shares applied for pursuant to the Preferential Offering). Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offering from investors who have received International Offer Shares in the International Offering (except in respect of the Reserved Shares applied for pursuant to the Preferential Offering), and to identify and reject indications of interest in the International Offering (except in respect of the Reserved Shares applied for pursuant to the Preferential Offering) from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offering;

FURTHER TERMS AND CONDITIONS OF HONG KONG PUBLIC OFFERING AND PREFERENTIAL OFFERING

- our Company and the Joint Global Coordinators (on behalf of our Company) believe that the acceptance of your application would violate the applicable securities or other laws, rules or regulations of the jurisdiction in which your application is completed and/or signed or your address appeared in this Application Form is located;
- if you apply for more than 50% of the Hong Kong Offer Shares initially being offered in the public for subscription; or
- any of the Hong Kong Underwriting Agreement and/or the International Offering Agreement does not become unconditional or is terminated in accordance with the terms thereof.

7. IF YOUR APPLICATION FOR HONG KONG OFFER SHARES AND/OR RESERVED SHARES IS SUCCESSFUL (IN WHOLE OR IN PART)

No temporary document of title will be issued in respect of the Shares.

No receipt will be issued for sums paid on application.

You will receive one share certificate for all of the Hong Kong Offer Shares issued to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS, in which case share certificates will be deposited directly into CCASS) and one share certificate for all of the Reserved Shares issued to you under the Preferential Offering.

Share certificates will only become valid certificates of title at 8:00 a.m. on the Listing Date which is expected to be on Monday, 11 October 2010, provided that the Hong Kong Public Offering and the Preferential Offering have become unconditional in all respects and the right of termination under the Underwriting Agreements and described in the section headed “Underwriting — Grounds for termination by the Hong Kong Underwriters” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

(a) If you apply using a WHITE or BLUE Application Form:

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form or 1,000,000 Reserved Shares or more on a **BLUE** Application Form and have indicated your intention in your Application Form to collect your Share certificate(s) and/or refund cheque(s) (where relevant) in person from Tricor Investor Services Limited and have provided all information required by your Application Form, you may collect it/them in person from Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 8 October 2010 or such other dates as notified by our Company in the newspapers as the date of despatch/collection of Share certificate(s)/refund cheque(s).

If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, your authorised representative must attend bearing a letter of authorisation from your

FURTHER TERMS AND CONDITIONS OF HONG KONG PUBLIC OFFERING AND PREFERENTIAL OFFERING

corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited.

If you do not collect your Share certificate(s) and/or refund cheque(s) (where relevant) in person within the time specified for collection, it/they will be despatched promptly to you by ordinary post to the address as specified in the Application Form at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or 1,000,000 Reserved Shares or if you apply for 1,000,000 Hong Kong Offer Shares or 1,000,000 Reserved Shares or more but have not indicated on your Application Form that you will collect your Share certificate(s) and/or refund cheque(s) (where relevant) in person, your Share certificate(s) and/or refund cheque(s) (where relevant) will be despatched promptly to you by ordinary post to the address as specified in the Application Form at your own risk.

(b) If you apply using a YELLOW Application Form

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in the Application Form on Friday, 8 October 2010, or under certain contingent situations, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) on a **YELLOW** Application Form, for the Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, our Company expects to make available the results of the Hong Kong Public Offering, including the results of CCASS Investor Participants applications, in the manner described in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares — IV. Publication of Results, Despatch/Collection of Share Certificates and Refunds of Application Monies" in this prospectus on Friday, 8 October 2010. You should check the results made available by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 8 October 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately following the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS phone system and the CCASS internet system (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque(s) (if any) in person, you should follow the same procedure as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or more and have not indicated on the Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) (if any) will be despatched promptly to you by ordinary post to the address as specified in the Application Form at your own risk.

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(c) If you apply through HK eIPO White Form

If you apply for 1,000,000 Hong Kong Offer Shares or more through the HK eIPO White Form service by submitting an electronic application instruction to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk and your application is wholly or partially successful, you may collect your Share certificate(s) and/or refund cheque(s) (where relevant) in person from Tricor Investor Services Limited at 26/F Tesbury Centre, 28 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 8 October 2010, or such other dates as notified by our Company in the newspapers as the date of despatch/collection of Share certificate(s)/refund cheque(s).

If you do not collect your Share certificate(s) and/or refund cheque(s) in person within the time specified for collection, it/they will be despatched promptly to you by ordinary post to the address as specified in the application instructions to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) and/or refund cheque(s) (where relevant) will be despatched promptly to you by ordinary post to the address as specified in the application instructions to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk at your own risk.

If you apply through the HK eIPO White Form service by paying the application monies through a single bank account, e-Auto Refund payment instructions for surplus application monies (if any) will be despatched to your application payment bank account on or around Friday, 8 October 2010.

If you apply through the HK eIPO White Form service by paying the application monies through multiple bank accounts, refund cheque(s) for surplus application monies (if any) will be despatched promptly to you by ordinary post to the address as specified in the application instructions to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk at your own risk on Friday, 8 October 2010.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the HK eIPO White Form Service Provider set in the sub-sections headed “— 8. Refund of Application Monies” and “10. Additional Information for Applicants Applying through HK eIPO White Form” in this section.

FURTHER TERMS AND CONDITIONS OF HONG KONG PUBLIC OFFERING AND PREFERENTIAL OFFERING

8. REFUND OF APPLICATION MONIES

Your application monies, or the appropriate portion thereof, together with the related brokerage of 1%, SFC transaction levy of 0.003%* and Stock Exchange trading fee of 0.005%, will be refunded if:

- your application is rejected, not accepted or accepted in part only or if you do not receive any Hong Kong Offer Shares and/or Reserved Shares for any of the reasons set in the sub-section headed “— 6. Circumstances in which you will not be allotted Hong Kong Offer Shares or Reserved Shares” in this section;
- the Offer Price as finally determined is less than the Offer Price of HK\$2.75 per Share (excluding brokerage of 1%, SFC transaction levy of 0.003%* and Stock Exchange trading fee of 0.005% thereon) paid on application;
- the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering and the Preferential Offering” in this prospectus; or
- any application is revoked or any allotment pursuant thereto has become void.

No interest will be paid thereon. All interest accrued on such monies prior to the date of refund will be retained for the benefit of our Company.

In a contingency situation involving a substantial over-subscription, at the discretion of our Company and the Joint Sponsors, cheques or bankers' cashier orders for applications for certain small denominations of Hong Kong Offer Shares (apart from successful and reserved applications) may not be cleared.

Refund of your application monies (if any) will be made on Friday, 8 October 2010 in accordance with the various arrangements as described above. All refunds will be made by a cheque crossed “Account Payee Only” made out to you, or if you are joint applicants, to the first-named applicant on the Application Form (except where you apply through the HK eIPO White Form service by paying the application monies through a single bank account, in such case refund will be made by e-Auto Refund payment instruction which will be despatched to your application payment bank account). Part of your Hong Kong identity card number or passport number, or, if you are joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate your refund cheque. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

* SFC transaction levy of 0.003% to come into effect on 1 October 2010

FURTHER TERMS AND CONDITIONS OF HONG KONG PUBLIC OFFERING AND PREFERENTIAL OFFERING

9. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

(a) Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instructions is given will be treated as an applicant.

(b) Deposit of share certificates into CCASS and refund of application monies

- No temporary document of title will be issued. No receipt will be issued for paid sums on application.
- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give electronic application instructions on your behalf or to your CCASS Investor Participant stock account on Friday, 8 October 2010, or, on such other date as shall be determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the newspapers on Friday, 8 October 2010. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 8 October 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS phone system and the CCASS internet system (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 8 October 2010. Immediately following the credit of the public offer shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

FURTHER TERMS AND CONDITIONS OF HONG KONG PUBLIC OFFERING AND PREFERENTIAL OFFERING

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or a difference between the Offer Price and the Offer Price per Share initially paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.003%* and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 8 October 2010. No interest will be paid thereon.

10. ADDITIONAL INFORMATION FOR APPLICANTS APPLYING THROUGH HK EIPO WHITE FORM

For the purposes of allocating Hong Kong Offer Shares, each applicant giving electronic application instructions through the HK eIPO White Form service to the HK eIPO White Form Service Provider through the designated website at www.hkeipo.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated HK eIPO White Form Service Provider, the designated HK eIPO White Form Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated HK eIPO White Form Service Provider on the designated website at www.hkeipo.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out above in the sub-section headed “— 8. Refund of Application Monies” shall be made pursuant to the arrangements described above in the sub-section headed “— 7. If your application for Hong Kong Offer Shares and/or Reserved Shares is successful (in whole or in part) — (c) If you apply through HK eIPO White Form” in this section.

11. PERSONAL DATA

This Personal Information Collection Statement informs applicants for and holders of Shares of the policies and practices of our Company and the Company’s share registrar in relation to personal data and the Personal Data (Privacy) Ordinance.

(a) Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and the Share registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the registrars.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or the Share registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of the Share certificate(s), and/or the despatch or encashment of refund cheque(s) to which you are entitled.

* SFC transaction levy of 0.003% to come into effect on 1 October 2010

FURTHER TERMS AND CONDITIONS OF HONG KONG PUBLIC OFFERING AND PREFERENTIAL OFFERING

It is important that holders of securities inform us and the Company's Share registrar immediately of any inaccuracies in the personal data supplied.

(b) Purposes

The personal data of the applicants and holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and refund cheque, where applicable, and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the name of holders of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations (whether statutory or otherwise);
- disclosing identities of successful applicants by way of press announcement(s) or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and our Share registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

FURTHER TERMS AND CONDITIONS OF HONG KONG PUBLIC OFFERING AND PREFERENTIAL OFFERING

(c) Transfer of personal data

Personal data held by our Company and the Share registrar relating to the applicants and the holders of securities will be kept confidential but our Company and the Company's Share registrar, to the extent necessary for achieving the above purposes or any of them, may make such enquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to, from or with any and all of the following persons and entities:

- our Company or our respective appointed agents such as financial advisors and receiving bankers;
- HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS (in cases where the applicants have requested for the Hong Kong Offer Shares to be deposited into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or the Share registrar in connection with the operation of their businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

(d) Access to and correction of personal data

The Personal Data (Privacy) Ordinance provides the applicants and the holders of securities with rights to ascertain whether our Company or the Share registrar holds their personal data, to obtain a copy of that data, and to correct any data that is inaccurate.

In accordance with the Personal Data (Privacy) Ordinance, our Company and the Share registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and kinds of data held should be addressed to us, at our registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time in accordance with applicable law, for the attention of the company secretary, or the Company's Share registrar for the attention of the privacy compliance officer.

By signing an Application Form or by giving electronic application instructions to HKSCC, you agree to all of the above.



德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

28 September 2010

The Directors
Kosmopolito Hotels International Limited
Credit Suisse (Hong Kong) Limited
Morgan Stanley Asia Limited
The Royal Bank of Scotland N.V., Hong Kong Branch

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Kosmopolito Hotels International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2010 (the "Relevant Periods"), for inclusion in the prospectus of the Company dated 28 September 2010 (the "Prospectus") in connection with the initial public offering and the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 1961, as consolidated and revised) of the Cayman Islands on 23 January 2007 and has since been an indirect wholly-owned subsidiary of Far East Consortium International Limited ("Far East Consortium"). Pursuant to a corporate reorganisation ("Reorganisation"), as more fully explained in the section headed "History, Reorganisation and Corporate Structure" to the Prospectus, on 17 September 2010 the Company acquired the entire issued capital of Dorsett Regency Hotel (M) Sdn. Bhd., Full Benefit Limited, Havena Holdings Limited, Jade River Profits Limited, Rosicky Limited, Tang Hotel Investments Pte. Ltd and Wonder China Investments Limited and their subsidiaries (collectively referred to as the "Combined Entities") from its ultimate holding company, Far East Consortium, and became the holding company of the companies now comprising the Group. As at the date of this report, the Company has the following wholly-owned subsidiaries.

Name of company	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Principal activities
<i>Direct subsidiaries:</i>			
Caragis Limited	Hong Kong ("HK") 31 October 1991	1,000 shares of Hong Kong Dollar ("HK\$") 1 each	Operation of Central Park Hotel
Charter Joy Limited (捷彩有限公司)	HK 12 May 1994	2 shares of HK\$1 each	Operation of Dorsett Seaview Hotel
Complete Delight Limited	The British Virgin Islands (the "BVI") 3 May 2006	1 share of United States Dollar ("USD") 1	Operation of Dorsett Far East Hotel
Cosmopolitan Hotel Limited (麗都大酒店有限公司)	HK 23 October 1981	10,000 shares of HK\$1 each	Operation of Cosmopolitan Hotel
Dorsett Hotels & Resorts International Limited	HK 21 January 2000	2 shares of HK\$1 each	Investment holding
Dorsett Regency Hotel (M) Sdn. Bhd. . .	Malaysia 20 June 1990	5,000,000 shares of Ringgit Malaysia ("RM") 1 each	Operation of Dorsett Regency Hotel Kuala Lumpur
Double Advance Group Limited	BVI 12 May 2006	1 share of USD1	Operation of Dorsett Kowloon Hotel
Full Benefit Limited	Cayman Islands 23 June 2006	1 share of USD1	Investment holding
Grand Expert Limited (駿宏有限公司)	HK 2 December 1998	10,000 shares of HK\$1 each	Operation of Cosmo Hotel
Havena Holdings Limited	BVI 18 January 2008	1 share of USD1	Investment holding
Hong Kong Hotel REIT Finance Company Limited	HK 1 August 2007	1 share of HK\$1 each	Loan financing
Jade River Profits Limited	BVI 16 February 2006	2 shares of USD1 each	Investment holding

Name of company	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Principal activities
Kosmopolito Hotels International Services Limited	HK 4 April 1991	2 shares of HK\$1 each	Hotel management
Kosmopolito Hotels International (Singapore) Pte. Limited	Singapore 10 February 2010	1 share of Singapore Dollar ("S\$") 1	Inactive
Rosicky Limited	BVI 19 July 2006	1 share of USD1	Investment holding
Tang Hotel Investments Pte. Ltd. ("Tang Hotel Investments")	Singapore 15 August 1987	2 shares of S\$1 each	Investment holding and development of residential property and Dorsett Regency "On New Bridge", Singapore
The Hotel of Lan Kwai Fong Limited (香港蘭桂芳酒店有限公司)	HK 17 January 1997	10,000 shares of HK\$1 each	Operation of Lan Kwai Fong Hotel @ Kau U Fong
Vicsley Limited	HK 22 February 1994	1,000 shares of HK\$1 each	Operation of Central Park Hotel
Wonder China Investments Limited	BVI 15 September 2000	1 share of USD1	Investment holding
<i>Indirect subsidiaries:</i>			
Billion Century Holdings Limited (億創集團有限公司)	HK 16 May 2007	1 share of HK\$1	Investment holding
Ching Chu (Shanghai) Real Estate Development Company Limited 錦秋(上海)置業發展有限公司 ("Ching Chu (Shanghai)")	People's Republic of China ("PRC") 20 January 2000	5,000,000 shares of USD1 each	Management of Yue Shanghai Hotel
Eldonstead Investments Limited ("Eldonstead")	BVI 26 January 2007	1 share of USD1	Investment holding
Esmart Management Limited (嘉誼管理有限公司)	HK 3 January 2001	2 shares of HK\$1 each	Hotel management services

Name of company	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Principal activities
Esteem Tactic Sdn. Bhd. ("Esteem Tactic")	Malaysia 17 November 2009	2 shares of RM1 each	Inactive
Eternity Profits Limited	BVI 6 January 2006	1 share of USD 1	Investment holding
Everkent Development Limited (遠勒發展有限公司)	HK 28 February 1989	2 shares of HK\$1 each	Development of Dorsett Regency Kwun Tong, Hong Kong
Excel Chinese International Limited (卓雄國際有限公司)	HK 5 June 2007	1 share of HK\$1	Development of The Mercer by Kosmopolito
Hong Kong (SAR) Hotel Limited (香港(特區)酒店有限公司).....	HK 16 February 1993	10,000 shares of HK\$1 each	Development of Dorsett Regency Kennedy Town, Hong Kong
Merlin Labuan Sdn. Bhd. ("Merlin Labuan").....	Malaysia 11 November 1983	105,000,000 shares of RM1 each	Operation of Grand Dorsett Labuan Hotel
Panley Limited (柏倡有限公司)	HK 6 December 2007	1 share of HK\$1	Development of Dorsett Regency Kwai Chung, Hong Kong
Richfull International Investment Limited (富多國際投資有限公司).....	HK 3 January 2006	1 share of HK\$1	Bar operation
Ruby Way Limited.....	HK 4 May 1982	2 shares of HK\$1 each	Development and operation of Cosmo Kowloon Hotel
Speedy Time Holdings Limited (永捷集團有限公司)	HK 2 March 2006	1 share of HK\$1	Investment holding

Name of company	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Principal activities
Subang Jaya Hotel Development Sdn. Bhd. ("Subang Jaya").....	Malaysia 30 December 1978	245,000,000 shares of RM1 each	Operation of Grand Dorsett Subang Hotel
Success Range Sdn. Bhd.	Malaysia 18 April 2006	250,000 shares of RM1 each	Operation of Dorsett Johor Hotel
Tang Hotels Pte. Ltd. ("Tang Hotels").....	Singapore 29 April 2010	1 Share of S\$1	Hotel operations and management
Tang Suites Pte. Ltd. ("Tang Suites").....	Singapore 10 December 2009	1 share of S\$1	Development of residential property for sale
Top Trend Developments Limited	BVI 22 September 2000	2 shares of USD1 each	Investment holding
Total Win Profits Limited	BVI 18 November 2005	1 share of USD1	Investment holding
Venue Summit Sdn. Bhd.	Malaysia 7 April 2006	250,000 shares of RM1 each	Operation of Maytower Hotel
Wanchope Limited ("Wanchope").....	BVI 19 July 2006	1 share of USD1	Investment holding
武漢遠東帝豪酒店管理有限公司 Wuhan Far East Dorsett Hotel Management Co., Ltd. ("Wuhan Far East").....	PRC 25 June 2007	USD29,800,000	Operation of Wuhan Cosmopolitan Hotel
武漢港澳中心物業管理有限公司 Wuhan Hong Kong and Macau Centre Property Management Co., Ltd. ("Wuhan Hong Kong")....	PRC 14 May 2002	RMB500,000	Property Management Service

Name of company	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Principal activities
武漢麗悅酒店管理有限公司 Wuhan Li Yue Management Co., Ltd. ("Wuhan Li Yue")	PRC 19 May 2009	RMB300,000	Hotel management
遠東帝豪酒店管理(成都)有限公司 Far East Dorsett Hotel Management (Cheng Du) Co., Ltd. ("Cheng Du Far East")	PRC 30 October 2006	USD38,000,000	Operation of Hotel Kosmopolito City Centre, Chengdu
麗悅酒店管理(上海)有限公司 Shanghai Li Yue Hotel Management Co., Ltd. ("Shanghai Li Yue")	PRC 9 September 2009	RMB500,000	Hotel property management

The entire equity capital of the companies comprising the Group were either held by the Company or Far East Consortium and its wholly-owned subsidiaries excluding the Group (hereinafter referred to the "Parent Entities") throughout the Relevant Periods, or since the respective dates of incorporation/establishment of the relevant companies where this is a shorter period.

The financial year end date of all the companies comprising the Group is 31 March except for those incorporated in PRC which is 31 December.

We acted as statutory auditors of the companies now comprising the group for the Relevant Periods, except for the following:

Name	Financial Years	Auditor
Ching Chu (Shanghai)	Three years ended 31 December 2007, 2008 and 2009	上海瑞和會計師事務所有限 公司
Kosmopolito Hotels International Services Limited.....	Three years ended 31 March 2008, 2009 and 2010	Peter W.H. Ma & Co.
Dorsett Regency Hotel (M) Sdn. Bhd.....	Three years ended 31 March 2008, 2009 and 2010	Wong Weng Foo & Co.
Dorsett Hotels & Resorts International Limited.....	Three years ended 31 March 2008, 2009 and 2010	Peter W.H. Ma & Co.

Name	Financial Years	Auditor
Eldonstead	Three years ended 31 March 2008, 2009 and 2010	Ernst & Young
Merlin Labuan	Three years ended 31 March 2008, 2009 and 2010	Ernst & Young
Subang Jaya	Three years ended 31 March 2008, 2009 and 2010	Ernst & Young
Success Range Sdn. Bhd.....	Two years ended 31 March 2009 and 2010	Deloitte & Touche, Chartered Accountants in Malaysia
Tang Hotel Investments	Two years ended 31 March 2008 and 2009	LY Leong & Company
Wanchope	Three years ended 31 March 2008, 2009 and 2010	Ernst & Young
Cheng Du Far East	Three years ended 31 December 2007, 2008 and 2009	四川建科會計師事務所有限 公司
Wuhan Far East	From 25 June 2007 (date of establishment) to 31 December 2008 and year ended 31 December 2009	湖北正信會計師事務所有限責 任公司
Wuhan Hong Kong	Three years ended 31 December 2007, 2008 and 2009	湖北正信會計師事務所有限責 任公司
Wuhan Li Yue	From 19 May 2009 (date of establishment) to 31 December 2009	湖北正信會計師事務所有限責 任公司

Name	Financial Years	Auditor
Venue Summit Sdn. Bhd	For two years ended 31 March 2009 and 2010	Deloitte & Touche, Chartered Accountants in Malaysia
Shanghai Li Yue	From 9 September 2009 (date of establishment) to 31 December 2009	上海瑞和會計師事務所有限 公司

No audited financial statements have been prepared for Eternity Profits Limited, Full Benefit Limited, Havena Holdings Limited, Jade River Profits Limited, Rosicky Limited, Total Win Profits Limited and Wonder China Investments Limited as there is no statutory requirement in BVI or Cayman Islands for audited financial statements. No audited financial statements have been prepared for Kosmopolito Hotels International (Singapore) Pte Limited and Esteem Tactic as they were inactive since their dates of incorporation. No audited financial statements have been prepared for Tang Hotel Investments, Tang Hotels and Tang Suites for the year/period ended 31 March 2010. For the purpose of this report, Deloitte & Touche LLP has, however, carried out independent audit procedures in accordance with International Auditing Standards (the "IAS") issued by the International Auditing and Assurance Standards Board (the "IAASB") on the consolidated management accounts for the year ended 31 March 2010 of Tang Hotel Investments ("Tang Management Account") prepared by the directors of Tang Hotel Investments in accordance with the International Financial Reporting Standards (the "IFRS") issued by International Accounting Standards Board (the "IASB"). We have also reviewed the material transactions of the other companies and carried out such procedures as we considered necessary in respect of the management accounts of these companies (together with the Tang Management Account are collectively referred to as the "Management Accounts") for inclusion of their financial information in the Prospectus for the Relevant Periods or since their respective dates of incorporation, whichever period is shorter.

The statutory financial statements of those entities incorporated/ established in PRC, Malaysia and Singapore were prepared in accordance with accounting principles and financial regulations in the PRC and financial reporting standards applicable to Malaysia and Singapore, respectively except for those of Eldonestead, Esteem Tactic, Merlin Labuan, Subang Jaya and Wanchope which were prepared in accordance with International Financial Reporting Standards.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries ("Kosmopolito Underlying Financial Statements") for the Relevant Periods in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the directors of Wuhan Far East and Cheng Du Far East have, respectively, prepared the consolidated financial statements of Wuhan Far East and its subsidiaries ("Wuhan Underlying Financial Statements") and financial statements of Cheng Du Far East ("Chengdu Underlying Financial Statements") for the Relevant Periods in accordance with the HKFRS issued by HKICPA. We have carried out independent audit procedures on the Kosmopolito Underlying Financial Statements, Wuhan Underlying Financial Statements and Chengdu Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The directors of the

Ching Chu Shanghai have prepared the consolidated financial statements of Ching Chu Shanghai and its subsidiaries ("Shanghai Underlying Financial Statements") for the Relevant Periods in accordance with the IFRS issued by IASB. Deloitte Touche Tohmatsu CPA Ltd. has carried out independent audit procedures in accordance with IAS issued by IAASB on the Shanghai Underlying Financial Statements.

We have examined the Kosmopolito Underlying Financial Statements, Wuhan Underlying Financial Statements, Chengdu Underlying Financial Statements and Shanghai Underlying Financial Statements and the statutory audited financial statements of Billion Century Holdings Limited, Dorsett Regency Hotel (M) Sdn. Bhd., Everkent Development Limited, Esmart Management Limited, Excel Chinese International Limited, Hong Kong (SAR) Hotel Limited, Panley Limited, Ruby Way Limited, Speedy Time Holdings Limited, Success Range Sdn. Bhd., Top Trend Development Limited, and Venue Summit Sdn. Bhd. and the audited consolidated financial statements of Wanchope and Eldonstead and the Management Accounts for the Relevant Periods or since their respective dates of incorporation/establishment to 31 March 2010, where this is a shorter period (collectively referred to as "Underlying Financial Statements"). Our examination was made in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information which is presented in Hong Kong dollars, the functional currency of the Company, as set out in this report have been prepared from the Underlying Financial Statements on the basis set out in note 1(a) to Section A below after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the respective directors of the companies comprising the Group who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements together with the notes thereon, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1(a) to Section A, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and the Group as at 31 March 2008, 2009 and 2010 and of the Group's results and cash flows for each of the three years then ended.

A. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

	Notes	Year ended 31 March		
		2008	2009	2010
		HK\$'000	HK\$'000	HK\$'000
Revenue	8	633,635	681,905	616,253
Depreciation and amortisation.....		(56,290)	(65,027)	(68,325)
Management fee	9	(5,903)	(5,322)	(2,239)
Operating costs.....		(187,782)	(207,829)	(213,944)
Gross profit		383,660	403,727	331,745
Other income		3,645	2,406	3,162
Administrative expenses		(126,772)	(160,495)	(166,886)
Management fee	9	(31,691)	(29,537)	(28,169)
Pre-opening expenses	10	(1,432)	(1,876)	(6,517)
Change in fair value of investment properties.....		21,807	(6,304)	3,486
Other gains and losses.....	11	63,859	(19,071)	(4,590)
Finance costs	12	(56,185)	(90,225)	(76,612)
Profit before taxation		256,891	98,625	55,619
Income tax expense	13	(30,415)	(11,948)	(9,806)
Profit for the year.....	14	<u>226,476</u>	<u>86,677</u>	<u>45,813</u>
Exchange differences on translation of foreign operations.....		47,473	(45,305)	32,760
Gain on revaluation of hotel properties on transfer to investment properties		–	–	8,843
Deferred tax on revaluation gain		–	–	(2,211)
Other comprehensive income (expense) for the year		<u>47,473</u>	<u>(45,305)</u>	<u>39,392</u>
Total comprehensive income for the year.....		<u>273,949</u>	<u>41,372</u>	<u>85,205</u>
Earnings per share – Basic.....	17	<u>13.09 cents</u>	<u>5.01 cents</u>	<u>2.65 cents</u>

Combined Statements of Financial Position

	Notes	As at 31 March		
		2008	2009	2010
		HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Property, plant and equipment	18			
Hotels		1,885,930	2,115,791	2,424,268
Hotels under development.....		359,105	648,426	712,565
		<u>2,245,035</u>	<u>2,764,217</u>	<u>3,136,833</u>
Furniture, fixture and equipment ..		41,254	56,022	78,165
		<u>2,286,289</u>	<u>2,820,239</u>	<u>3,214,998</u>
Prepaid lease payments.....	19	939,250	1,336,995	1,895,488
Investment properties.....	20	331,502	358,276	363,954
Deposits for acquisition of property, plant and equipment.....		97,150	73,450	110,079
Utility and other deposits paid.....		2,889	4,127	4,234
Pledged deposits	22	–	4,028	4,647
		<u>3,657,080</u>	<u>4,597,115</u>	<u>5,593,400</u>
Current assets				
Inventories		2,805	3,448	3,898
Debtors, deposits and prepayments ..	23	54,312	45,971	51,693
Amounts due from Parent Entities....	28	–	538,112	556,487
Amounts due from related companies.....	24	2,736	–	180
Investment held-for-trading.....	25	–	2,260	2,280
Derivative financial instruments	26	–	8,255	1,678
Prepaid lease payments.....	19	14,672	26,052	33,158
Tax recoverable		117	433	3,918
Pledged deposits	22	2,283	430	430
Bank balances and cash	22	118,274	66,784	93,637
		<u>195,199</u>	<u>691,745</u>	<u>747,359</u>
Current liabilities				
Creditors and accruals	27	90,503	86,678	123,558
Amounts due to Parent Entities.....	29	2,157,465	2,090,004	2,416,299
Amounts due to related companies ..	30	–	3,943	–
Secured bank borrowings	31	384,100	198,032	528,629
Tax payable		8,259	4,335	151
		<u>2,640,327</u>	<u>2,382,992</u>	<u>3,068,637</u>
Net current liabilities.....		<u>(2,445,128)</u>	<u>(1,691,247)</u>	<u>(2,321,278)</u>
Total assets less current liabilities.....		<u>1,211,952</u>	<u>2,905,868</u>	<u>3,272,122</u>
Non-current liabilities				
Secured bank borrowings	31	859,891	2,728,372	3,005,054
Rental and other deposits received...		4,262	3,904	4,869
Deferred tax liabilities.....	32	81,965	74,792	78,194
		<u>946,118</u>	<u>2,807,068</u>	<u>3,088,117</u>
NET ASSETS		<u>265,834</u>	<u>98,800</u>	<u>184,005</u>
Issued capital	33	10,160	10,160	10,160
Reserves		255,674	88,640	173,845
TOTAL EQUITY		<u>265,834</u>	<u>98,800</u>	<u>184,005</u>

Statements of Financial Position of the Company

		As at 31 March		
		2008	2009	2010
Notes		HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Investments in subsidiaries	21	32	32	32
Current assets				
Amounts due from subsidiaries	21	28,985	515,763	526,562
Prepayment		1,000	–	1,315
Bank balances and cash	22	2	2	–
		<u>29,987</u>	<u>515,765</u>	<u>527,877</u>
Current liabilities				
Accruals		3	1	1
Amounts due to Parent Entities	29	30,039	58,622	58,622
Amounts due to subsidiaries	21	–	458,257	470,419
		<u>30,042</u>	<u>516,880</u>	<u>529,042</u>
Net current liabilities		<u>(55)</u>	<u>(1,115)</u>	<u>(1,165)</u>
		<u>(23)</u>	<u>(1,083)</u>	<u>(1,133)</u>
Capital and reserve				
Issued capital	33	–	–	–
Deficit	34	(23)	(1,083)	(1,133)
		<u>(23)</u>	<u>(1,083)</u>	<u>(1,133)</u>

Combined Statements of Changes in Equity

	Issued capital	Exchange reserve	Property revaluation reserve	Other reserve	Merger reserve	(Accumulated loss) retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(note a)	(note b)		
As at 1 April 2007	10,160	6,607	–	199,500	–	(214,688)	1,579
Profit for the year	–	–	–	–	–	226,476	226,476
Other comprehensive income for the year	–	47,473	–	–	–	–	47,473
Total comprehensive income for the year	–	47,473	–	–	–	226,476	273,949
Profit attributable to previous hotel owners (note c)	–	–	–	–	–	(9,694)	(9,694)
As at 31 March 2008	10,160	54,080	–	199,500	–	2,094	265,834
Profit for the year	–	–	–	–	–	86,677	86,677
Other comprehensive income for the year	–	(45,305)	–	–	–	–	(45,305)
Total comprehensive income for the year	–	(45,305)	–	–	–	86,677	41,372
Deemed contribution resulting from disposal of a subsidiary to fellow subsidiary (note 36)	–	–	–	7,940	–	–	7,940
Merger reserve arising from the acquisition of the Hotels	–	–	–	–	(201,048)	–	(201,048)
Profit attributable to previous hotel owners (note c)	–	–	–	–	–	(6,218)	(6,218)
Dividend paid	–	–	–	–	–	(9,080)	(9,080)
As at 31 March 2009	10,160	8,775	–	207,440	(201,048)	73,473	98,800
Profit for the year	–	–	–	–	–	45,813	45,813
Other comprehensive income for the year	–	32,760	6,632	–	–	–	39,392
Total comprehensive income for the year	–	32,760	6,632	–	–	45,813	85,205
As at 31 March 2010	10,160	41,535	6,632	207,440	(201,048)	119,286	184,005

Notes:

- (a) Other reserve represents fair value adjustment of business acquired from Parent Entities and gain on disposal of a subsidiary to the Parent Entities deemed to be capital contributed by the Parent Entities.
- (b) Merger reserve represents the excess of the cash consideration paid for the acquisition of Dorsett Far East Hotel and Dorsett Kowloon Hotel (together referred to as the "Hotels") and the carrying amounts of the assets and liabilities stated in the financial records of the previous respective hotel owners.
- (c) The profit attributable to previous hotel owners, who are subsidiaries of Far East Consortium, represents the operating results of the Hotels in the respective period before they were acquired by the Group and deemed as distributions to the previous respective hotel owners.

Combined Statements of Cash Flows

	Year ended 31 March		
	2008	2009	2010
	Notes	HK\$'000	HK\$'000
Operating activities			
Profit before taxation	256,891	98,625	55,619
Adjustments for:			
Depreciation and amortisation	56,290	65,027	68,325
(Increase) decrease in fair value of investment properties.....	(21,807)	6,304	(3,486)
Decrease in fair value of derivative financial instruments.....	–	11,694	6,577
Impairment loss/allowance for (reversal of) bad and doubtful debts	3,077	9,014	(1,322)
Discount on acquisition of subsidiary	(66,140)	–	–
Loss (gain) on disposal of furniture, fixture and equipment	23	(49)	52
Interest income	(2,612)	(2,258)	(2,467)
Finance costs.....	56,185	90,225	76,612
	<u>281,907</u>	<u>278,582</u>	<u>199,910</u>
Operating cash flows before movements in working capital	281,907	278,582	199,910
Increase in inventories	(100)	(285)	(450)
Increase in investment-held-for trading	–	(2,260)	(20)
Increase in amount due from related companies.....	–	(1,602)	(4,123)
Decrease (increase) in debtors, deposits and prepayments.....	9,516	7,979	(1,252)
Decrease in utility and other deposits paid	(247)	(1,238)	(109)
Increase (decrease) in creditors and accruals.....	42,289	(8,262)	30,838
Increase (decrease) in utility and other deposits received	4,262	(358)	965
	<u>337,627</u>	<u>272,556</u>	<u>225,759</u>
Cash from operations.....	337,627	272,556	225,759
Income tax paid	(20,471)	(23,360)	(16,284)
	<u>317,156</u>	<u>249,196</u>	<u>209,475</u>
Net cash from operating activities....	317,156	249,196	209,475

	Notes	Year ended 31 March		
		2008	2009	2010
		HK\$'000	HK\$'000	HK\$'000
Investing activities				
Payment for acquisition of hotel properties		(189,986)	(95,582)	(82,056)
Development expenditure on hotel properties		(324,351)	(261,432)	(227,479)
Acquisition of property, plant and equipment		(12,915)	(26,683)	(30,896)
Acquisition of subsidiaries/assets, net of cash and cash equivalents.....	35	(70,099)	4,169	–
Disposal of a subsidiary, net of cash and cash equivalents disposed of	36	–	(1,788)	–
Acquisition of investment properties		(294,731)	(27,179)	–
Additions of prepaid lease payments.....		(251,960)	(529,217)	(604,286)
Proceed from disposal of furniture, fixture and equipment		51	2,578	216
Advance to Parent Entities		–	(536,868)	(15,946)
Decrease (increase) in pledged bank deposits.....		22,876	(2,175)	–
Interest received		2,612	1,014	38
Net cash used in investing activities..		<u>(1,118,503)</u>	<u>(1,473,163)</u>	<u>(960,409)</u>
Financing activities				
Advance from (repayment to) Parent Entities		684,131	(395,992)	299,761
New bank borrowings raised		304,705	2,461,493	604,195
Repayments of bank borrowings...		(68,177)	(768,616)	(47,764)
Upfront cost of derivative financial instruments		–	(19,949)	–
Interest paid		(54,839)	(92,904)	(82,867)
Dividend paid		–	(9,080)	–
Net cash from financing activities		<u>865,820</u>	<u>1,174,952</u>	<u>773,325</u>
Increase (decrease) in cash and cash equivalents		<u>64,473</u>	<u>(49,015)</u>	<u>22,391</u>

	Notes	Year ended 31 March		
		2008	2009	2010
		HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents at beginning of the year		52,297	118,274	66,784
Effect of foreign exchange rate changes.....		1,504	(2,475)	4,462
Cash and cash equivalents at end of the year		118,274	66,784	93,637
Represented by				
Bank balances and cash		118,274	66,784	93,637

Notes to the Financial Information

1. BASIS OF PREPARATION

(a) Reorganisation

Pursuant to the Reorganisation to rationalise the group structure to prepare for the listing of the shares of the Company, the Company acquired from Far East Consortium the entire equity interest in the Combined Entities and became the holding company of the companies comprising the Group. The Combined Entities and the Company were under common control of Far East Consortium before and after the acquisition. Therefore, the Combined Entities and the Company are regarded as continuing entities and the acquisition of the Combined Entities are accounted for as a reorganisation of entities under common control by applying the principles of merger accounting in accordance with Guideline No. 5 "Merger Accounting for Common Control Combinations".

On 25 September 2008, certain subsidiaries of the Company acquired Hotels' operations which were ultimately owned by Far East Consortium. The Hotels' operations and these subsidiaries were under the common control of Far East Consortium before and after the acquisition and therefore, it is also accounted for as a common control reorganisation by applying the principles of merger accounting in accordance with Guideline No. 5 "Merger Accounting for Common Control Combinations".

The combined statements of comprehensive income and the combined statements of cash flow for the Relevant Periods include the results and cash flows of the companies and businesses comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or establishment, whichever period is shorter.

The combined statements of financial position as at 31 March 2008, 2009 and 2010 have been prepared to present the assets and liabilities of the companies and businesses now comprising the Group as if the current group structure had been in existence as at those dates.

(b) Going concern

As at 31 March 2008, 2009 and 2010, the Group's current liabilities exceeded its current assets by HK\$2,445,128,000, HK\$1,691,247,000 and HK\$2,321,278,000 respectively. Taking into account the capitalisation of the net amount due to Parent Entities amounting to HK\$1,859,812,000 pursuant to the Reorganisation, available banking facilities, cash flows generated from operations and the financial support from the ultimate holding company, which will be released upon the successful listing of the Company, the directors of the Company are of the opinion that the Group will have sufficient resources to meet its present requirements. Accordingly, the Financial Information has been prepared on a going concern basis.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted Hong Kong Accounting Standards ("HKASs"), HKFRSs, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year ended 31 March 2010 throughout the Relevant Periods. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

At the date of this report, the Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKFRSs (Amendments)	Improvements to HKFRSs 2010 ³
HKAS 24 (Revised)	Related Party Disclosures ⁷
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁵
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ⁴
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁶
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ⁴
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁸
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁷
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

¹ Effective for annual periods beginning on or after 1 July 2009.

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

⁴ Effective for annual periods beginning on or after 1 January 2010.

⁵ Effective for annual periods beginning on or after 1 February 2010.

⁶ Effective for annual periods beginning on or after 1 July 2010.

⁷ Effective for annual periods beginning on or after 1 January 2011.

⁸ Effective for annual periods beginning on or after 1 January 2013.

The adoption of HKFRS 3 (Revised 2008) may affect the accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised 2008), which is applicable at the same time, will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasehold land were required to be classified as operating leases and present as prepaid lease payments. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the Financial Information.

3. PRINCIPAL ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for the investment properties and certain financial instruments which are measured at fair value as explained in the accounting policies set out below.

Basis of combination

The Financial Information incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the acquirer has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year (other than the reorganisation involving entities under common control) are included in the combined statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on combination.

Merger accounting for reorganisation involving entities under common control

The financial information incorporate the financial statements items of the combining entities or businesses which are under common control as if the combination occurred from the date when the combining entities or businesses first came under the control of the ultimate holding company.

The net assets of the combining entities or businesses are combined based on the existing carrying values in the books and records from the ultimate holding company's perspective.

The combined statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the control of the ultimate holding company, where this is a shorter period, regardless of the date of the common control combination.

Business combinations

Acquisition of business (other than reorganisation involving entities under common control) is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer in exchange for control of the acquiree, plus any costs directly attributable to the acquisition. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair values at the date of acquisition.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognised immediately in profit or loss.

Property, plant and equipment

Property, plant and equipment other than hotels under development are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment other than hotels under development over their estimated useful lives and after taking into account of their estimated residual value.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the property revaluation reserve will be transferred directly to retained profits.

Hotels under development

Hotel under development held for owner's operation are stated at cost less any impairment loss recognised. Cost comprises development expenditure including professional charges directly attributable to the development and interest capitalised during the development period. No depreciation is provided on the cost of the buildings until hotel operation commences.

When the building on the leasehold land is in the course of development, the leasehold land component is classified as a prepaid lease and is amortised on a straight-line basis over the lease term. The amortisation charge for the leasehold land is included as part of the costs of the buildings under construction during the construction period.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year in which the item is derecognised.

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation. The fair value at the date of transfer becomes the deemed cost for subsequent accounting as property, plant and equipment.

Investment in subsidiaries

In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Leases***The Group as lessor***

Rental Income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets held for trading and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(a) *Loans and receivables*

Loans and receivables (including debtors, amounts due from Parent Entities, subsidiaries and related companies, and pledged deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the financial assets at initial recognition.

(b) *Financial assets held-for-trading*

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At the end of each reporting period subsequent to initial recognition, financial assets held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Impairment of financial assets

Financial assets except for financial assets held for trading are assessed for indicators of impairment at end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When such receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

Financial liabilities include creditors, amounts due to Parent Entities, related companies and subsidiaries, and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all expenses on points paid or received that form an integral part interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying financial liability at initial recognition. Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories representing stocks of food, beverages and general stores, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method.

Revenue recognition

Revenue measured at the fair value of the consideration received or receivable for the services provided in the normal course of business, net of discounts and related taxes. Revenue from hotel operations is recognised when the relevant services are provided.

Rental income from properties under operating lease is recognised on a straight-line basis over the periods of the respective tenancies.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at effective the interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits schemes

Payments to defined contribution retirement benefit plans are charged as expenses when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in its functional currency, the currency of the primary economic environment in which the entity operates, at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as exchange reserve, a separate component of equity. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the combined statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax liabilities are calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined statements of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of giving rise to a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value of derivative financial instruments

The Group relies on the valuations provided by financial institutions to determine the fair values of the interest rate swaps based on the discounted cash flow analysis using the applicable yield curve over the duration of the instruments. Judgment is required for the variables used in arriving at these fair values. Changes in the underlying assumptions could materially impact profit and loss.

Estimated allowances for bad and doubtful debts

The Group makes allowances for bad and doubtful debts when there is objective evidence that debtor balances are impaired. The balances of the debtors are based on the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition. The directors exercised a considerable amount of judgement in assessing the ultimate realisation of these receivables including the current creditworthiness and the past collection history of each debtor. If the financial credit of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments and therefore affecting the estimated future cash flow, additional allowance may be required.

Deferred taxation

The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the foreseeable future such that the deferred tax assets can be utilised. The management of the Company determine whether deferred tax assets would be recognised based on profit projections of the respective Group entities and the expected reversal of taxable temporary differences in the coming years. The Group will review the probability of utilising tax losses in future at the end of each reporting period. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the group entity will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The capital structure of the Group consists of borrowings less cash and cash equivalents and equity attributable to equity holders of the Group, comprising issued capital, reserves and retained profits.

The Group regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through issuance of new shares, raising new debts and repayment of existing debts.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

THE GROUP	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Investment held- for- trading	–	2,260	2,280
Derivative financial instruments.....	–	8,255	1,678
Loans and receivables			
Trade and other debtors	49,087	41,393	50,857
Amounts due from related companies.....	2,736	–	180
Amounts due from Parent Entities	–	538,112	556,487
Pledged deposits	2,283	4,458	5,077
Bank balance and cash.....	118,274	66,784	93,637
	<u>172,380</u>	<u>661,262</u>	<u>710,196</u>
Financial liabilities			
Financial liabilities stated at amortised cost			
Trade and other creditors	88,382	84,605	118,228
Amounts due to Parent Entities.....	2,157,465	2,090,004	2,416,299
Amounts due to related companies	–	3,943	–
Secured bank borrowings	1,243,991	2,926,404	3,533,683
	<u>3,489,838</u>	<u>5,104,956</u>	<u>6,068,210</u>
THE COMPANY	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Loans and receivables			
Amounts due from subsidiaries	28,985	515,763	526,562
Bank balances and cash.....	2	2	–
	<u>28,987</u>	<u>515,765</u>	<u>526,562</u>
Financial liabilities			
Financial liabilities stated at amortised cost			
Amounts due to Parent Entities.....	30,039	58,622	58,622
Amounts due to subsidiaries	–	458,257	470,419
	<u>30,039</u>	<u>516,879</u>	<u>529,041</u>

b. Financial risk management objectives and policies

Details of the Group's financial instruments are disclosed above and in the respective notes. The risks associated with these financial instruments include interest rate risk, price risk, credit risk and liquidity risk.

The management monitors and manages the financial risk of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances and deposits, amounts due to Parent Entities and bank borrowings. The Group has entered into certain interest rate swaps contracts to mitigate the risk of the fluctuation of interest rate on its future interest payments on the Group's bank borrowings which carry variable rates of interest based on HIBOR.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate amounts due from/to Parent Entities.

The Company's exposure to interest rate risk is insignificant as the Company does not have any significant interest bearing assets and liabilities.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for its variable rate bank borrowings. The analysis is prepared assuming that the bank borrowings outstanding at the end of the reporting periods were outstanding for the whole year. A 200, 50, 50 basis points increase or decrease are used when reporting interest rate risk internally to key management personnel for the years ended 31 March 2008, 2009 and 2010 respectively and represent management's assessment of the reasonably possible change in the interest rates.

The management adjusted the sensitivity rate from 200 basis points to 50 basis points for assessing interest rate risk after considering the impact of the volatile financial market conditions in the last quarter of the year 2008.

If interest rates had been 200, 50, 50 basis points higher/lower and all other variables were held constant, the Group's profit after taxation would decrease or increase by HK\$15,383,000, HK\$9,292,000 and HK\$10,179,000 for the years ended 31 March 2008, 2009 and 2010 respectively and the interest capitalised to the Group's hotel properties under development would increase/decrease by HK\$3,982,000, HK\$2,803,000 and HK\$4,413,000 respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the Relevant Periods.

Price risk

The Group is exposed to price risk arising from investment held-for-trading.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risk at end of each reporting period. A 10% increase or decrease was used when reporting price risk internally to key management personnel for the years ended 31 March 2009 and 2010 respectively and represented management's assessment of the reasonably possible change in the market price.

If the price of the respective securities has been changed by 10% higher/lower, the profit for the year ended 31 March 2009 and 2010 would increase/decrease by HK\$226,000 and HK\$228,000 respectively.

Credit risk

At the end of each reporting period, the Company's and the Group's maximum exposure to credit risk which will cause a financial loss to the Company and the Group in the event of the counterparties failure to discharge their obligations in relation to each class of recognised financial assets as stated in the statements of financial position of the Company and the Group. In order to minimise the credit risk, the management of the respective companies has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The Company and the Group have concentration of credit risk on financial assets as significant amount of the financial assets are due from Parent Entities. However, these amounts were set off against the amounts due to Parent Entities and the net amount due to Parent Entities will be capitalised upon listing.

The Group has no significant concentration of credit risk over its trade debtors, with exposure spread over a number of counterparties and customers. The management of the respective companies reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group's concentration of credit risk by geographical locations of customers are mainly in Hong Kong and Malaysia which accounted for 57% and 42%, 44% and 55%, 49% and 50% of trade receivables as at 31 March 2008, 2009 and 2010 respectively.

The credit risk on bank deposits is limited because the counterparties are financial institutions with high credit ratings.

Liquidity risk

The Group's liquidity requirement for operation and its compliance with lending covenants is monitored closely by the management of the respective companies, to ensure that it maintain sufficient reserve of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirement in the short and longer term.

Although the Group's current liabilities exceeded its current assets as at 31 March 2008, 2009 and 2010, the Parent Entities have been providing necessary funding to the group entities to meet their financial obligations when required. With the available banking facilities and financing from holding companies, the Group monitors its cash positions regularly to ensure that each of the companies comprising the Group are able to meet their liquidity requirements.

In addition, the Group relies on bank borrowings as one of the significant sources of funds for the acquisition and development of the hotels. Details of the borrowings are set out in Note 31. As at 31 March 2008, 2009 and 2010, the Group has available unutilised bank loan facilities of HK\$178,000,000, HK\$110,000,000 and HK\$227,088,000 respectively.

The following table details the Group's contractual maturity for non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand or 0-180 days	181-365 days	One to three years	Three to five years	Over five years	Total	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>At 31 March 2008</i>								
Non-interest bearing	N/A	2,066,042	–	–	–	4,262	2,070,304	2,070,304
Variable interest rate financial liabilities	3.88%	461,872	144,137	284,356	361,356	392,962	1,644,683	1,243,991
		<u>2,527,914</u>	<u>144,137</u>	<u>284,356</u>	<u>361,356</u>	<u>397,224</u>	<u>3,714,987</u>	<u>3,314,295</u>
<i>At 31 March 2009</i>								
Non-interest bearing	N/A	1,775,351	–	1,429	215	2,260	1,779,255	1,779,255
Variable interest rate financial liabilities	3.34%	92,810	189,274	382,501	2,085,543	414,334	3,164,462	2,926,404
Fixed interest rate financial liabilities	0.5%	403,201	–	–	–	–	403,201	403,201
		<u>2,271,362</u>	<u>189,274</u>	<u>383,930</u>	<u>2,085,758</u>	<u>416,594</u>	<u>5,346,918</u>	<u>5,108,860</u>
<i>At 31 March 2010</i>								
Non-interest bearing	N/A	2,184,147	80	2,203	307	2,280	2,189,017	2,189,017
Variable interest rate financial liabilities	3.34%	308,725	310,660	244,392	2,617,742	387,148	3,868,667	3,533,683
Fixed interest rate financial liabilities	0.5%	350,380	–	–	–	–	350,380	350,380
		<u>2,843,252</u>	<u>310,740</u>	<u>246,595</u>	<u>2,618,049</u>	<u>389,428</u>	<u>6,408,064</u>	<u>6,073,080</u>

The Company's contractual maturity for its non-interest bearing amounts due to Parent-Entities with the carrying amount of HK\$30,039,000, HK\$58,622,000 and HK\$58,622,000 as at 31 March 2008, 2009 and 2010 and non-interest bearing amounts due to subsidiaries with carrying amount of HK\$Nil, HK\$458,257,000 and HK\$470,419,000 as at 31 March 2008, 2009 and 2010 respectively is within one year.

c. Fair value measurement of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of the interest rate swap (classified as level 2 below) is determined based on a discounted cash flow analysis using the applicable yield curve observable from the market over the duration of the instruments;
- the fair value of listed investments with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial information approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of financial assets measured in different levels recognised in the combined statements of financial position are as follows:

	As at 31 March					
	2009			2010		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Derivative financial instruments.....	–	8,255	8,255	–	1,678	1,678
Investment held-for-trading	2,260	–	2,260	2,280	–	2,280
	<u>2,260</u>	<u>8,255</u>	<u>10,515</u>	<u>2,280</u>	<u>1,678</u>	<u>3,958</u>

There were no transfers between Level 1 and 2 during the Relevant Periods.

7. SEGMENT INFORMATION

The operating segments of the Group represent the components of the Group whose operating results are regularly reviewed by the chief operating decision maker for the purpose of making decisions about resources allocation and assessment of performance. The chief operating decision maker comprises the executive directors of Far East Consortium who are also the key management personnel of the Group during the Relevant Periods.

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment is focused on revenue and operating results from properties in each of the four geographical locations, Hong Kong, other regions in PRC, Malaysia, and Singapore. Accordingly, the operating segments of the Group comprise these four operating divisions, whose principal activities are as follows:

Hong Kong	–	Hotel operation and management
Malaysia	–	Hotel operation and management
Other regions in PRC	–	Hotel operation and leasing of investment properties
Singapore	–	Hotel development

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments for the Relevant Periods.

	Segment revenue			Segment profit		
	Year end 31 March			Year end 31 March		
	2008	2009	2010	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	422,823	417,409	339,913	133,026	77,533	33,717
Malaysia	209,616	237,112	241,782	103,587	39,333	40,938
Other regions in the PRC	1,196	27,384	34,558	20,293	(18,228)	(18,862)
Singapore	–	–	–	(15)	(13)	(174)
Total	<u>633,635</u>	<u>681,905</u>	<u>616,253</u>	<u>256,891</u>	<u>98,625</u>	<u>55,619</u>

The totals of the operating segments' revenue and profits are the same as the combined revenue and combined profit before taxation of the Group, respectively.

Segment profit represents pre-tax profit earned by each segment. Segment revenue represents revenue of each segment derived from external customers. None of the segments derived any revenue from transactions with other segments.

No revenue from any single customer during each of the years in the Relevant Periods contributed over 10% of the total revenue of the Group.

(b) Segment assets

The following is an analysis of the Group's segment assets at the end of each reporting period:

	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Hong Kong	2,186,867	3,091,615	3,405,803
Malaysia	705,160	917,616	1,011,459
Other regions in the PRC	960,252	1,279,629	1,457,332
Singapore	–	–	466,165
Total	<u>3,852,279</u>	<u>5,288,860</u>	<u>6,340,759</u>

The totals of the operating segments' assets are the same as the combined total assets of the Group.

No information about segment liabilities are reviewed by, or otherwise regularly provided to, the chief operating decision maker. Accordingly, no such segment information is disclosed.

The accounting policies adopted in preparing the segment information are the same as the accounting policies described in note 3.

(c) Other information

For the year ended 31 March 2008

	Hong Kong	Malaysia	Other regions in the PRC	Singapore	Combined
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Allowance for bad and doubtful debts.....	2,872	205	–	–	3,077
Depreciation and amortisation	41,734	14,362	194	–	56,290
Increase in fair value of investment properties....	–	–	(21,807)	–	(21,807)
Interest income	(490)	(253)	(1,869)	–	(2,612)
Interest expense	39,387	14,449	2,349	–	56,185
Discount on acquisition of subsidiary	–	(66,140)	–	–	(66,140)
Additions to property, plant and equipment, prepaid lease payment, and investment properties.....	309,688	40,851	793,365	–	1,143,904

For the year ended 31 March 2009

	Hong Kong	Malaysia	Other regions in the PRC	Singapore	Combined
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Allowance on amount due from jointly-controlled entity of a fellow subsidiary	7,200	–	–	–	7,200
Allowance for bad and doubtful debts.....	898	916	–	–	1,814
Depreciation and amortisation	41,635	20,880	2,512	–	65,027
Decrease in fair value on investment properties...	–	–	6,304	–	6,304
Decrease in fair value of derivative financial instruments	11,694	–	–	–	11,694
Interest income	(1,262)	(807)	(189)	–	(2,258)
Interest expense	52,319	15,885	22,021	–	90,225
Additions to property, plant and equipment, prepaid lease payment, and investment properties.....	454,492	462,386	198,925	–	1,115,803

For the year ended 31 March 2010

	Hong Kong	Malaysia	Other regions in the PRC	Singapore	Combined
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Allowance for (reversal of) bad and doubtful debts	(1,543)	221	–	–	(1,322)
Depreciation and amortisation	41,762	19,136	7,427	–	68,325
Increase in fair value on investment properties ...	–	–	(3,486)	–	(3,486)
Decrease in fair value of derivative financial instruments	6,577	–	–	–	6,577
Interest income	(2,150)	(279)	(38)	–	(2,467)
Interest expense	45,089	13,643	17,880	–	76,612
Additions to property, plant and equipment, prepaid lease payment and investment properties	360,300	134,287	22,010	418,229	934,826

Geographical information

The following table sets out information about the geographical location of the Group's non-current assets.

	Non-current assets		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Hong Kong	2,115,308	2,485,523	2,801,983
Malaysia	627,216	848,283	937,271
Other regions in the PRC	911,667	1,255,154	1,431,152
Singapore	–	–	414,113
	<u>3,654,191</u>	<u>4,588,960</u>	<u>5,584,519</u>

Non-current assets excluded utility and other deposits paid and pledged deposits.

8. REVENUE

An analysis of the Group's revenue representing the aggregate amount of income from hotel operations, which are mainly from hotel room revenue, and gross rental from leasing of properties, net of business tax, is as follows:

	Year ended 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Hotel room revenue, food and beverage	618,907	647,611	580,050
Gross rental income from properties	14,728	34,294	36,203
	<u>633,635</u>	<u>681,905</u>	<u>616,253</u>

The applicable business tax ranged from 3% to 5% on room revenue and food and beverage from hotels and 5% on gross rental from PRC properties.

9. MANAGEMENT FEE

Under the existing arrangements, Subang Jaya Hotel Development Sdn. Bhd. paid hotel management fee to an hotel operator, Sheraton Overseas Management Corporation, amounting to HK\$5,903,000, HK\$5,322,000, HK\$2,239,000 for the years ended 31 March 2008, 2009 and 2010, respectively. Such management fee is presented as part of the direct operating cost of the hotels. The management service from Sheraton has already been terminated in September 2009 upon the expiry of the management contract. Since then, the Group managed the hotel operation by itself.

Certain companies also paid management fee to fellow subsidiaries for corporate management services provided and office support as disclosed in note 43.

10. PRE-OPENING EXPENSES

Pre-opening expenses represent costs incurred in connection with start-up activities prior to the grand opening of new hotels. These primarily include staff cost and utility charges.

11. OTHER GAINS AND LOSSES

	Year ended 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Discount on acquisition of subsidiary (note 35(a))	66,140	–	–
Decrease in fair value of derivative financial instruments	–	(11,694)	(6,577)
(Loss) gain on disposed of furniture, fixtures and equipment	(23)	49	(52)
Net foreign exchange gain	819	1,588	717
(Allowance for) reversal of bad and doubtful debts			
– Trade receivables	(3,077)	(1,814)	1,322
– Amount due from a jointly controlled entity of a fellow subsidiary	–	(7,200)	–
	(3,077)	(9,014)	1,322
	63,859	(19,071)	(4,590)

12. FINANCE COSTS

	Year ended 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Interest on bank borrowings			
– wholly repayable within five years	17,962	67,831	66,244
– not wholly repayable within five years	36,859	24,763	16,501
Interest on amounts due to fellow subsidiaries			
– wholly repayable within five years	9,650	3,639	1,237
Amortisation of front-end fee	–	4,098	8,449
Others	18	310	122
	64,489	100,641	92,553
Less: amount capitalised to hotel properties under development	(8,304)	(10,416)	(15,941)
	56,185	90,225	76,612

13. INCOME TAX EXPENSE

	Year ended 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Current year income tax			
Hong Kong	21,992	19,109	8,516
Other jurisdictions	154	12	99
	<u>22,146</u>	<u>19,121</u>	<u>8,615</u>
Deferred taxation (note 32)			
Current year	8,269	(1,155)	1,191
Attributable to change in tax rates	–	(6,018)	–
	<u>30,415</u>	<u>11,948</u>	<u>9,806</u>

Taxation arising in each regions is calculated at the rates prevailing in the relevant jurisdiction.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The domestic statutory tax rate of Malaysia and Singapore was reduced from 26% to 25% and 18% to 17% effective from the year of assessment 2009 and year of assessment 2010 respectively.

The taxation charge can be reconciled to the profit before taxation per the combined statements of comprehensive income as follows:

	Year ended 31 March 2008				
	Hong Kong	Other regions in the PRC	Malaysia	Singapore	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) before taxation	133,026	20,293	103,587	(15)	256,891
Applicable income tax rate	17.5%	33%	26%	18%	
Tax at the applicable income tax rate	23,280	6,697	26,933	(3)	56,907
Tax effect of expenses not deductible for tax purpose.....	401	807	1,829	3	3,040
Tax effect of income not taxable	(338)	(312)	(17,775)	–	(18,425)
Tax effect of tax losses not recognised	129	4	–	–	133
Utilisation of tax loss previously not recognised ..	(126)	–	(9,186)	–	(9,312)
Utilisation of temporary differences previously not recognised	–	–	(1,678)	–	(1,678)
Underprovision of income tax	–	–	74	–	74
Others	(281)	–	(43)	–	(324)
Income tax expense for the year	23,065	7,196	154	–	30,415
	Year ended 31 March 2009				
	Hong Kong	Other regions in the PRC	Malaysia	Singapore	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) before taxation	77,533	(18,228)	39,333	(13)	98,625
Applicable income tax rate	16.5%	25%	25%	18%	
Tax at the applicable income tax rate	12,793	(4,557)	9,833	(2)	18,067
Tax effect of expenses not deductible for tax purpose.....	3,174	158	2,410	2	5,744
Tax effect of income not taxable	(83)	(101)	(316)	–	(500)
Utilisation of temporary difference previously not recognised	–	–	(5,127)	–	(5,127)
Tax effect of tax losses not recognised	2,678	2,924	664	–	6,266
Utilisation of tax loss previously not recognised ..	–	–	(7,100)	–	(7,100)
Under(over)provision of income tax.....	687	–	(10)	–	677
Effect of change in tax rate.....	(4,273)	(1,745)	–	–	(6,018)
Others	282	–	(343)	–	(61)
Income tax expense for the year	15,258	(3,321)	11	–	11,948

	Year ended 31 March 2010				
	Hong Kong	Other regions in the PRC	Malaysia	Singapore	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) before taxation	33,717	(18,862)	40,938	(174)	55,619
Applicable income tax rate	16.5%	25%	25%	17%	
Tax at the applicable income tax rate	5,563	(4,716)	10,235	(30)	11,052
Tax effect of expenses not deductible for tax purpose	964	509	500	30	2,003
Tax effect of income not taxable for tax purpose ..	–	(46)	(1,985)	–	(2,031)
Tax effect of tax losses not recognised	1,100	5,174	–	–	6,274
Utilisation of tax loss previously not recognised ..	–	–	(7,963)	–	(7,963)
Under(over)provision of income tax	143	–	(21)	–	122
Others	(35)	71	313	–	349
Income tax expense for the year	7,735	992	1,079	–	9,806

Details of the deferred taxation are set out in note 32.

14. PROFIT FOR THE YEAR

	Year ended 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Profit for the year is arrived at after charging:			
Auditor's remuneration	1,529	1,242	2,329
Staff costs			
Directors' emoluments	–	–	–
Other staff	131,591	143,656	157,390
Retirement benefit scheme contributions	7,675	9,240	9,869
	139,266	152,896	167,259
Depreciation	47,866	54,251	58,537
Amortisation of prepaid lease payments	11,135	21,197	28,778
Less: amount capitalised to hotel properties under development	(2,711)	(10,421)	(18,990)
	<u>8,424</u>	<u>10,776</u>	<u>9,788</u>
and after crediting:			
Gross rental income	14,728	34,294	36,203
Less: Direct operating costs	(1,319)	(1,563)	(3,508)
Net rental income	13,409	32,731	32,695
Interest income from ultimate holding company	–	1,244	2,429
Bank interest income	2,612	1,014	38
	<u>16,033</u>	<u>35,249</u>	<u>35,130</u>
The following supplementary information is provided in respect of the Group's EBITDA (representing the profit before taxation, interest income, finance costs, depreciation and amortisation) and adjusted EBITDA for the Relevant Periods.			
Profit before taxation	256,891	98,625	55,619
Interest income	(2,612)	(2,258)	(2,467)
Finance costs	56,185	90,225	76,612
Depreciation and amortisation	56,290	65,027	68,325
EBITDA	366,754	251,619	198,089
Pre-opening expenses,	1,432	1,876	6,517
Management fee	37,594	34,859	30,408
Change in fair value of investment properties	(21,807)	6,304	(3,486)
Change in fair value of derivative financial instruments	–	11,694	6,577
Discount on acquisition of a subsidiary	(66,140)	–	–
Allowance for bad and doubtful debts on amount due from a jointly controlled entity of a fellow subsidiary	–	7,200	–
Adjusted EBITDA	<u>317,833</u>	<u>313,552</u>	<u>238,105</u>
Adjusted EBITDA margin (Adjusted EBITDA/Revenue)	<u>50.2%</u>	<u>46.0%</u>	<u>38.6%</u>

15. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION**(a) Directors' emoluments**

No remuneration were paid or are payable to any directors of the companies comprising the Group. However, certain executive and non-executive directors received remuneration from the Company's ultimate holding company in respect of their services to Far East Consortium and its subsidiaries including the Group. The amounts paid by Far East Consortium have not been allocated between their services to the Group, and their services to Far East Consortium and its subsidiaries excluding the Group, as the allocation of services of their directors to the various group companies in the Far East Consortium Group is not feasible.

Certain executive and non-executive directors of the Company were granted options to subscribe for shares of Far East Consortium under the share option schemes adopted by Far East Consortium. Their entitlement to the options relate to their services to a number of companies within the Far East Consortium group including the Company and its subsidiaries. Details of the options schemes and the directors' entitlements to these options are disclosed in the annual report of Far East Consortium. The value of the share option has not been allocated amongst individual companies as the allocation of the services of their directors to the various group companies in the Far East Consortium Group is not feasible.

(b) Employees' emoluments

The emoluments of the five highest paid individuals of the Group were as follows:

	Year ended 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Salaries and other benefits	4,219	5,077	5,261
Contributions to retirement benefit scheme	60	60	60
	<u>4,279</u>	<u>5,137</u>	<u>5,321</u>

The emoluments were within the following bands:

	Year ended 31 March		
	2008	2009	2010
HK\$1,500,001 to HK\$2,000,000	1	1	1
HK\$1,000,001 to HK\$1,500,000	1	1	1
Less than HK\$1,000,000	3	3	3
	<u>5</u>	<u>5</u>	<u>5</u>

No emolument was paid to the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods. No directors waived any of their emoluments for the Relevant Periods.

16. DIVIDENDS

Dorsett Regency Hotel (M) Sdn. Bhd. had paid dividends of HK\$9,080,000 at RM0.8 per share on 5,000,000 shares in the year ended 31 March 2009 to its immediate holding company.

Apart from the above, no dividend has been paid or declared by any companies now comprising the Group during the Relevant Periods or since their respective dates of incorporation/establishment, whichever period is shorter.

17. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Relevant Periods is based on the combined profit attributable to equity holders of the Company for each of the Relevant Periods and on 1,730,000,000 shares, which have been adjusted retrospectively for the shares issued pursuant to the capitalisation of the amounts due to Parent Entities (as detailed in Section C).

Diluted earnings per share is not presented as there were no potential ordinary shares outstanding during the Relevant Periods or as at the date of this report.

18. PROPERTY, PLANT AND EQUIPMENT

	Hotels		Leasehold improvement and furniture, fixtures and equipment	Total
	Completed	Under development		
	HK\$'000	HK\$'000		
COST				
At 1 April 2007	1,733,913	23,739	46,681	1,804,333
Addition	99,986	335,366	12,915	448,267
Acquired through business combinations (note 35(a))	103,737	–	4,791	108,528
Disposal	–	–	(1,079)	(1,079)
Exchange alignment	42,326	–	1,999	44,325
At 31 March 2008	1,979,962	359,105	65,307	2,404,374
Addition	341,144	282,269	32,574	655,987
Disposal	–	–	(5,829)	(5,829)
Exchange alignment	(83,915)	7,052	(8,065)	(84,928)
At 31 March 2009	2,237,191	648,426	83,987	2,969,604
Addition	47,856	264,621	29,117	341,594
Reclassification upon completion of development	204,575	(204,575)	–	–
Transferred from investment properties	33,205	–	–	33,205
Transferred to investment properties	(10,366)	–	–	(10,366)
Disposal	–	–	(577)	(577)
Exchange alignment	84,069	4,093	8,134	96,296
At 31 March 2010	2,596,530	712,565	120,661	3,429,756
DEPRECIATION				
At 1 April 2007	52,139	–	15,564	67,703
Provided for the year	39,232	–	8,634	47,866
Eliminated on disposal	–	–	(1,005)	(1,005)
Exchange alignment	2,661	–	860	3,521
At 31 March 2008	94,032	–	24,053	118,085
Provided for the year	44,206	–	10,045	54,251
Eliminated on disposal	–	–	(3,300)	(3,300)
Exchange alignment	(16,838)	–	(2,833)	(19,671)
At 31 March 2009	121,400	–	27,965	149,365
Provided for the year	46,794	–	11,743	58,537
Eliminated on transfer to investment properties	(1,485)	–	–	(1,485)
Eliminated on disposal	–	–	(309)	(309)
Exchange alignment	5,553	–	3,097	8,650
At 31 March 2010	172,262	–	42,496	214,758
CARRYING VALUES				
At 31 March 2008	1,885,930	359,105	41,254	2,286,289
At 31 March 2009	2,115,791	648,426	56,022	2,820,239
At 31 March 2010	2,424,268	712,565	78,165	3,214,998

The carrying amounts of hotels shown above are situated on land:

	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
In Hong Kong:			
Long lease	83,383	90,604	112,220
Medium-term lease	1,213,928	1,369,619	1,486,020
Outside Hong Kong:			
Freehold	574,227	693,502	774,957
Long lease	–	93,092	101,328
Medium-term lease	373,497	517,400	662,308
	<u>2,245,035</u>	<u>2,764,217</u>	<u>3,136,833</u>

The hotel buildings are depreciated on a straight-line basis over 50 years or the remaining term of the lease of land, whichever is the shorter.

Other items of property, plant and equipment are depreciated on a straight-line basis at the rates of 10% to 20% per annum.

The carrying amounts of hotels under development at 31 March 2008, 2009 and 2010 includes capitalised interest expense of HK\$14,434,000, HK\$22,738,000 and HK\$29,456,000 respectively.

During the year ended 31 March 2010, the Group changed the use of certain floors of a building, a hotel/commercial complex, which were accordingly transferred from hotel properties (classified as property, plant and equipment and prepaid lease payment) to investment properties or vice versa at their fair value on the date of transfer. Revaluation gain attributable to hotel properties recognised in property revaluation reserve upon the transfer to investment properties amounts to HK\$8,843,000.

19. PREPAID LEASE PAYMENTS

	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
The carrying amount represents:			
Leasehold land in Hong Kong			
Long-term lease with lease period of 93 years	–	47,122	45,334
Medium-term lease with lease period ranging from 37 to 40 years ..	786,487	978,196	1,153,876
Leasehold land outside Hong Kong			
Long-term lease with lease period ranging from 83 to 99 years	29,949	25,687	436,282
Medium-term lease with lease period ranging from 33 to 37 years ..	137,486	312,042	293,154
	<u>953,922</u>	<u>1,363,047</u>	<u>1,928,646</u>
Analysed for reporting purposes as:			
Current asset	14,672	26,052	33,158
Non-current asset	939,250	1,336,995	1,895,488
	<u>953,922</u>	<u>1,363,047</u>	<u>1,928,646</u>

Pursuant to the change of use of certain floors of a building as disclosed in note 18, during the year ended 31 March 2010, the leasehold land attributable to these floors amounting to HK\$5,159,000 was transferred to investment properties.

20. INVESTMENT PROPERTIES

	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
At 1 April.....	–	331,502	358,276
Additions.....	294,731	27,179	–
Transferred from property, plant and equipment and prepaid lease payment.....	–	–	22,883
Increase (decrease) in fair value.....	21,807	(6,304)	12,329
Transferred to hotel properties.....	–	–	(33,205)
Exchange adjustments.....	14,964	5,899	3,671
At 31 March.....	<u>331,502</u>	<u>358,276</u>	<u>363,954</u>

The investment properties are outside Hong Kong under medium-term lease.

The investment properties were stated at fair value at the end of each reporting period. The fair values of the investment properties have been arrived at on the basis of a valuation carried out as of those dates by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited are members of the Hong Kong Institute of Surveyors. The valuation was arrived at by making reference to comparable rental as available in the relevant market.

Fair value gain of HK\$600,000 was recognised in profit or loss for the year ended 31 March 2010 upon the transfer of an investment property to property plant and equipment evidenced by the commencement of owner occupation.

21. INVESTMENTS IN SUBSIDIARIES

	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost.....	<u>32</u>	<u>32</u>	<u>32</u>

Details of the Company's subsidiaries, Caragis Limited, Charter Joy Limited, Complete Delight Limited, Cosmopolitan Hotel Limited, Double Advance Group Limited, Giovanna Holdings Limited ("Giovanna") Grand Expert Limited, Hong Kong Hotel REIT Finance Co Ltd, Richfull International Investment Limited, The Hotel of Lan Kwai Fong Limited, Vicsley Limited, Kosmopolito Hotels International Services Limited, Dorsett Hotels & Resort International Limited and Dorsett Hotel Management Service (Singapore) Pte Limited which were wholly-owned by the Company throughout the Relevant Periods are set out on pages 2 to 3 of the report. In addition, Giovanna, an inactive company incorporated in BVI on 28 October 2009 with one issued and fully paid ordinary share of USD1 was disposed of on 14 September 2010.

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

22. BANK DEPOSITS

Pledged deposits carry fixed interest rate from 0.02% to 5.20%, 0.02% to 3.00% and 0.001% to 0.01% per annum for the three years ended 31 March 2008, 2009 and 2010 respectively with maturity dates ranging from 1 to 6 months.

Pledged deposits included in non-current assets are pledged to secure bank borrowings repayable after five years whereas those included in current assets are pledged to secure bank borrowings repayable within one year.

Bank deposits with maturity of less than three months and bank balances carry floating market interest rate from 0.18% to 3.5%, 0.01% to 2% and 0.01% to 2.22% per annum for the three years ended 31 March 2008, 2009 and 2010 respectively.

The bank balances of the Company carry interest at less than 0.01% throughout the Relevant Periods.

23. DEBTORS, DEPOSITS AND PREPAYMENTS

Hotel room revenue is normally settled by cash or credit card. The Group allows a credit period of 30 to 60 days to its corporate customers and travel agents customers.

Included in debtors, deposits and prepayments are trade debtors of HK\$43,717,000, HK\$33,781,000 and HK\$37,688,000 at 31 March 2008, 2009 and 2010 respectively. The following is an aged analysis of trade debtors based on the invoice date:

	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
0 – 60 days	38,210	30,679	30,722
61 – 90 days	2,055	2,515	2,084
91 – 180 days	3,452	587	4,882
	<u>43,717</u>	<u>33,781</u>	<u>37,688</u>

The trade debtors aged over 60 days are past due but are not impaired.

In determining the recoverability of trade and other debtors, the Group considers any change in the credit quality of the debtors from the date credit was initially granted up to the end of each reporting period. There is no concentration of credit risk due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the allowance already made. The Group does not hold any collateral over these balances.

Allowance was provided on the doubtful debts due from the trade debtors and the movement are as follow:

	Year ended 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Balance at beginning of the year	157	3,252	4,408
Impairment losses recognised	3,077	1,865	221
Amounts written off as uncollectible	–	(546)	(2,495)
Amounts recovered during the year	–	(51)	(1,543)
Exchange alignment	18	(112)	162
	<u>3,252</u>	<u>4,408</u>	<u>753</u>

24. AMOUNTS DUE FROM RELATED COMPANIES

The balances were unsecured, interest free and repayable on demand.

The balance at 31 March 2008 was due from a jointly controlled entity of a fellow subsidiary. During the year ended 31 March 2009, the management reviewed the carrying values and recognised a full impairment loss of HK\$7,200,000 as the management considered that this company was not expected to generate sufficient cash flow to repay the Group in the foreseeable future.

The carrying amount at 31 March 2010 was due from a company controlled by Mr. David Chiu (邱達昌), a director of the Company and was settled subsequent to the end of the reporting period. The maximum amount outstanding during the year was HK\$180,000.

25. INVESTMENT HELD-FOR-TRADING

The carrying amount represents the fair value of units in an investment fund which are listed on the Shanghai Stock Exchange.

26. DERIVATIVE FINANCIAL INSTRUMENTS

The carrying amounts as at 31 March 2009 and 2010 represent the fair value of interest rate swap contracts with aggregate notional amounts of HK\$1,900,000,000 which were entered into on 25 September 2008, with an upfront payment of HK\$19,949,000, to mitigate the exposure to interest rate fluctuation of the Group's bank borrowings. Under the terms of the contracts, the Group has to pay interest at the rate of 3 months HIBOR with a maximum capped at 7.5% per annum and receive 3 months interest at the rate of HIBOR. The contracts will mature on 25 September 2013 but are subject to early termination at the discretion of the Group. These derivatives are not accounted for under hedge accounting.

27. CREDITORS AND ACCRUALS

Included in creditors and accruals is trade creditors of HK\$16,195,000, HK\$17,256,000, and HK\$24,393,000 as at 31 March 2008, 2009 and 2010 respectively. The Group normally receives credit term of 60 days from its suppliers. The following is an aged analysis of the trade creditors:

	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
0 – 60 days	15,031	14,377	14,170
61 – 90 days	639	1,410	8,795
91 – 180 days	525	1,469	1,428
	<u>16,195</u>	<u>17,256</u>	<u>24,393</u>

28. AMOUNTS DUE FROM PARENT ENTITIES

	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Amounts due from ultimate holding company			
Interest free	–	52,927	76,790
Interest bearing at 0.5% per annum	–	479,152	479,152
	–	532,079	555,942
Amounts due from fellow subsidiaries			
Interest free	–	6,033	545
	–	538,112	556,487

The amounts due from ultimate holding company/fellow subsidiaries are unsecured and repayable on demand.

29. AMOUNTS DUE TO PARENT ENTITIES

	THE GROUP At 31 March			THE COMPANY At 31 March		
	2008	2009	2010	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unsecured amounts due to fellow subsidiaries						
Interest free	1,977,660	1,645,405	2,008,730	30,039	58,622	58,622
Interest bearing at 0.5% per annum.....	–	403,201	350,380	–	–	–
Interest bearing at prevailing market rate.....	179,805	–	–	–	–	–
	<u>2,157,465</u>	<u>2,048,606</u>	<u>2,359,110</u>	<u>30,039</u>	<u>58,622</u>	<u>58,622</u>
Amount due to ultimate holding company						
Interest free	–	41,398	57,189	–	–	–
	<u>2,157,465</u>	<u>2,090,004</u>	<u>2,416,299</u>	<u>30,039</u>	<u>58,622</u>	<u>58,622</u>

The balance due to fellow subsidiaries at 31 March 2008 included an aggregate amount of HK\$163,611,000 representing the aggregate carrying amount of net assets of the Hotels, which were payable to fellow subsidiaries, being the then owners of the Hotels. The acquisition of the Hotels was completed in September 2009 at a cash consideration equal to the fair value of the net assets acquired on completion date.

The repayment of an aggregate amount of HK\$442,125,000 and HK\$423,013,000 at 31 March 2009 and 2010 respectively due to fellow subsidiaries is subordinated to the repayment of bank loans which are due in September 2013 according to the relevant covenant stated in the bank loan agreements.

The amounts due to ultimate holding company/fellow subsidiaries are unsecured and repayable on demand.

Fellow subsidiaries are wholly-owned subsidiaries of Far East Consortium.

30. AMOUNTS DUE TO RELATED COMPANIES

The carrying amounts at 31 March 2009 were due to a jointly controlled entity of a fellow subsidiary and a company controlled by Mr. David Chiu (邱達昌), a director of Far East Consortium. The amounts are unsecured, interest free and repayable on demand.

31. SECURED BANK BORROWINGS

	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Bank loans.....	1,243,991	2,964,344	3,569,012
Less: front- end fee.....	–	(37,940)	(35,329)
	<u>1,243,991</u>	<u>2,926,404</u>	<u>3,533,683</u>
Analysed for reporting purposes as			
Current liabilities.....	384,100	198,032	528,629
Non-current liabilities.....	859,891	2,728,372	3,005,054
	<u>1,243,991</u>	<u>2,926,404</u>	<u>3,533,683</u>
	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
The loans are repayable:			
Within one year.....	384,100	198,032	528,629
More than one year but not exceeding two years.....	203,672	292,650	163,496
More than two years but not exceeding five years.....	290,160	2,074,279	2,519,243
More than five years.....	366,059	399,383	357,644
	<u>1,243,991</u>	<u>2,964,344</u>	<u>3,569,012</u>

The bank loans carry variable rates of interest at prevailing market rates. The range of effective interest rates for the three years ended 31 March 2008, 2009, 2010 are 5% to 10.7%, 1.07% to 8.25% and 1.01% to 7.13% per annum respectively.

32. DEFERRED TAXATION

The major deferred tax (assets) liabilities recognised by the Group, and movements thereon during the Relevant Periods are as follows:

	Accelerated tax depreciation	Fair value adjustment of hotel properties	Revaluation of properties	Tax losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2007.....	38,322	42,500	–	(7,126)	73,696
Acquired through business combination (note 35a)	–	4,126	–	(4,126)	–
Charge (credit) to profit or loss	(1,044)	(1,036)	7,196	3,153	8,269
At 31 March 2008	37,278	45,590	7,196	(8,099)	81,965
Charge (credit) to profit or loss	4,433	(977)	(1,576)	(3,035)	(1,155)
Effect of change in tax rate	(2,130)	(2,528)	(1,746)	386	(6,018)
At 31 March 2009	39,581	42,085	3,874	(10,748)	74,792
Charge (credit) to profit or loss	2,209	(977)	871	(912)	1,191
Charge to property valuation reserve	–	–	2,211	–	2,211
At 31 March 2010	41,790	41,108	6,956	(11,660)	78,194

As at 31 March 2008, 2009 and 2010, the Group had unused tax losses of HK\$676,825,000, HK\$624,992,000 and HK\$684,620,000, respectively available for offset against future profits. A deferred tax asset of HK\$8,099,000, HK\$10,748,000 and HK\$11,660,000 has been recognised in respect of HK\$199,764,000, HK\$65,139,000 and HK\$70,667,000 of such tax losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses HK\$477,061,000, HK\$559,853,000 and HK\$613,953,000 due to the unpredictability of future profit streams. Tax loss can be carried forward indefinitely.

As at 31 March 2008, 2009 and 2010, the Group has deductible temporary differences in relation to depreciation of properties, plant and equipment amounted to HK\$263,454,000, HK\$238,961,000 and HK\$263,279,000 respectively. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

33. ISSUED CAPITAL

The Company was incorporated on 23 January 2007 with an authorised share capital of 50,000 shares of US\$1 each. On the same date, 1 share of US\$1 was allotted at par and credited as fully paid.

Issued capital presented in the combined statements of financial position represents the aggregate of the paid up capital of the Company and the Combined Entities.

34. DEFICIT

	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
At beginning of the year	3	23	1,083
Loss for the year	20	1,060	50
At end of the year	23	1,083	1,133

35. ACQUISITIONS**(a) Acquisition of a subsidiary**

On 26 September 2007, the Group acquired the entire issued share capital of Merlin Labuan Sdn. Bhd. ("MLSB") which is engaged in the operation of Grand Dorsett Labuan Hotel at a consideration of HK\$72,960,000 together with the assignment of the shareholders' loans of HK\$321,239,000. The acquisition was accounted for using the purchase method.

The fair value of net assets of the subsidiary acquired were as follows:

	<u>Carrying amount</u>	<u>Fair value adjustment</u>	<u>Fair value</u>
	HK\$'000	HK\$'000	HK\$'000
Property, plant and equipment			
Hotels	103,737	–	103,737
Furniture, fixture and equipment	4,791	–	4,791
	108,528	–	108,528
Prepaid lease payments	12,403	15,869	28,272
Inventories	445	–	445
Debtors, deposits and prepayments	3,578	–	3,578
Bank balances and cash	2,861	–	2,861
Creditors and accruals	(4,584)	–	(4,584)
	<u>123,231</u>	<u>15,869</u>	139,100
Discount on acquisition recognised in profit or loss			<u>(66,140)</u>
Satisfied by cash			<u>72,960</u>
Net cash outflow arising on acquisition:			
Cash consideration			(72,960)
Bank balances and cash acquired			<u>2,861</u>
			<u>(70,099)</u>

The consideration of the acquisition is determined under a distress sale by the seller during a debt restructuring process carried out by the seller and is therefore less than the net fair value of the assets acquired resulting in a discount on acquisition.

If the acquisition had taken place on 1 April 2007, the profit after taxation of the Group for the year ended 31 March 2008 would have been HK\$234,658,000 and the total group revenue would have been HK\$656,049,000.

(b) Acquisition of assets

On 1 October 2008, the Group acquired from Mr. David Chiu (邱達昌), who is a Director of the Company and substantial shareholder of Far East Consortium, Dorsett Johor Hotel and Maytower Hotel and the related assets and liabilities through the acquisition of the entire issued share capital of Jade River Profits Limited ("JRPL") together with the assignment of the shareholder's loan of HK\$106,635,000. The consideration was satisfied by the issuance of convertible bonds with a principal amount of HK\$331,445,000 by Far East Consortium.

The acquisition was made before JRPL commenced business operation, and therefore, the acquisition is accounted for as acquisition of assets.

The fair value of net assets acquired were as follows:

	HK\$'000
Property, plant and equipment	
Hotels	325,030
Furniture, plant and equipment	5,891
Inventories	358
Debtors, deposits and prepayments	6,037
Amounts due from related companies	44
Bank balances and cash	4,169
Creditors and accruals	(8,959)
Amounts due to related companies	(1,125)
	<u>331,445</u>
Total consideration due to Far East Consortium	<u>331,445</u>
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	<u>4,169</u>

The fair value of the hotels are determined based on the valuation carried out by an independent valuer which adopts a direct comparison approach by making reference to the comparable sales transactions available in the markets.

36. DISPOSAL OF A SUBSIDIARY

To streamline the Group's business, a group entity carrying on engineering services business, a non-core business to the Group, was disposed of to the Parent Entities through the disposal of the entire interests in Win Chance Engineering Limited ("Win Chance") on 14 January 2009 at a consideration of HK\$2, together with an assignment of the amount due to the Group of HK\$11,387,000, to a fellow subsidiary.

	HK\$'000
Net assets disposed of:	
Debtors, deposits and prepayments	1,659
Bank balance	1,788
	<u>3,447</u>
Assignment of amount due to the Group	(11,387)
Deemed contribution	7,940
	<u>–</u>
Consideration	<u>–</u>
Net cash outflow arising on disposal:	
Bank balance disposed of	<u>(1,788)</u>

37. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2009, the Group acquired a hotel and the related assets and liabilities from a director at a consideration of HK\$331,445,000 satisfied by the issuance of a convertible bond by Far East Consortium.

38. CHARGE ON ASSETS

Bank borrowings of the Group totalling HK\$1,243,991,000, HK\$2,926,404,000 and HK\$3,533,683,000, as at 31 March 2008, 2009, 2010 respectively are secured by fixed charges over the hotel properties (classified under property, plant and equipment and prepaid lease payment in the combined statements of financial position) and investment properties with aggregate carrying value of HK\$2,514,642,000, HK\$4,166,179,000 and HK\$4,979,002,000 as at 31 March 2008, 2009 and 2010 respectively together with a floating charge over all assets of certain borrowers and benefits accrued to the hotel and investment properties.

39. CONTINGENT LIABILITIES

During the year ended 31 March 2010, a subsidiary of the Company initiated a law suit against the contractor for the unsatisfactory performance in relation to the construction of a hotel and in response to the claim, the contractor has filed counterclaims against the subsidiary for an amount of HK\$25,841,000. The financial impact and outcome of these proceedings cannot be estimated with reasonable certainty at this preliminary stage. The Directors are of the view that the counter-claims would not have a material adverse impact on the financial position of the Group.

40. CAPITAL COMMITMENTS

	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition, development and refurbishment of hotel properties:			
– contracted but not provided in the financial statements	352,024	327,289	315,527
– authorised but not contracted for	303,636	126,801	271,948
	<u>655,660</u>	<u>454,090</u>	<u>587,475</u>

41. OPERATING LEASE ARRANGEMENTS**The Group as lessor**

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Within one year	25,378	27,639	28,757
In the second to fifth years inclusive	85,304	87,968	81,064
Over five years	150,844	136,536	120,569
	<u>261,526</u>	<u>252,143</u>	<u>230,390</u>

Leases are negotiated and rentals are fixed for terms ranging from one to twenty years.

The Group as lessee

At end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with a fellow subsidiary which fall due as follows:

	At 31 March		
	2008	2009	2010
	HK\$'000	HK\$'000	HK\$'000
Within one year	360	360	360
In the second to fifth years inclusive	–	630	270
	<u>360</u>	<u>990</u>	<u>630</u>

Leases are negotiated and rentals are fixed for terms ranging from one to three years.

42. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to the combined statements of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

Together with contributions to retirement benefits schemes in other locations, total retirement benefit expenses charged to profit or loss amounted to HK\$7,675,000, HK\$9,240,000 and HK\$9,869,000 for the three years ended 31 March 2008, 2009 and 2010 respectively.

43. RELATED PARTY TRANSACTIONS

Transactions between the Group and the Parent Entities and their associates and jointly controlled entities, directors and companies controlled by directors are considered to be related party transactions pursuant to the HKAS 24 "Related Party Disclosures".

Apart from the acquisition of assets and disposal of subsidiary disclosed in note 35(b) and 36, the transactions with the related parties during the years ended 31 March 2008, 2009 and 2010 are as follows:

Relationship of related parties	Nature of transaction	Year ended 31 March		
		2008	2009	2010
		HK\$'000	HK\$'000	HK\$'000
Fellow subsidiaries	Rental expense to Far East Consortium Limited ("FECL") for the use of the FECL's office premises	360	360	360
	Management fee to fellow subsidiaries for provision of corporate management services and office support			
	– Peacock Management Service Limited	27,364	25,328	26,429
	– FECL	3,127	2,769	–
	Management fee to Win Chance for provision of engineering services	1,200	1,440	1,740
	Interest expense on amounts due to FECL	9,650	3,639	1,237
Jointly controlled entity of ultimate holding company .	Rental earned from Dorvic Hotel F&B Limited for the use of the Group's properties	2,200	2,400	2,400
Ultimate holding company . . .	Interest income on amount due from Far East Consortium	–	1,244	2,429

The related party transactions were carried out on terms mutually agreed between the Group and the related companies, and conducted in the ordinary and usual course of the Group's business. Except the lease arrangement with FECL and Dorvic Hotel F&B Limited, the related parties transaction will be discontinued upon listing of the shares of the Company on the Stock Exchange.

In addition,

- (a) Far East Consortium has provided guarantees for the Group's bank borrowings of which HK\$1,569,521,000, HK\$3,150,406,000 and HK\$3,450,148,000 were outstanding at 31 March 2008, 2009 and 2010 respectively. The guarantees will be released upon the global offering ("Global Offering") of the Company's shares ("Offer Shares") becomes unconditional.

- (b) A director has provided personal guarantee for the Group's bank loan of which HK\$53,481,000, HK\$40,688,000 and HK\$38,248,000 was outstanding at 31 March 2008, 2009 and 2010 respectively. HK\$497,000 of the bank loan has been repaid subsequent to 31 March 2010.

Details of the balances with related parties as at the end of the reporting period are set out in the combined statements of financial position and their related notes. The net amount due to Parent Entities of HK\$1,859,812,000, equivalent to the outstanding balance at 31 March 2010 will be capitalised as detailed in section C below.

The remuneration paid and payable to the members of key management who are the five highest individuals during each of the three years ended 31 March 2008, 2009 and 2010 are disclosed in note 15.

B. HOLDING COMPANIES

The Company's immediate holding company is Ample Bonus Limited and the Company's ultimate holding company is Far East Consortium.

C. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2010, (a) the Company acquired from Far East Consortium on 17 September 2010 the entire equity interest in the Combined Entities at a consideration of HK\$11,950,000 settled in cash; and (b) a directors' resolution was duly passed on 10 September 2010 whereby it was resolved that, as part of the Reorganisation, the net amount due to Parent Entities of HK\$1,859,812,000, equivalent to the outstanding balance at 31 March 2010, will be capitalised by the issue of 1,730,000,000 ordinary shares of HK\$0.1 each of the Company at HK\$1.08 per share to Far East Consortium. The Capitalisation is conditional upon and will be effected simultaneously with, the issue of the Offer Shares when the Global Offering becomes unconditional.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements were prepared for any of the companies comprising the Group subsequent to 31 March 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The information sets out in this Appendix does not form part of the Accountants' Report prepared by Deloitte Touche Tohmatsu, the reporting accountants of our Company, as set out in Appendix I to this prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had been taken place on 31 March 2010 and based on the net tangible assets attributable to equity holders of our Company as at 31 March 2010 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group after the completion of the Global Offering.

	Audited combined net tangible assets of the Group as at 31 March 2010¹	Estimated net proceeds from the Global Offering²	Unaudited pro forma adjusted net tangible assets of the Group^{3, 4}	Unaudited pro forma adjusted net tangible assets per Share^{4, 5}
	HK\$'000	HK\$'000	HK\$'000	HK\$
Based on an Offer Price of HK\$2.04 per Share	184,005	510,627	694,632	0.35
Based on an Offer Price of HK\$2.75 per Share	184,005	695,618	879,623	0.44

Notes:

- ¹ The audited combined net tangible assets of the Group as at 31 March 2010 is extracted from the Accountants' Report included in Appendix I to this prospectus.
- ² The estimated net proceeds from the Global Offering are based on 270,000,000 shares at the respective low and high-ends of the indicative Offer Price range of HK\$2.04 and HK\$2.75 per Share, respectively after deduction of underwriting fee and other related expenses payable by us, and take no account of any Shares which may be issued by us pursuant to the Over-allotment Option.
- ³ Based on the valuation reports as at 30 June 2010 as set out in Appendix IV to this prospectus, our Group's hotel portfolio had a revaluation surplus up to 30 June 2010, of approximately HK\$4,987.0 million. The unaudited pro forma adjusted net tangible assets has not taken into account of this revaluation surplus nor will the Group incorporate the revaluation surplus in its future financial statements. If the revaluation surplus up to 30 June 2010 is to be incorporated in the Group's future financial statements, additional annual depreciation and amortisation of approximately HK\$120.0 million would be charged to profit or loss.
- ⁴ Does not take into account the effect of the Capitalisation Issue, which would increase the unaudited net tangible assets by HK\$1,860 million and HK\$0.93 per Share, respectively.

⁵ The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and assuming that 2,000,000,000 Shares were issued immediately following the completion of Global Offering after taking into account the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following unaudited pro forma forecast earnings per Share for the six months ending 30 September 2010 has been prepared on the basis set out in notes (2) and (3) below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 April 2010. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering.

Unaudited forecast combined profit attributable to equity holders of our Company for the six months ending 30 September 2010 ^{(1) (2)}	not less than HK\$32.2 million
Unaudited pro forma forecast earnings per Share ⁽³⁾	not less than HK1.61 cents

Notes:

- (1) The Directors have undertaken to the Stock Exchange that the interim report for the six months ending 30 September 2010 will be audited pursuant to Rule 11.18 of the Listing Rules.
- (2) The bases and assumptions on which the forecast combined profit attributable to equity holders of our Company for the six months ending 30 September 2010 has been prepared are set out in "Appendix III — Profit Forecast".
- (3) The calculation of the unaudited pro forma forecast earnings per Share is based on the unaudited forecast combined profit attributable to equity holders of our Company for the six months ending 30 September 2010 of HK\$32.2 million (including one-off Global Offering and Listing expenses of approximately HK\$19 million), assuming the Capitalisation Issue and the Global Offering were completed on 1 April 2010 and a total of 2,000,000,000 Shares were in issue and outstanding during the entire six-month period, without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

C. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, for the purpose of incorporation in this prospectus.

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF KOSMOPOLITO HOTELS INTERNATIONAL LIMITED**

We report on the unaudited pro forma financial information of Kosmopolito Hotels International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages II-1 to II-2 under the heading of "Unaudited Pro Forma Financial Information" in Appendix II to the Company's prospectus dated 28 September 2010 (the "Prospectus"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the global offering might have affected the financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The Unaudited Pro Forma Financial Information is for illustrative purpose only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 31 March 2010 or any future date; or
- the earnings per share of the Group for the six months ending 30 September 2010 or any future period.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 September 2010

The forecast of the combined profit attributable to equity holders for the six months ending 30 September 2010 is set forth under "Profit forecast" in the section headed "Financial information" in this prospectus.

(A) BASES

The Directors have prepared the forecast of the combined profit attributable to equity holders for the six months ending 30 September 2010 on the basis of the unaudited combined results as shown in the management accounts of the Group for the four months ended 31 July 2010 and a forecast of the combined results of the Group for the remaining two months ending 30 September 2010 by assuming that the current Group structure had been in existence throughout the six months ending 30 September 2010. The forecast has been prepared on the basis of accounting policies consistent in all material respects with those currently adopted by the Group as summarised in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus and on the following principal assumptions:

- there will be no material changes in existing government policies or political, legal (including changes in legislation or regulations or rules), fiscal, market or economic conditions in any of the countries, regions or industries in which the Group operates;
- there will be no significant fluctuations in currency exchange rates, interest rates and tariffs and duties in the countries or regions in which the Group operates;
- there will be no material changes in the bases or rates of tax applicable to the Group in the respective jurisdictions in which the Group operates;
- there will be no change in the fair value of the investment properties since 30 June 2010 (latest date of valuation report available) as there is no reasonable basis to arrive at the open market value for the properties as of any future date;
- there will be no change in the fair value of the derivative financial instruments since 31 August 2010 as there is no reasonable basis to arrive at the fair value of the instrument as of any future date;
- the Group is not materially and adversely affected by any of the risk factors set out in section headed "Risk Factors" of this prospectus; and
- the Group's operation and business will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, epidemics or serious accidents.

The Directors have undertaken to the Stock Exchange that the interim report for the six months ending 30 September 2010 will be audited pursuant to Rule 11.18 of the Listing Rules.

(B) LETTERS

Set forth below are the texts of the letters received by the Directors from Deloitte Touche Tohmatsu, the reporting accountants of the Company, and from the Joint Global Coordinators, in connection with the profit forecast of the Group for the six months ending 30 September 2010.

(i) Letter from Deloitte Touche Tohmatsu

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

28 September 2010

The Directors
Kosmopolito Hotels International Limited
Credit Suisse (Hong Kong) Limited
Morgan Stanley Asia Limited
The Royal Bank of Scotland N.V., Hong Kong Branch

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the combined profit of Kosmopolito Hotels International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ending 30 September 2010 attributable to equity holders of the Company (the "Profit Forecast"), for which the directors of the Company ("the Directors") are solely responsible, as set out in the prospectus dated 28 September, 2010 issued by the Company (the "Prospectus"). The Profit Forecast is prepared based on the combined results shown in the unaudited management accounts of the Group for the four months ended 31 July 2010, and a forecast of the combined results for the two months ending 30 September 2010.

In our opinion the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company as set out in the section headed "Bases" in Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our Accountants' Report on the financial information of the Group for the three years ended 31 March 2010 as set out in Appendix I to the Prospectus.

Without qualifying our opinion above, we draw to your attention that in preparing the Forecast, the Directors have assumed that, as disclosed in the section headed "Bases" in Appendix III, there will be no change in the fair value of the investment properties and derivative financial instruments since 30 June 2010 and 31 August 2010 respectively as in their opinion, there is no reasonable basis to arrive at the open market value for the investment properties and the fair value of the derivative

financial instruments as of any future date. We would point out that any increase or decrease in the fair value of the investment properties and the derivative financial instruments would need to be credited or charged to the profit or loss in accordance with the accounting policies adopted in preparing the Accountants' Report. Should such an increase or decrease arise, this would have the effect of increasing or reducing the net profit for the six months ending September 30, 2010 of the Group.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(ii) Letter from the Joint Sponsors

The following is the text of a letter, prepared for inclusion in this prospectus, we have received from the Joint Sponsors, in connection with the forecast of the combined profits attributable to equity holders of our Company for the six months ending 30 September 2010.

**Morgan Stanley**

**Credit Suisse
(Hong Kong) Limited**
45/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

**Morgan Stanley
Asia Limited**
Level 46
International Commerce Centre
1 Austin Road West
Hong Kong

**The Royal Bank of
Scotland N.V.,
Hong Kong Branch**
38/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

28 September 2010

The Directors
Kosmopolito Hotels International Limited

Dear Sirs,

We refer to the forecast (the "**Forecast**") of the combined profit attributable to equity holders of Kosmopolito Hotels International Limited (the "**Company**") for the six months ending 30 September 2010 as set out in the subsection headed "Profit Forecast" in the section entitled "Financial Information" in the prospectus issued by the Company dated 28 September 2010 (the "**Prospectus**").

The Forecast, for which the Directors of the Company are solely responsible, has been prepared by them based on the unaudited management accounts of the Company and its subsidiaries (together the "**Group**") for the four months ended 31 July 2010 and a forecast of the combined results of the Group for the remaining two months ending 30 September 2010.

We have discussed with you the bases and assumptions made by the Directors of the Company as set out in Appendix III to the Prospectus, to the extent applicable, upon which the Forecast has been made. We have also considered, and relied upon, the letter dated 28 September 2010 addressed to you and us from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Forecast has been based.

On the basis of the information comprising the Forecast and on the basis of the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Forecast, for which you as the Directors of the Company are solely responsible, has been made after due and careful enquiry.

For and on behalf of
Credit Suisse (Hong Kong) Limited

Chester Kwok
Managing Director

Yours faithfully,
For and on behalf of
Morgan Stanley Asia Limited

George Taylor
Managing Director

For and on behalf of
**The Royal Bank of Scotland
N.V., Hong Kong Branch**

Francois Cohas
Managing Director

The following is the text of a letter, summary of valuations and valuations certificates prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of values of the property interests held by the Group in Hong Kong, the PRC and Singapore as at 30 June 2010. A copy of the full valuation report relating to the property interests of the Group in Hong Kong, the PRC and Singapore in compliance with paragraph 34(2) of Part II of the Third Schedule of Companies Ordinance prepared by DTZ Debenham Tie Leung Limited is made available for public inspection.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

28 September 2010

The Directors
Kosmopolito Hotels International Limited
375 Queen's Road East
Wanchai
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

We refer to your instructions for us to carry out market valuations of the properties held by Kosmopolito Hotels International Limited (the "Company") and/or its subsidiaries (together referred to as the "Group") in Hong Kong, the People's Republic of China (the "PRC") and Singapore. We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of these properties as at 30 June 2010 (the "date of valuation").

BASIS OF VALUATION

Our valuation of each property represents its market value which in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION ASSUMPTIONS

Our valuation of each property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

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

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) issued by the Hong Kong Institute of Surveyors.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group and the advice provided by the Group's legal adviser, Commerce and Finance Law Offices, are set out in the notes in the respective valuation certificates.

METHOD OF VALUATION

Unless otherwise stated, we have generally valued the properties using direct comparison method by making reference to comparable transactions as available in the relevant market and where appropriate, by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the respective properties.

The properties in Group I which are hotel properties owned and operated by the Group in Hong Kong have been granted with the respective licence as hotel/guesthouse under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by Hotel and Guesthouse Accommodation Authority. Our valuations are carried out with reference to its use in existing state and on the basis that the properties have been constructed, have been and will be occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated. We have further assumed that, for the continual use of the properties upon which our valuations are based, all required licences, permits, certificates and authorizations have been obtained, except only where otherwise stated.

In respect of the properties in Groups II and V which are held by the Group under development in Hong Kong and the PRC respectively, we have valued them on the basis that each of these properties will be developed and completed in accordance with latest development proposals provided to us by the Group. We have assumed that all consents, approvals and licences from all relevant government authorities for implementation of the development proposals have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our valuations, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development. The "capital value when completed" represents our opinion of the selling price of the proposed development assuming that it were completed at the date of valuation.

Unless otherwise stated, we have ascribed no commercial value to the property in Group VI which is contracted to be acquired by the Group in the PRC, as the Group has not yet obtained the State-owned Land Use Rights Certificate and has not fully settled the payment as at the date of valuation.

The properties in Groups VIII and IX which are leased to the Group have no commercial value mainly due to the prohibitions against assignment and subletting or otherwise due to the lack of substantial profit rents.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, lettings, particulars of occupancy, identification of properties, development schemes, floor plans and areas, site areas, number of parking spaces, number of guestrooms, trading accounts, construction schedules and costs, interests attributable to the Group and all other relevant matters.

LAND TENURE

In valuing the properties in Hong Kong the Government Leases of which expired before 30 June 1997, we have taken into account the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of People's Republic of China on the Question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance under which such leases have been extended without premium until 30 June 2047 and that rents of 3% of the rateable value are charged per annum from the dates of extension.

In valuing the properties in the PRC, we have generally assumed that transferable land use rights in respect of the properties for respective specific terms at nominal land use fees have been granted and that all necessary land premiums payable have been fully settled unless otherwise stated. We have also assumed that the owners of the properties have enforceable titles to the properties and have free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired terms as granted.

We have not been provided with copies of the title documents relating to the properties but have caused searches to be made at the Land Registry or equivalent land authority in Hong Kong and Singapore. In respect of the properties in the PRC, we have been provided by the Group with copies of extracts of documents. However, we have not searched the original documents to verify ownership or to ascertain any lease amendments. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate. No on-site measurement has been taken.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its legal adviser, Commerce & Finance Law Offices, in respect of the title to the properties in the PRC.

PROPERTY INSPECTION

We have inspected the exterior and, wherever possible, the interior of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report whether the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services. Moreover, for those properties which are held for or under development, we have not carried out any soil investigations to determine the suitability of soil conditions and services for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period.

CURRENCY AND EXCHANGE RATE

Unless otherwise stated, the market values of the properties in Groups I and II are stated in Hong Kong dollars. The market values of the properties in Groups III, IV and V are primarily stated in Renminbi. The market value of the property in Group VII is primarily stated in Singapore dollars. The exchange rates adopted in our valuations are RMB1:HK\$1.15 and SGD1:HK\$5.56, which were the approximate prevailing exchange rates as at the date of valuation.

We enclose herewith a summary of valuations and our valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K. B. Wong
Registered Professional Surveyor
China Real Estate Appraiser
M.R.I.C.S., M.H.K.I.S.
Director

Notes: Mr. K.B. Wong is a Registered Professional Surveyor who has over 25 years' experience in valuation of properties in Hong Kong and over 20 years' experience in valuation of properties in the PRC as well as extensive experience in valuation of properties in Singapore and other Asian countries.

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 June 2010
Group I – Hotel properties owned and operated by the Group in Hong Kong	
1. Central Park Hotel, No. 263 Hollywood Road, Sheung Wan, Hong Kong	HK\$429,000,000
2. Cosmopolitan Hotel, No. 387 Queen's Road East, Wanchai, Hong Kong	HK\$1,622,000,000
3. Cosmo Hotel, No. 375 Queen's Road East, Wanchai, Hong Kong	HK\$490,000,000
4. Lan Kwai Fong Hotel @ Kau U Fong, No. 3 Kau U Fong, Central, Hong Kong	HK\$797,000,000
5. Dorsett Kowloon Hotel, No. 48 Anchor Street, Tai Kok Tsui, Kowloon	HK\$250,000,000
6. Dorsett Seaview Hotel, No. 268 Shanghai Street, Yaumatei, Kowloon	HK\$542,000,000
7. Dorsett Far East Hotel, No. 135-143 Castle Peak Road, Tsuen Wan, New Territories	HK\$336,000,000
Sub-total:	HK\$4,466,000,000

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 June 2010
Group II – Properties held by the Group under development in Hong Kong	
8. Project under development to be known as “Dorsett Regency Kennedy Town, Hong Kong”, No. 12-22 Davis Street, Kennedy Town, Hong Kong	HK\$481,000,000
9. Project under development to be known as “The Mercer by Kosmopolito”, No. 27-31 Jervois Street, Sheung Wan, Hong Kong	HK\$222,000,000
10. Cosmo Kowloon Hotel, No. 35-43 Ivy Street (now known as No. 88 Tai Kok Tsui Road), Tai Kok Tsui, Kowloon	HK\$537,000,000
11. Project under development to be known as “Dorsett Regency Kwun Tong, Hong Kong”, No. 84 Hung To Road, Kwun Tong, Kowloon	HK\$426,000,000
12. Project under development to be known as “Dorsett Regency Kwai Chung, Hong Kong”, No. 659 Castle Peak Road, Kwai Chung, New Territories	HK\$270,000,000
Sub-total:	HK\$1,936,000,000

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 June 2010
Group III – Properties held by the Group for investment in the PRC	
13. A portion of the retail podium (levels 1, 3 and 4) of Yue Hotel Shanghai, Nos. 796 and 800 Huamu Road, Pudong New Area, Shanghai, the PRC	RMB29,000,000 (equivalent to approximately HK\$33,350,000)
14. Retail portion (portion of level 1, mezzanine level 1, level 2, mezzanine level 2, and levels 3 to 7 and 9) and office portion (portion of level 10, and whole of levels 17 and 18) of Hongkong and Macao Center No. 118 Jiangnan Road, Jiangnan District, Wuhan City, Hubei Province, the PRC	RMB291,000,000 (equivalent to approximately HK\$334,650,000)
Sub-total:	RMB320,000,000 (equivalent to approximately HK\$368,000,000)

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 June 2010
Group IV – Hotel properties owned and operated by the Group in the PRC	
15. Wuhan Cosmopolitan Hotel (portions of basement and level 1, whole of level 8, portion of level 10, levels 11 to 16 and car park (portion of basement) of Hongkong and Macao Center), No. 118 Jiangnan Road, Jiangnan District, Wuhan City, Hubei Province, the PRC	RMB378,000,000 (equivalent to approximately HK\$434,700,000)
16. Hotel portion (levels 1 to 18 of No. 796 Huamu Road and level 2 of No. 800 Huamu Road) and underground car parks of Yue Hotel Shanghai, Nos. 796 and 800 Huamu Road, Pudong New District, Shanghai, the PRC	RMB418,000,000 (equivalent to approximately HK\$480,700,000)
Sub-total:	RMB796,000,000 (equivalent to approximately HK\$915,400,000)

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 June 2010
Group V – Property held by the Group under development in the PRC	
17. Project under development to be known as “Hotel Kosmopolito City Centre, Chengdu”, Nos. 124-177 Xiyulong Road, Qingyang District, Chengdu, Sichuan Province, the PRC	RMB620,000,000 (equivalent to approximately HK\$713,000,000)
Sub-total:	RMB620,000,000 (equivalent to approximately HK\$713,000,000)
Group VI – Property contracted to be acquired by the Group in the PRC	
18. Dorsett Regency CBD, Zhongshan, Xintiecheng Hotel Block A, No. 107 Zhongshan First Road, West District, Zhongshan, Guangdong Province, the PRC	No commercial value
Sub-total:	No commercial value
Group VII – Property held by the Group for future development in Singapore	
19. Land Lots 777W and 782P, Town Subdivision (TS) 5 at New Bridge Road, Singapore	SGD85,000,000 (equivalent to approximately HK\$472,600,000)
Sub-total:	SGD85,000,000 (equivalent to approximately HK\$472,600,000)

SUMMARY OF VALUATIONS

Property	Capital value in existing state as at 30 June 2010
Group VIII – Properties leased by the Group in the PRC	
20. Unit 05, 16th Floor, Luoma International Plaza, No. 210 West Yulong Street, Qingyang District, Chengdu, Sichuan Province, the PRC	No commercial value
21. Units 07, 08 and 09, 16th Floor, Luoma International Plaza, No. 210 West Yulong Street, Qingyang District, Chengdu, Sichuan Province, the PRC	No commercial value
22. Unit 1202, Block C, Wanhe Yuan, No. 1 Babao Street, Qingyang District, Chengdu, Sichuan Province, the PRC	No commercial value
Sub-total:	No commercial value
Group IX – Property leased by the Group in Singapore	
23. 350 Orchard Road, Unit No. #21-07, Shaw House, Singapore	No commercial value
Sub-total:	No commercial value
Grand total:	<u>HK\$8,871,000,000</u>

VALUATION CERTIFICATE

Group I – Hotel properties owned and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
1. Central Park Hotel, No. 263 Hollywood Road, Sheung Wan, Hong Kong	The property comprises a 24-storey hotel providing 142 guest rooms, a restaurant and a coffee lounge. The property was completed in 1998 and renovated in 2005 and 2007 respectively.	Portion of the property is let for a term of 3 years from 30 September 2008 to 29 September 2011 at a monthly base rent of HK\$63,000.	HK\$429,000,000
Inland Lot No. 8412 and the Remaining Portion of Section A of Inland Lot No. 568	<p>The property has a total gross floor area of approximately 4,745.06 sq.m. (51,076 sq.ft.).</p> <p>The site area of the property is approximately 317.02 sq.m. (3,412 sq.ft.).</p> <p>Inland Lot No. 568 is held under a Government Lease for a term of 999 years from 8 March 1858. The current Government rent payable for Section A of Inland Lot No. 568 is HK\$38 per annum.</p> <p>Inland Lot No. 8412 is held under Conditions of Sale No. 11265 for a term of 75 years from 30 October 1978 renewable for a further term of 75 years. The current Government rent payable for the lot is HK\$1,000 per annum.</p>	The remainder of the property is operated by the Group as a hotel.	

Notes:

- (1) The registered owners of the property are Caragis Limited and Vicsley Limited, wholly owned subsidiaries of the Company.
- (2) The property is subject to two Modification Letters.
- (3) The property is subject to an Offensive Trade Licence.
- (4) The property is subject to two Debentures to secure all moneys in favour of DB Trustees (Hong Kong) Limited.
- (5) The property is zoned for "Residential (Group A) 7" uses under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/24.
- (6) The property is granted with a licence as a hotel/guesthouse from 16 July 2010 to 15 July 2011 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.
- (7) According to the Certificate issued by the Company's appointed Authorised Person on 31 August 2010, the alteration works had been carried out at the property. The conversion of the property from office use into hotel use involved non-structural works and were exempted works under Section 41 (3) of the Buildings Ordinance (Cap. 123) that the Building Authority has confirmed that the change of use from office into hotel did not require the approval of the Building Authority at the time of such conversion works, and that the said alteration works were carried out in accordance with the layout plans approved by the Home Affairs Department which granted a hotel and guesthouse licence under The Hotel and Guesthouse Accommodation Ordinance. According

to another Certificate issued by another Authorized Person of the Company on 3 September 2007, that Authorized Person confirmed that the Buildings Department confirmed on 14 May 2004 that the said change of use from office to hotel only required the approval of the Home Affairs Department.

- (8) According to the advice of the Group's legal adviser, Woo, Kwan, Lee & Lo, as to the title of Hong Kong properties, the letting of the shop on the upper ground floor is in breach of the land grant. Such letting is a breach of the land grant terms under the licence letter dated 18 September 2008. A new licence letter (the "New Licence Letter") was issued and registered on 28 January 2010 and 16 September 2010 respectively, replacing the said licence letter dated 18 September 2008. Woo, Kwan, Lee & Lo has advised that the New Licence Letter permits the letting of the shop on the upper ground floor of Central Park Hotel. Woo, Kwan, Lee & Lo has advised that there is a risk of enforcement action by the government; however, the risk of enforcement action by way of re-entering the property is very unlikely. In the course of our valuation, we have not made any allowance on such breach of land grant.

VALUATION CERTIFICATE

Group I – Hotel properties owned and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
2. Cosmopolitan Hotel, No. 387 Queen's Road East, Wanchai, Hong Kong The Remaining Portion of Inland Lot No. 1578	<p>The property comprises a 22-storey hotel providing 454 guest rooms, a restaurant and a coffee lounge. The property was completed in 1978 and renovated in 2004.</p> <p>The property has a total gross floor area of approximately 15,895.10 sq.m. (171,095 sq.ft.).</p> <p>The site area of the property is approximately 1,092.73 sq.m. (11,762 sq.ft.).</p> <p>The property is held under a Government Lease for a term of 75 years from 5 February 1900 renewed for a further term of 75 years. The current Government rent payable for the property is HK\$82,800 per annum.</p>	<p>Part of the 1st floor of the property is let for a term of 3 years from 1 October 2009 to 30 September 2012 at a monthly rent of HK\$200,000.</p> <p>A tour counter is let for a term of 2 years from 1 April 2009 to 30 September 2011 at a monthly rent of HK\$25,500.</p> <p>An advertising space and a mobile phone base station are let under 2 licences with the latest term due to expire on 21 January 2012 at a total monthly fee of about HK\$112,000.</p> <p>The remainder of the property is operated by the Group as a hotel.</p>	HK\$1,622,000,000

Notes:

- (1) The registered owner of the property is Cosmopolitan Hotel Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Modification Letter.
- (3) The property is subject to a Debenture to secure all moneys in favour of DB Trustees (Hong Kong) Limited.
- (4) The property is zoned for "Commercial" uses under Wong Nai Chung Outline Zoning Plan No. S/H7/14.
- (5) The property is granted with a licence as a hotel/guesthouse from 20 January 2007 to 19 January 2012 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.
- (6) According to the Certificate issued by the Company's appointed Architect on 20 September 2010, the conversion of the property from office use into hotel use was carried out in accordance with the alteration and addition plans approved by the Building Authority and the requirements of the Buildings Ordinance and related regulations and the change of use from office into hotel was approved on 9 December 2002 by the Building Authority.

VALUATION CERTIFICATE

Group I – Hotel properties owned and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
3. Cosmo Hotel, No. 375 Queen's Road East, Wanchai, Hong Kong	The property comprises a 25-storey (including a lower ground floor) hotel providing 142 guest rooms and a lounge. The property was completed in 1997 and renovated in 2005.	Portion of the property on the ground floor is let for a term of 2 years from 1 February 2010 to 31 January 2012 at a monthly rent of HK\$80,000.	HK\$490,000,000
Sub-section 1 of Section A of Inland Lot No. 1578	The property has a total gross floor area of approximately 5,546.17 sq.m. (59,699 sq.ft.). The registered site area of the property is approximately 380.32 sq.m. (4,093.80 sq.ft.). The property is held under a Government Lease for a term of 75 years from 5 February 1900 renewed for a further term of 75 years. The current Government rent payable for the property is HK\$359,280 per annum.	A tour counter is let for a term of 2 years and 6 months from 1 April 2009 to 30 September 2011 at a monthly rent of HK\$8,500. Various mobile phone base stations and antennae are let under various licences with the latest term due to expire on 6 February 2012 at a total monthly fee of about HK\$168,000. The remainder of the property is operated by the Group as a hotel.	

Notes:

- (1) The registered owner of the property is Grand Expert Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a No-objection Letter.
- (3) The property is subject to a Modification Letter.
- (4) The property is also subject to a Debenture to secure all moneys in favour of DB Trustees (Hong Kong) Limited.
- (5) The property is zoned for "Commercial" uses under Wong Nai Chung Outline Zoning Plan No. S/H7/14.
- (6) The property is granted with a licence as a hotel/guesthouse from 16 October 2007 to 15 October 2012 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.
- (7) According to the Certificate issued by the Company's appointed Authorised Person on 31 August 2010, the alteration works had been carried out at the property. The conversion of the property from office use into hotel use was carried out in accordance with the alteration and addition plans approved by the Building Authority on 9 March 2005 and the requirements of the Buildings Ordinance and related regulations.

VALUATION CERTIFICATE

Group I – Hotel properties owned and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
4. Lan Kwai Fong Hotel @ Kau U Fong, No. 3 Kau U Fong, Central, Hong Kong Inland Lot No. 8852	<p>The property comprises a 36-storey hotel providing 162 guest rooms a restaurant and a lounge. The property was completed in 2005.</p> <p>The property has a total gross floor area of approximately 5,645.94 sq.m. (60,773 sq.ft.).</p> <p>The registered site area of the property is approximately 377 sq.m. (4,058 sq.ft.).</p> <p>The property is held under Conditions of Exchange No. 12569 for a term of 50 years from 27 May 2000. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	<p>Portions of the property are let under two tenancies with the latest term due to expire on 31 August 2011 at a total monthly base rent of HK\$102,000.</p> <p>The remainder of the property is operated by the Group as a hotel.</p>	HK\$797,000,000

Notes:

- (1) The registered owner of the property is The Hotel of Lan Kwai Fong Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Modification Letter.
- (3) The property is zoned for "Residential (Group A) 10" uses under Sai Ying Pun and Sheung Wan Outline Zoning Plan No. S/H3/24.
- (4) The property is granted with a licence as a hotel/guesthouse from 7 May 2007 to 6 May 2010 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority. According to the advice of the Group's legal adviser, Woo, Kwan, Lee & Lo, as to the title of Hong Kong properties, the Company submitted the application for renewal of the hotel licence to the Home Affairs Department on 11 January 2010 before the expiry of hotel licence. The application has not been withdrawn, the hotel licence has neither been cancelled nor suspended and remains in effect. The Company has already obtained such hotel licence and submitted an application for renewal before its expiry. Under The Hotel and Guesthouse Accommodation Ordinance, if the application for renewal of a hotel licence is made before its expiry and the hotel licence expires prior to the determination of such application, unless such application is withdrawn, or the hotel licence is cancelled or suspended, the hotel licence shall remain in effect until the determination by the relevant Government authority of such application.
- (5) According to the advice of the Group's legal adviser, Woo, Kwan, Lee & Lo, as to the title of Hong Kong properties, the letting of a portion of the property is in breach of the land grant. Woo, Kwan, Lee & Lo has advised that there is a risk of enforcement action by the government; although there is no precedent for such a case, the risk of enforcement action by way of re-entering the property is very unlikely. The government may require the termination of the Tenancy Agreement and/or Agreement and/or tolerate the said breaches with or without the payment of waiver fees to be determined by the Hong Kong government. A lease modification is a method of rectifying the above mentioned breaches, however it is not possible to assess the likely amount of waiver fees that the Government may require for the said breaches. We have been advised that upon the grant of the lease modification, the Hong Kong government is highly unlikely to pursue such matters further. In the course of our valuation, we have not made any allowance on such breach of land grant.

VALUATION CERTIFICATE

Group I – Hotel properties owned and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
5. Dorsett Kowloon Hotel, No. 48 Anchor Street, Tai Kok Tsui, Kowloon	The property comprises a 23-storey hotel providing 141 guest rooms and a restaurant completed in 2005.	The property is operated by the Group as a hotel.	HK\$250,000,000
Kowloon Inland Lot No. 6374	<p>The property has a total gross floor area of approximately 3,210 sq.m. (34,554 sq.ft.).</p> <p>The registered site area of the property is approximately 356.74 sq.m. (3,840 sq.ft.).</p> <p>The property is held under a Government Lease for a term of 75 years from 16 March 1953 renewable for a further term of 75 years. The current Government rent payable for the property is HK\$176 per annum.</p>		

Notes:

- (1) The registered owner of the property is Double Advance Group Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture to secure all moneys in favour of DB Trustees (Hong Kong) Limited.
- (3) The property is zoned for "Residential (Group E)" uses under Mongkok Outline Zoning Plan No. S/K3/27.
- (4) The property is granted with a licence as a hotel/guesthouse from 1 January 2010 to 31 December 2010 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.

VALUATION CERTIFICATE

Group I – Hotel properties owned and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
6. Dorsett Seaview Hotel, No. 268 Shanghai Street, Yaumatei, Kowloon	The property comprises a 21-storey (including a basement) hotel providing a total of 268 guest rooms and a restaurant. The property was completed in 1993 and renovated in 2009.	The basement is let for a term of 3 years from 1 September 2008 to 31 August 2011 at a monthly rent of HK\$160,000.	HK\$542,000,000
Kowloon Inland Lot Nos. 7429, 9701, 9705, 9727, 9769 and 9944	The property has a total gross floor area of approximately 6,065.26 sq.m. (65,286 sq.ft.). The registered site area of the property is approximately 501.86 sq.m. (5,402 sq.ft.). Kowloon Inland Lot No. 7429 is held under Conditions of Regrant No. 6282 for a term of 150 years from 2 February 1885. The remaining lots are held under Conditions of Regrant Nos. 9594, 9613, 9840, 9835 and 10170 for the same term of 150 years from 20 June 1898. The current aggregate Government rent payable for the lots is HK\$372 per annum.	A tour counter is let for a term of one year from 1 July 2010 to 30 June 2011 at a monthly rent of HK\$8,000. The remainder of the property is operated by the Group as a hotel.	

Notes:

- (1) The registered owner of the property is Charter Joy Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture to secure all money in favour of DB Trustees (Hong Kong) Limited.
- (3) The property is zoned for "Residential (Group A)" uses under Yau Ma Tei Outline Zoning Plan No. S/K2/20.
- (4) The property is granted with a licence as a hotel/guesthouse from 1 July 2008 to 30 June 2011 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.

VALUATION CERTIFICATE

Group I – Hotel properties owned and operated by the Group in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
7. Dorsett Far East Hotel, Nos. 135-143 Castle Peak Road, Tsuen Wan, New Territories	The property comprises portion of ground floor and 6th to 17th floors of a 17-storey building providing a total of 240 guest rooms. The property was completed in 1966 and renovated in 2006.	The property is operated by the Group as a hotel.	HK\$336,000,000
Part of the shares of and in Lot No. 2158 in Demarcation District No. 449	The total gross floor area of the property is approximately 5,180.32 sq.m. (55,761 sq.ft.). The registered site area of the property is approximately 631.74 sq.m. (6,800 sq.ft.). The property is held under New Grant No. 3915 for a term of 99 years less the last three days from 1 July 1898. The term has been statutorily extended to 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.		

Notes:

- (1) The registered owner of the property is Complete Delight Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture to secure all money in favour of DB Trustees (Hong Kong) Limited.
- (3) The property is zoned for "Residential (Group A)" uses under Tsuen Wan Outline Zoning Plan No. S/TW/26.
- (4) The property is granted with a licence as a hotel/guesthouse from 1 October 2009 to 30 September 2010 under the Hotel and Guesthouse Accommodation Ordinance, Cap. 349 by the Hotel and Guesthouse Accommodation Authority.
- (5) According to the Certificate issued by the Company's appointed Architect on 30 August 2010, the Building Authority approved the building (alterations & additions) plan in October 2005 and consented to the building works to commence in November 2005. The alteration and addition works were completed in accordance with the requirements of the Building Ordinance and related regulations. The Building Authority has no objection to the completed works on 12 September 2006.

VALUATION CERTIFICATE

Group II – Properties held by the Group under development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
8.	Project under development to be known as "Doresett Regency Kennedy Town, Hong Kong", Nos. 12-22 Davis Street, Kennedy Town, Hong Kong The Remaining Portion of Sub-section 7 of Section A, Section D of Sub-section 7 of Section A, Section C of Sub-section 7 of Section A, Section B of Sub-section 7 of Section A, Section A of Sub-section 7 of Section A, Sub-section 12 of Section A of Inland Lot No. 905	The property comprises a hotel to be developed upon a parcel of land with a registered site area of about 461.35 sq.m. (4,966 sq.ft.). The property will provide 217 guest rooms and is scheduled to be completed in November 2010. Upon completion, the total gross floor area of the property will be approximately 6,807.08 sq.m. (73,271 sq.ft.). The property is held under a Government Lease for a term of 999 years from 24 September 1883. The Government rent payable for the lots is HK\$72 per annum.	The property is under construction. HK\$481,000,000

Notes:

- (1) The registered owner of the property is Hong Kong (SAR) Hotel Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture in favour of Hang Seng Bank Limited.
- (3) The property is subject to a Licence for Removal of Trades in Offensive Trade Clause.
- (4) According to the information provided by the Group, the total estimated construction cost as at 30 June 2010 was about HK\$134,000,000 and the cost expended up to 30 June 2010 was about HK\$85,000,000. We have taken into account such amounts in our valuation.
- (5) The capital value of the property when completed as at 30 June 2010 was HK\$597,000,000.
- (6) The property is zoned for "Residential (Group A)" uses under Kennedy Town & Mount Davis Outline Zoning Plan No. S/H/17.

VALUATION CERTIFICATE

Group II – Properties held by the Group under development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010												
9.	<p>Project under development to be known as "The Mercer by Kosmopolito", Nos. 27-31 Jervois Street, Sheung Wan, Hong Kong</p> <p>Marine Lot No. 9B, Section A of Inland Lot No. 871, Section A of Inland Lot No. 872</p>	<p>The property comprises a hotel to be developed upon a parcel of land with a registered site area of about 235.04 sq.m. (2,530 sq.ft.). The property will provide 55 guest rooms and is scheduled to be completed in October 2010.</p> <p>Upon completion, the total gross floor area of the property will be approximately 3,524.82 sq.m. (37,941 sq.ft.).</p> <p>The property is held under various Government Leases for terms of 999 years and the commencement of lease term and Government rent per annum are as follows:</p> <table border="1"> <thead> <tr> <th>Lot No.</th> <th>Commencement of Lease Term</th> <th>Government Rent</th> </tr> </thead> <tbody> <tr> <td>M.L. 9B</td> <td>15 January 1852</td> <td>£5.12s 4D</td> </tr> <tr> <td>I.L. 871 sA</td> <td>26 June 1843</td> <td>HK\$12.6</td> </tr> <tr> <td>I.L. 872</td> <td>26 June 1843</td> <td>HK\$21.54</td> </tr> </tbody> </table>	Lot No.	Commencement of Lease Term	Government Rent	M.L. 9B	15 January 1852	£5.12s 4D	I.L. 871 sA	26 June 1843	HK\$12.6	I.L. 872	26 June 1843	HK\$21.54	HK\$222,000,000
Lot No.	Commencement of Lease Term	Government Rent													
M.L. 9B	15 January 1852	£5.12s 4D													
I.L. 871 sA	26 June 1843	HK\$12.6													
I.L. 872	26 June 1843	HK\$21.54													

Notes:

- (1) The registered owner of the property is Excel Chinese International Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture in favour of Hang Seng Bank Limited.
- (3) According to the information provided by the Group, the total estimated construction cost as at 30 June 2010 was about HK\$72,000,000 and the cost expended up to 30 June 2010 was about HK\$49,000,000. We have taken into account such amounts in our valuation.
- (4) The capital value of the property when completed as at 30 June 2010 was HK\$290,000,000.
- (5) The property is zoned for "Commercial" uses under Sai Ying Pun & Sheung Wan Outline Zoning Plan No. S/H3/24.

VALUATION CERTIFICATE

Group II – Properties held by the Group under development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
10. Cosmo Kowloon Hotel, Nos. 35-43 Ivy Street (now known as No. 88 Tai Kok Tsui Road), Tai Kok Tsui, Kowloon Kowloon Inland Lot No. 8050	<p>The property comprises a 25-storey hotel providing a total of 285 rooms which came into operation in July 2010.</p> <p>The property has a total gross floor area of approximately 6,224.62 sq.m. (67,002 sq.ft.).</p> <p>The registered site area of the property is about 513.56 sq.m. (5,528 sq.ft.).</p> <p>The property is held under Conditions of Sale No. 6812 for a term of 75 years from 28 August 1961 and renewable for a further term of 75 years. The current Government rent payable for the lot is HK\$254 per annum.</p>	<p>The property has been in operation since July 2010. However, as at the date of valuation the property was still under internal decoration and fitting out.</p>	HK\$537,000,000

Notes:

- (1) The registered owner of the property is Ruby Way Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture and Mortgage to secure all moneys in respect of general banking facilities in favour of The Hong Kong and Shanghai Banking Corporation Limited.
- (3) According to the information provided by the Group, the total estimated construction cost as at 30 June 2010 was about HK\$110,000,000 and the cost expended up to 30 June 2010 was about HK\$108,000,000. We have taken into account such amounts in our valuation.
- (4) The capital value of the property when completed as at 30 June 2010 was HK\$539,000,000.
- (5) The property is zoned for "Other Specified Uses (Business)" uses under Mongkok Outline Zoning Plan No. S/K3/27.
- (6) The property is granted with a licence as a hotel/guesthouse from 16 July 2010 to 15 July 2011 under the Hotel and Guesthouse Accommodation Ordinance, Cap.349 by the Hotel and Guesthouse Accommodation Authority.

VALUATION CERTIFICATE

Group II – Properties held by the Group under development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
11. Project under development to be known as "Dorsett Regency Kwun Tong, Hong Kong", No. 84 Hung To Road, Kwun Tong, Kowloon Kwun Tong Inland Lot No. 162	<p>The property comprises a hotel to be developed upon a parcel of land with a registered site area of about 929.02 sq.m. (10,000 sq.ft.). The property will provide 380 guest rooms and is scheduled to be completed in September 2011.</p> <p>Upon completion, the total gross floor area of the property will be approximately 11,081.06 sq.m. (119,277 sq.ft.).</p> <p>The property is held under a Government Lease for a term of 21 years from 1 July 1959 which has been renewed for a further term of 17 years less the last 3 days thereof. The term has been statutorily extended until 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	The property is under construction.	HK\$426,000,000

Notes:

- (1) The registered owner of the property is Everkent Development Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Debenture and a Floating Charge and an Assignment of Revenue in favour of Wing Hang Bank, Limited.
- (3) According to the information provided by the Group, the total estimated construction cost as at 30 June 2010 was about HK\$210,000,000 and the cost expended up to 30 June 2010 was about HK\$68,000,000. We have taken into account such amounts in our valuation.
- (4) The capital value of the property when completed as at 30 June 2010 was HK\$673,000,000.
- (5) The property is zoned for "Other Specified uses (Business)" uses under Kwun Tong South Outline Zoning Plan No. S/K14S/16.

VALUATION CERTIFICATE

Group II – Properties held by the Group under development in Hong Kong

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
12. Project under development to be known as "Dorset Regency Kwai Chung, Hong Kong", No. 659 Castle Peak Road, Kwai Chung, New Territories Kwai Chung Town Lot No. 193	<p>The property comprises an industrial building which is erected on a parcel of land with a registered site area of about 2,322.56 sq.m. (25,000 sq.ft.).</p> <p>The property was completed in 1981 and is currently under redevelopment. According to the Group, the property is planned to be redeveloped into a hotel providing 506 guest rooms. The property is scheduled to be completed in October 2011.</p> <p>Upon completion, the total gross floor area of the property will be approximately 19,944.28 sq.m. (214,680 sq.ft.).</p> <p>The property is held under New Grant No. 4841 for a term of 99 years from 1 July 1898 less the last 3 days thereof. The term has been statutorily extended until 30 June 2047. The current Government rent payable for the property is an amount equal to 3% of the rateable value for the time being of the property per annum.</p>	The property is under redevelopment.	HK\$270,000,000

Notes:

- (1) The registered owner of the property is Panley Limited, a wholly owned subsidiary of the Company.
- (2) The property is subject to a Legal Charge in favour of Wing Hang Bank Limited.
- (3) According to the information provided by the Group, the total estimated construction cost as at 30 June 2010 was about HK\$261,000,000 and the cost expended up to 30 June 2010 was about HK\$22,000,000. We have taken into account such amounts in our valuation.
- (4) The capital value of the property when completed as at 30 June 2010 was HK\$962,000,000.
- (5) The property is zoned for "Other Specified Uses (Business)" uses under Kwai Chung Outline Zoning Plan No. S/KC/23.
- (6) The Group has made an application for modification of the Government Lease to permit redevelopment of the property into the proposed hotel.

VALUATION CERTIFICATE

Group III – Properties held by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
13. A portion of the retail podium (levels 1, 3 and 4) of Yue Hotel Shanghai, Nos. 796 and 800 Huamu Road, Pudong New Area, Shanghai, the PRC	<p>The property comprises portions of a development with a 4-storey retail podium and a 18-storey hotel building. They were completed in 2000 and 2008 respectively.</p> <p>The property comprises levels 1, 3 and 4 of the retail podium with a total gross floor area of approximately 1,779.36 sq.m. (19,153 sq.ft.)</p> <p>The land use rights of the property have been granted for a term from 24 February 2009 to 28 September 2044 for commercial (hotel) use.</p>	Portions of the property with a gross floor area of 392 sq.m. (4,219 sq.ft.) are leased to 2 tenants with the latest term expiring on 30 October 2019 at a total monthly rent of approximately RMB68,700.	RMB29,000,000 (equivalent to approximately HK\$33,350,000)

Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Pu Zi (2009) Di 012208 issued by Shanghai Housing and Land Resources Administration Bureau on 9 March 2009, the land use rights and building ownership of the development, comprising a total site area of approximately 3,990 sq.m. and a total gross floor area of approximately 18,149.49 sq.m., have been vested in Ching Chu (Shanghai) Real Estate Development Co., Ltd. (錦秋(上海)置業發展有限公司), a wholly owned subsidiary of the Company, for a term from 24 February 2009 to 28 September 2044 for commercial (hotel) use.

As advised by the Group, the property comprises portions of the development with a gross floor area of approximately 1,779.36 sq.m. as stated in the above Shanghai Certificate of Real Estate Ownership.

- (2) According to Business Licence No. 0370671 dated 21 June 2007, Ching Chu (Shanghai) Real Estate Development Co., Ltd. was established as a limited liability company on 20 January 2000 with a registered capital of USD5,000,000 (with a paid-up capital of USD5,000,000) for a valid operation period from 20 January 2000 to 19 January 2015.
- (3) According to Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China No. Shang Wan Zi Hu Du Zi Zi (1999) 1447 dated 15 July 2010, the registered capital of Ching Chu (Shanghai) Real Estate Development Co., Ltd. has been increased to USD16,000,000.
- (4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, *inter-alia*, the following information:
- (i) Ching Chu (Shanghai) Real Estate Development Co., Ltd. lawfully owns the land use rights and building ownership of the property and is entitled to occupy and use the property;
- (ii) The property is subject to a mortgage in favour of Agricultural Bank of China, Shanghai Fengxian Branch. Ching Chu (Shanghai) Real Estate Development Co., Ltd. will be entitled to lease, transfer and mortgage the property or to dispose of the property by other lawful means after it has obtained the mortgagee's prior consent; and
- (iii) The tenancy contracts are legal, valid and binding on both parties under PRC laws.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are summarised as follows:

Certificate of Real Estate Ownership
Business Licence

Yes
Yes

VALUATION CERTIFICATE

Group III – Properties held by the Group for investment in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
14. Retail portion (portion of level 1, mezzanine level 1, level 2, mezzanine level 2, and levels 3 to 7 and 9) and office portion (portion of level 10, and whole of levels 17 and 18) of Hongkong and Macao Center, No. 118 Jiangnan Road, Jiangnan District, Wuhan City, Hubei Province, the PRC	<p>Hongkong and Macao Center comprises a 19-storey composite building with basement erected upon a parcel of land with a site area of 5,338.89 sq.m. (57,468 sq.ft.) completed in 2000.</p> <p>The property comprises the retail and office portions with a total gross floor area of 38,406.83 sq.m. (413,411 sq.ft.).</p> <p>The land use rights of the property have been granted for a term due to expire on 15 July 2043 for composite use.</p>	<p>Portions of the property with a gross floor area of 31,870.30 sq.m. (328,542 sq.ft.) are leased to various tenants with the latest term expiring on 30 November 2021.</p> <p>A portion of the property with a gross floor area of 100 sq.m. (1,076 sq.ft.) is leased to Wuhan Li Yue Hotel Management Co., Ltd. (武漢麗悅酒店管理有限公司), a wholly owned subsidiary of the Company, for a term of 20 years from 1 April 2009 to 31 March 2029.</p> <p>The remaining portion of the property is vacant.</p>	RMB291,000,000 (equivalent to approximately HK\$334,650,000)

Notes:

- (1) According to 13 Building Ownership Certificates issued by Wuhan Municipal State-owned Land Resources and Housing Administrative Bureau (武漢市國土資源和房產管理局) on 29 November 2007, the building ownership of the property located at Hongkong and Macao Center, No. 118 Jiangnan Road, Jiangnan District, has been vested in Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司), a wholly owned subsidiary of the Company. The details of the gross floor area of the property are as follows:

Certificate No.	Level	Gross Floor Area (sq.m.)
Wu Fang Quan Zheng Shi Zi Di No. 2007029525	1 (unit 1001)	393.00
Wu Fang Quan Zheng Shi Zi Di No. 2007029527	1 (unit 1002)	2,794.45*
	mezzanine level 1	1,524.38
Wu Fang Quan Zheng Shi Zi Di No. 2007029529	2	3,596.64
	mezzanine level 2	3,056.98
Wu Fang Quan Zheng Shi Zi Di No. 2007029530	3	3,931.16
Wu Fang Quan Zheng Shi Zi Di No. 2007029531	4	3,928.40
Wu Fang Quan Zheng Shi Zi Di No. 2007029536	5	3,928.40
Wu Fang Quan Zheng Shi Zi Di No. 2007029516	6	3,928.40
Wu Fang Quan Zheng Shi Zi Di No. 2007029517	7	3,556.98
Wu Fang Quan Zheng Shi Zi Di No. 2007029519	9	3,663.57
Wu Fang Quan Zheng Shi Zi Di No. 2007029521	10	3,634.63*
Wu Fang Quan Zheng Shi Zi Di No. 2007029546	17	1,084.47
Wu Fang Quan Zheng Shi Zi Di No. 2007029547	18	589.40

- * The property comprises portions of Levels 1 (Unit 1002) and 10 with gross floor areas of 2,489.08 sq.m. and 2,735.97 sq.m. respectively.

- (2) According to State-owned Land Use Rights Certificate No. Wu Guo Yong (2008) Di No. 88 dated 28 February 2008, issued by Wuhan Municipal People's Government (武漢市人民政府), the land use rights of Plot No.

A14050007 at No. 118 Jiangnan Road Jiangnan District with a site area of approximately 5,338.89 sq.m. have been vested in Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司) for a term due to expire on 15 July 2043 for composite use.

- (3) According to Business Licence No. 420100400000141, Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司) was established with a registered capital of USD29,800,000 for a valid operation period from 25 June 2007 to 25 June 2037.
- (4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, *inter-alia*, the following information:
- (i) Wuhan Far East Dorsett Hotel Management Co., Ltd. lawfully owns the land use rights and building ownership of the property and is entitled to occupy and use the property;
- (ii) The property is subject to a mortgage in favour of DBS Bank (China) Limited (Guangzhou Branch). Wuhan Far East Dorsett Hotel Management Co., Ltd. will be entitled to lease, transfer, and mortgage the property or to dispose of the property by other lawful means after it has obtained the mortgagee's prior consent; and
- (iii) The tenancy contracts are legal, valid and binding on both parties under PRC laws.
- (5) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

Building Ownership Certificate	Yes
State-owned Land Use Rights Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IV – Hotel properties owned and operated by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
15. Wuhan Cosmopolitan Hotel (portions of basement and level 1, whole of level 8, portion of level 10, levels 11 to 16 and car park (portion of basement) of Hongkong and Macao Center), No. 118 Jiangnan Road, Jiangnan District, Wuhan City, Hubei Province, the PRC	<p>Hongkong and Macao Center comprises a 19-storey composite building with basement erected on a parcel of land with a site area of 5,338.89 sq.m. (57,468 sq.ft.) completed in 2000.</p> <p>The property comprises the hotel portion of the building with a gross floor area of 28,899.82 sq.m. (311,078 sq.ft.) providing 384 guest rooms.</p> <p>The land use rights of the property have been granted for a term expiring on 15 July 2043 for composite use.</p>	The property is operated by the Group as a hotel.	RMB378,000,000 (equivalent to approximately HK\$434,700,000)

Notes:

- (1) According to 10 Building Ownership Certificates issued by Wuhan Municipal Stated-owned Land Resources and Housing Administrative Bureau (武漢市國土資源和房產管理局) on 29 November 2007, the building ownership of the property located at Hongkong and Macao Center, No. 118 Jiangnan Road, Jiangnan District, has been vested in Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司) a wholly owned subsidiary of the Company. The details of the gross floor area of the property are as follows:

Certificate No.	Level	Gross Floor Area (sq.m.)
Wu Fang Quan Zheng Shi Zi Di No. 2007029523	basement	3,422.82
Wu Fang Quan Zheng Shi Zi Di No. 2007029527	1 (Unit 1002)	2,794.45*
Wu Fang Quan Zheng Shi Zi Di No. 2007029518	8	3,589.41
Wu Fang Quan Zheng Shi Zi Di No. 2007029521	10	3,634.63*
Wu Fang Quan Zheng Shi Zi Di No. 2007029534	11	3,447.26
Wu Fang Quan Zheng Shi Zi Di No. 2007029541	13	3,447.26
Wu Fang Quan Zheng Shi Zi Di No. 2007029539	14	3,447.26
Wu Fang Quan Zheng Shi Zi Di No. 2007029538	12	3,447.26
Wu Fang Quan Zheng Shi Zi Di No. 2007029542	15	3,447.26
Wu Fang Quan Zheng Shi Zi Di No. 2007029544	16	3,447.26

- * The property comprises portions of Levels 1 (Unit 1002) and 10 with gross floor areas of 305.37 sq.m. and 898.66 sq.m. respectively.

- (2) According to State-owned Land Use Rights Certificate No. Wu Guo Yong (2008) Di No. 88 dated 28 February 2008 issued by Wuhan Municipal People's Government (武漢市人民政府), the land use rights of Plot No. A14050007 at No. 118 Jiangnan Road Jiangnan District with a site area of approximately 5,338.89 sq.m. have been vested in Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司) for a term due to expire on 15 July 2043 for composite use.

- (3) According to Business Licence No. 420100400000141, Wuhan Far East Dorsett Hotel Management Co., Ltd. (武漢遠東帝豪酒店管理有限公司) was established with a registered capital of USD29,800,000 for a valid operation period from 25 June 2007 to 25 June 2037.
- (4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, *inter-alia*, the following information:
- (i) Wuhan Far East Dorsett Hotel Management Co., Ltd. lawfully owns the land use rights and building ownership rights of the property and is entitled to occupy and use the property; and
 - (ii) The property is subject to a mortgage in favour of DBS Bank (China) Limited (Guangzhou Branch). Wuhan Far East Dorsett Hotel Management Co., Ltd. will be entitled to lease, transfer and mortgage the property or to dispose of the property by other lawful means after it has obtained the mortgagee's prior consent.
- (5) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

Building Ownership Certificate	Yes
State-owned Land Use Rights Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IV – Hotel properties owned and operated by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
16. Hotel portion (levels 1 to 18 of No. 796 Huamu Road and level 2 of No. 800 Huamu Road) and underground car parks of Yue Hotel Shanghai, Nos. 796 and 800 Huamu Road, Pudong New District, Shanghai, the PRC	<p>The property comprises portions of a development with a 4-storey retail podium and a 18-storey hotel building. They were completed in 2000 and 2008 respectively.</p> <p>The property comprises level 2 of the retail podium, arcade on the first floor, underground car parks and the hotel portion of the development with a gross floor area of 14,014.27 sq.m. (150,850 sq.ft.) providing 264 rooms which was completed in 2008.</p> <p>The land use rights of the property have been granted for a term from 24 February 2009 to 28 September 2044 for commercial (hotel) use.</p>	The property is operated by the Group as a hotel.	RMB418,000,000 (equivalent to approximately HK\$480,700,000)

Notes:

- (1) According to Shanghai Certificate of Real Estate Ownership No. Hu Fang Di Pu Zi (2009) Di 012208 issued by Shanghai Housing and Land Resources Administration Bureau on 9 March 2009, the land use rights and building ownership of the development, comprising a total site area of approximately 3,990 sq.m. and a total gross floor area of approximately 18,149.49 sq.m., have been vested in Ching Chu (Shanghai) Real Estate Development Co., Ltd. (錦秋(上海)置業發展有限公司), a wholly owned subsidiary of the Company, for a term from 24 February 2009 to 28 September 2044 for commercial (hotel) use.

As advised by the Group, the property comprises portions of the development with a gross floor area of 14,014.27 sq.m. as stated in the above Shanghai Certificate of Real Estate Ownership.

- (2) According to Business Licence No. 0370671 dated 21 June 2007, Ching Chu (Shanghai) Real Estate Development Co., Ltd. was established as a limited liability company on 20 January 2000 with a registered capital of USD5,000,000 (with a paid-up capital of USD5,000,000) for a valid operation period from 20 January 2000 to 19 January 2015.
- (3) According to Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China No. Shang Wan Zi Hu Du Zi Zi (1999) 1447 dated 15 July 2010, the registered capital of Ching Chu (Shanghai) Real Estate Development Co., Ltd. has been increased to USD16,000,000.

- (4) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, *inter-alia*, the following information:
- (i) Ching Chu (Shanghai) Real Estate Development Co., Ltd. lawfully owns the land use rights and building ownership of the property and is entitled to occupy and use the property; and
 - (ii) The property is subject to a mortgage in favour of Agricultural Bank of China Shanghai Fengxian Branch. Ching Chu (Shanghai) Real Estate Development Co., Ltd. will be entitled to lease, transfer and mortgage the property or to dispose of the property by other lawful means after it has obtained the mortgagee's prior consent.
- (5) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are summarised as follows:

Certificate of Real Estate Ownership	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Property held by the Group under development in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010								
17. Project under development to be known as "Hotel Kosmopolito City Centre, Chengdu", Nos. 124-177 Xiyulong Road, Qingyang District, Chengdu, Sichuan Province, the PRC	<p>The property comprises a hotel to be developed upon a parcel of land with a total site area of approximately 5,865.62 sq.m. (63,138 sq.ft.).</p> <p>The property has a total planned gross floor area of approximately 67,616.94 sq.m. (727,829 sq.ft.) with details as follows:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: left;">Planned Portion</th> <th style="text-align: right;">Approximate Planned Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Above ground</td> <td style="text-align: right;">51,478.41</td> </tr> <tr> <td>Under ground</td> <td style="text-align: right;"><u>16,138.53</u></td> </tr> <tr> <td>Total:</td> <td style="text-align: right;"><u><u>67,616.94</u></u></td> </tr> </tbody> </table> <p>According to the Group, the property is scheduled to be completed in the 4th quarter of 2010.</p> <p>The land use rights of the property have been granted for a term expiring on 22 September 2047 for hotel and restaurant uses.</p>	Planned Portion	Approximate Planned Gross Floor Area (sq.m.)	Above ground	51,478.41	Under ground	<u>16,138.53</u>	Total:	<u><u>67,616.94</u></u>	The property is under construction.	RMB620,000,000 (equivalent to approximately HK\$713,000,000)
Planned Portion	Approximate Planned Gross Floor Area (sq.m.)										
Above ground	51,478.41										
Under ground	<u>16,138.53</u>										
Total:	<u><u>67,616.94</u></u>										

Notes:

- (1) Pursuant to State-owned Land Use Rights Certificate Cheng Guo Yong (2009) Di No. 156 dated 19 February 2009, the land use rights of a parcel of land with a site area of approximately 5,865.62 sq.m. have been vested in Far East Dorsett Hotel Management (Cheng Du) Co., Ltd. (遠東帝豪酒店管理(成都)有限公司), a wholly owned subsidiary of the Company, for a term expiring on 22 September 2047 for hotel and restaurant uses.
- (2) According to the survey report of real estate prepared by Sichuan Survey Technology Service Centre, the gross floor area of the property is approximately 67,616.94 sq.m.
- (3) According to Construction Land Planning Permit Cheng Gui Guan (2000) Di No. 1522 issued by Chengdu Urban Planning Bureau on 14 August 2000, the proposed construction land use of the property complies with the town planning requirements and permission for construction of the land is granted.
- (4) According to Planning Permit for Construction Works No. Cheng Gui Guan (2000) Di No. 1544 issued by Chengdu Urban Planning Bureau on 14 July 2000, the construction works with a gross floor area of 85,000 sq.m. are in compliance with the construction works requirements and have been permitted.

- (5) According to Chengdu Permit for Commencement of Construction Works No. Cheng Jian Shi Jian Zi (1998) No. 0206 issued by Chengdu Construction Committee on 18 September 2000, the construction works with a gross floor area of 85,000 sq.m. are in compliance with the requirements for commencement of works and have been permitted.
- (6) According to Business Licence No. 510100400020507 《企業法人營業執照》, Far East Dorsett Hotel Management (Cheng Du) Co., Ltd. was established on 30 October 2006 as a limited company with a registered capital of USD38,000,000.
- (7) According to the information provided by the Group, the total estimated construction cost as at 30 June 2010 was about RMB483,000,000 and the cost expended up to 30 June 2010 was about RMB339,000,000. We have taken into account such amount in our valuation.
- (8) The capital value of the property when completed as at 30 June 2010 was RMB900,000,000 (equivalent to approximately HK\$1,035,000,000).
- (9) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, *inter-alia*, the following information:
- (i) Far East Dorsett Hotel Management (Cheng Du) Co., Ltd. lawfully owns the land use rights of the property and is entitled to occupy and use the property; and
 - (ii) The property is subject to a mortgage in favour of HSBC Bank (China) Company Limited (Chengdu Branch) and Far East Dorsett Hotel Management (Cheng Du) Co., Ltd. will be entitled to lease, transfer and mortgage the property or to dispose of the property by other lawful means after it has obtained the mortgagee's prior consent.
- (10) The status of title and grant of major approvals and licences in accordance with the information provided to us by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VI – Property contracted to be acquired by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010												
18. Dorsett Regency CBD, Zhongshan, Xintiecheng Hotel Block A, No. 107 Zhongshan First Road, West District, Zhongshan, Guangdong Province, the PRC	<p>The property comprises a 31-storey hotel erected on a 9-storey podium which is under renovation and scheduled to commence operation in September 2011.</p> <p>Upon renovation, the property will provide a total gross floor area of approximately 42,463.00 sq.m. (457,072 sq.ft.) with details as follows:</p> <table border="1"> <thead> <tr> <th>Portion</th> <th>Gross Floor Area (sq.m.)</th> </tr> </thead> <tbody> <tr> <td>Commercial</td> <td>13,607.00</td> </tr> <tr> <td>Hotel</td> <td>26,103.00</td> </tr> <tr> <td>Others</td> <td>1,108.00</td> </tr> <tr> <td>Basement</td> <td>1,645.00</td> </tr> <tr> <td>Total:</td> <td><u>42,463.00</u></td> </tr> </tbody> </table> <p>The land use rights of the property have been agreed to be transferred to the Group.</p>	Portion	Gross Floor Area (sq.m.)	Commercial	13,607.00	Hotel	26,103.00	Others	1,108.00	Basement	1,645.00	Total:	<u>42,463.00</u>	The property is under renovation.	No commercial value
Portion	Gross Floor Area (sq.m.)														
Commercial	13,607.00														
Hotel	26,103.00														
Others	1,108.00														
Basement	1,645.00														
Total:	<u>42,463.00</u>														

Notes:

- (1) In the course of our valuation, we have ascribed no commercial value to the property as the Certificate of Real Estate Ownership had not been obtained by the Group. Had the valid Certificate of Real Estate Ownership been issued to the Group and all land premium and related fees for the grant of the certificate been fully settled, the market value of the property as at the valuation date would be RMB220,000,000 (equivalent to approximately HK\$253,000,000).
- (2) According to Guangdong Certificate of Real Estate Ownership No. 4851081 issued by the People's Government of Guangdong on 30 April 1997, the land use rights and building ownership of the property, comprising a total gross floor area of approximately 42,635.336 sq.m., have been vested in Industrial and Commercial Bank of China, Zhongshan Branch.
- (3) According to the Foshan Auction Confirmation 08-02 entered into between Foshan Fajian Auction Limited (Party A) and Ching Chu (Shanghai) Property Development Co., Ltd. (上海錦秋房地產有限公司), a wholly owned subsidiary of the Company (Party B) dated 29 January 2008, the subject building ownership under the Real Estate Ownership No. 4851081 (Block A of Xintiecheng Hotel Zhongshan) with a total gross floor area of 42,635.336 sq.m. is auctioned by Party A and agreed to be sold to Party B at a price of RMB121,500,000 while the land use rights of the property are still vested in Industrial and Commercial Bank of China, Zhongshan Branch.

- (4) According to Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China No. Shang Wan Zi Hu Du Zi Zi (1999) 1447 dated 15 July 2010, the registered capital of Ching Chu (Shanghai) Real Estate Development Co., Ltd. has been increased to USD16,000,000.
- (5) According to Business Licence No. 310000400169600 dated 5 September 2007, Ching Chu (Shanghai) Property Development Co., Ltd. was established as a limited liability company on 24 April 1997 with a registered capital of USD17,000,000 for a valid operation period from 24 April 1997 to 23 April 2067.
- (6) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, *inter-alia*, the following information:
- (i) A portion of the auction price being RMB95,000,000 has been paid. The balance of the auction price being RMB26,500,000 has not been fully settled; and
- (ii) Ching Chu (Shanghai) Property Development Co., Ltd. will transfer the property to Ching Chu (Shanghai) Real Estate Development Co., Ltd. (錦秋(上海)置業發展有限公司) After obtaining the Certificate of Real Estate Ownership, Ching Chu (Shanghai) will own the building ownership of the property and is entitled to occupy, use, lease, transfer and mortgage the property or to dispose of the property by other lawful means.
- (7) The status of the title and grant of major approvals and licences in accordance with the information provided by the Group are summarised as follows:

Auction Confirmation	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group VII – Property held by the Group for future development in Singapore

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 June 2010
19. Land Lots 777W and 782P, Town Subdivision (TS) 5 at New Bridge Road, Singapore	<p>The subject property comprises a development site with a total site area of 4,650.40 sq.m. (50,057 sq.ft.) upon which a 10-storey hotel providing 285 guest rooms and a 6-storey residential block providing 68 units are proposed to be developed.</p> <p>Upon completion, the total gross floor area of the property will be approximately 16,536.68 sq.m. (178,001 sq.ft.).</p> <p>The term of lease of the property is 99 years with effect from 7 December 2009.</p>	The property is currently a vacant site.	SGD85,000,000 (equivalent to approximately HK\$472,600,000)

Notes:

- (1) The registered owner of the property is Tang Hotel Investments Pte Ltd., a wholly owned subsidiary of the Company.
- (2) Caveats IB/633521L and IB/633519E have been lodged by The Hongkong And Shanghai Banking Corporation Limited against Part of Lot 782P TS 5 on 9 December 2009 and 10 December 2009 respectively.
- (3) Caveat IB/633520B has been lodged by The Hongkong and Shanghai Banking Corporation Limited against Lot 777W TS 5 on 10 December 2009.

VALUATION CERTIFICATE

Group VIII – Properties leased by the Group in the PRC

			Capital value in existing state as at 30 June 2010
Property	Description and particulars of occupancy		
20. Unit 05, 16th Floor, Luoma International Plaza, No. 210 West Yulong Street, Qingyang District, Chengdu, Sichuan Province, the PRC	<p>The property comprises an office unit on 16th floor of Luoma International Plaza.</p> <p>The property has a gross floor area of 63 sq.m. (678 sq.ft.).</p> <p>The property is currently leased by the Group from an independent third party for a term from 9 September 2010 to 31 January 2011 at a monthly rent of RMB1,386.22 for office use. The lease was renewed for a term from 9 September 2010 to 31 January 2011 at a monthly rent of RMB1,386.22.</p> <p>According to the PRC legal opinion, the lease is legal and valid and non-registration of the lease will not affect its validity.</p>		No commercial value
21. Units 07, 08 and 09, 16th Floor, Luoma International Plaza, No. 210 West Yulong Street, Qingyang District, Chengdu, Sichuan Province, the PRC	<p>The property comprises two office units on 16th floor of Luoma International Plaza.</p> <p>The property has a total gross floor area of 210 sq.m. (2,260 sq.ft.).</p> <p>The property is currently leased by the Group from an independent third party for a term from 1 August 2010 to 31 January 2011 at a monthly rent of RMB4,620 for office use. The lease was renewed for a term from 1 August 2010 to 31 January 2011 at a monthly rent of RMB4,620. Unit 07 is replaced by Unit 02 in the renewed term.</p> <p>According to the PRC legal opinion, the lease is legal and valid and non-registration of the lease will not affect its validity.</p>		No commercial value
22. Unit 1202, Block C, Wanhe Yuan, No. 1 Babao Street, Qingyang District, Chengdu, Sichuan Province, the PRC	<p>The property comprises a residential unit on the 12th floor of a 29-storey residential building with a gross floor area of 128.10 sq.m. (1,379 sq.ft.) completed in 2001.</p> <p>The property is currently leased by the Group from an independent third party for a term from 1 March 2010 to 28 February 2011 at a monthly rent of RMB2,400 for residential use.</p> <p>According to the PRC legal opinion, as the landlord has not provided any proof of ownership or his right to let the property, there is a risk of the tenancy agreement being early terminated if a third party asserts his right.</p>		No commercial value

Group IX – Property leased by the Group in Singapore

	Property	Description and particulars of occupancy	Capital value in existing state as at 30 June 2010
23.	350 Orchard Road, Unit No. #21-07, 5 Shaw House, Singapore	<p>The property comprises an office unit on 21st floor with a gross floor area of 106.19 sq.m. (1,143 sq.ft.).</p> <p>The property is currently leased by the Group from an independent third party for a term of 2 years from 1 April 2010 to 31 March 2012 at a monthly rent of SGD6,400.80 and a monthly service charge of SGD1,371.60.</p> <p>The Group has an option to renew for a period of one year.</p>	No commercial value

The following is the text of a letter and valuation certificates prepared for the purpose of incorporation in this prospectus received from Raine & Horne International Zaki + Partners Sdn. Bhd., an independent valuer, in connection with the valuation of the properties interests held by the Group in Malaysia as at 30 June 2010. A copy of the full valuation report relating to the property interests of the Group in Malaysia in compliance with paragraph 34(2) of Part II of the Third Schedule of Companies Ordinance prepared by Raine & Horne International Zaki + Partners Sdn. Bhd. is made available for public inspection.

Raine&Horne 

Raine & Horne International
Zaki + Partners Sdn. Bhd.

(Company No. 99440-T)

Perpetual 99, Jalan Raja Muda Abdul Aziz

50300 Kuala Lumpur, Malaysia

Telephone : 03-2698 0911

Fax : 03-2691 1959

Email : rhizpkl@streamyx.com

The Directors
Kosmopolito Hotels International Limited
375 Queen's Road East
Wanchai
Hong Kong

28 September 2010

Dear Sirs,

RE: REPORT AND VALUATION OF A THIRTY (30) STOREY 4-STAR HOTEL BUILDING WITH THREE (3) BASEMENT CAR PARKS KNOWN AS DORSETT REGENCY HOTEL BEARING POSTAL ADDRESS DORSETT REGENCY HOTEL, 172, JALAN IMBI, 55100 KUALA LUMPUR;

179 ROOM 4 STAR HOTEL SITUATED AT 21ST FLOOR TO 30TH FLOOR AND PART OF THE LOBBY AREA WITHIN A THIRTY THREE (33) STOREY HOTEL & SERVICED APARTMENTS BUILDING KNOWN AS MENARA MAYTOWER BEARING POSTAL ADDRESS NO. 7, JALAN MUNSHI ABDULLAH, 50100 KUALA LUMPUR;

252 ROOM 3 STAR HOTEL AND PART OF THE LOBBY AREA WITHIN A TEN (10) STOREY HOTEL/SERVICE APARTMENT BUILDING KNOWN AS DORSETT JOHOR HOTEL, MALAYSIA;

A 5-STAR HOTEL BUILDING CONSISTING OF THREE (3) STOREY PODIUM WITH EIGHT (8) STOREY AND FOURTEEN (14) STOREY HOTEL TOWERS AS WELL AS A DOUBLE STOREY RESTAURANT AND FOUR (4) STOREY CAR PARKS BUILDING KNOWN AS GRAND DORSETT SUBANG HOTEL, MALAYSIA;

A NINE (9) STOREY 5-STAR HOTEL BUILDING (178 ROOMS) WITH A SEMI-BASEMENT CAR PARKS KNOWN AS GRAND DORSETT LABUAN HOTEL, MALAYSIA.

1. INSTRUCTION

In pursuance to the instruction for us to carry out market valuations of the above captioned properties held by Kosmopolito Hotels International Limited (the "Company") and its subsidiaries (together referred to as the "Group" situated in Malaysia, we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the market value ("Market Value") of the properties as at 30 June 2010 (referred to as the "valuation date").

2. BASIS OF VALUATION

Our basis of valuation is our opinion of the Market Value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

3. METHOD OF VALUATION

In arriving at the Market Value of the subject properties, we have adopted as our main approach, the **Comparison Method of Valuation**.

This method of valuation seeks to determine the value of the properties being valued by comparing and adopting as a yardstick recent transactions and sale evidences involving other similar properties in the vicinity. Due considerations are given for such factors including location, plot size, improvements made if any, surrounding developments, facilities and amenities available.

4. ASSUMPTIONS

Our valuation also has been made on the assumption that the properties can be sold on the open market without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the properties.

We have assumed that all consent, approvals and licenses from relevant government for rights to use and occupy the properties have been granted and in good validation status.

We have also assumed that the subject properties can be freely transferred and leased without any additional land premium or substantial costs payable to the relevant government.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) issued by the Hong Kong Institute of Surveyors.

5. TITLE INVESTIGATION

We have been provided with extracts of title documents relating to the properties. In addition, we have caused searches to be made at the appropriate government registries of properties. However, we have not searched the original documents to verify ownership nor to verify the existence of any lease amendments which do not appear on the copies handed to us. All documents have been used for reference only and no responsibility regarding title to the properties is assumed in this report.

6. LIMITING CONDITIONS

We have carried out inspection of the properties; however, we have not carried out site investigation to determine the suitability of the ground condition or the services provided. All dimensions, measurements and arrears are based on information supplied by the Client and where possible, they will be verified by us by reference to the copies of documents made available to us.

While due care is taken to note building defects in the course of inspection no structural survey is made nor any inspection of woodwork or other parts of the structure which are covered or inaccessible and we are therefore unable to report that such part of the properties are free of hidden defects or concealed infestation.

We have relied to a considerable extent on the information provided by the Client and have accepted advice given to us on matters such as statutory notices, tenure, occupancy, site and floor areas and in identification of the properties.

We have no reason to doubt the truth and accuracy of the information as provided to us by the Client. We have relied on the client's confirmation that no material facts have been omitted from the information supplied.

No allowance has been made in our valuation for any charge, mortgage or amount owing on any properties interest nor expense or taxation which may incurred in effecting a sale. We have assumed that the properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their value.

7. CURRENCY

The Market Values of all the subject properties are stated in Ringgit Malaysia. The exchange rate adopted in our valuation is RM1= HK\$2.39, which was the approximate prevailing exchange rates as at the date of valuation.

8. REMARKS

The properties' interests have been valued as follows:–

Properties' Interests	Market Values as at 30 June 2010
1. DORSETT REGENCY HOTEL KUALA LUMPUR 172, Jalan Imbi, 55100 Kuala Lumpur	RM140,000,000.00
2. MAYTOWER HOTEL No. 7, Jalan Munshi Abdullah, 50100 Kuala Lumpur	RM77,000,000.00
3. DORSETT JOHOR HOTEL Mukim of Plentong, District of Johor Bahru, State of Johor.	RM76,000,000.00
4. GRAND DORSETT SUBANG HOTEL Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan	RM253,557,000.00 **RM312,000,000.00
5. GRAND DORSETT LABUAN HOTEL No. 462, Jalan Merdeka, 87029 Federal Territory of Labuan.	RM70,000,000.00
TOTAL MARKET VALUE	
i) On 'as is' basis	RM616,557,000.00
ii) ** ON THE ASSUMPTION THAT THE PROPOSED 125 ADDITIONAL ROOMS LOCATED ON THIRTEENTH TO SEVENTEENTH FLOORS ARE FULLY COMPLETED AND CERTIFIED FIT FOR OCCUPANCY AND THENCE THE GRAND DORSETT SUBANG HOTEL (478 ROOMS) TOGETHER WITH THE EXCESS LAND (6.41 ACRES) WHICH HAS A DEVELOPMENT PROPOSAL AND IS SUBMITTED FOR APPROVAL TO THE RELEVANT AUTHORITY	RM675,000,000.00
"IF ANY PARTY WISHES TO RELY ON THE ASSUMPTION STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTION THAT IS NOT YET OR FULLY REALISED".	

We enclosed herewith our summary of valuation and valuation certificates.

Yours faithfully,
For and on behalf of
Raine & Horne International Zaki + Partners Sdn. Bhd.
Noraini Binti Jaafar Sidek
Registered Valuer (MIS)
Reg. No. V-523
Director

Note:

Noraini Binti Jaafar Sidek is a Member of the Malaysia Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate agent in Malaysia, has over 18 years experience in valuation properties in Malaysia for listed companies.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 30 June 2010
1. A 320 room thirty (30) storey 4-star hotel building with three (3) level of basement car parks bearing postal address Dorsett Regency Hotel Kuala Lumpur. 172, Jalan Imbi, 55100 Kuala Lumpur.	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>Site Area: 1,270 sq. metres (13,670 sq. ft.)</p> <p>The total gross floor area of the building is about 27,752.58 sq. metres (298,726. sq. ft.).</p> <p>The approximate age of the hotel building is 13 years.</p> <p>The land is of freehold interest and to be used for commercial building only.</p> <p>The land is held under Lot No. 1300 Seksyen 0067 (formerly known as P.T. No. 62) held under Title No. GRN 49963, Town and District of Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur</p> <p>Annual government rent is RM5,842.00.</p>	<p>The subject property is currently managed by the owner, Dorsett Regency Hotel (M) Sdn. Bhd.</p> <p>The occupancy rate of the subject property is about 79%.</p>	RM140,000,000.00

Notes:

- (i) The ownership of the property is Dorsett Regency Hotel (M) Sdn. Bhd. (Company No:199686-K).
- (ii) The land is currently charged to AFFIN ISLAMIC BANK BHD. dated 17 July 2006.
- (iii) A lienholder's caveat has been entered by AFFIN ISLAMIC BANK BERHAD on the land dated 23 January 2007.
- (iv) Part of the land (360 sq. ft.) has been leased to Tenaga Nasional Berhad for 30 years commencing from 8/2/2000 until 7/2/2030 for the purposes of substation.
- (v) The property is situated within an area zoned for commercial use.
- (vi) The status of the title and licenses in accordance with the information provided by the Group are summarised as follows:

Certificate of Real Estate Ownership	Yes
Business License	Yes

VALUATION CERTIFICATE

Properties	Description and tenure	Details of occupancy	Market Value in existing state as at 30 June 2010	
2.	<p>179 room 4-star hotel situated at 21st Floor to 30th Floor and part of the lobby area within 33 storey hotel & serviced residences building bearing postal address Menara Maytower, No. 7, Jalan Munshi Abdullah, 50100 Kuala Lumpur.</p> <p>The subject property is sited fronting Jalan Munshi Abdullah, Kuala Lumpur</p>	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>Site Area: 2,162 sq. metres (23,271.55 sq. ft.)</p> <p>Hotel Floor Area: 5,158.17 sq. metres (55,522 sq. ft.)</p> <p>Lobby Area: 465 sq. metres (5,007 sq. ft.)</p> <p>The approximate age of the hotel building is 3 years.</p> <p>The land is of freehold interest and to be used for constructing serviced apartment building including residences/shops/club house which are to be constructed in accordance with plans approved by the Local Authorities.</p> <p>The land is held under Lot No. 301 Seksyen 40 held under Title No. GRN 54118, Town and District of Kuala Lumpur, State of Wilayah Persekutuan KL</p> <p>Annual government rent is RM9,946.00.</p>	<p>The subject property is currently managed by Venue Summit Sdn. Bhd.</p> <p>The occupancy rate of the subject property is about 76%.</p>	RM77,000,000.00
Notes:				
(i) The master title of the property is registered under Mayland Boulevard Sdn. Bhd. (Company No:180306M). The subdivided title for the Hotel has yet to be issued.				
(ii) The land is free from encumbrances except for the Registrar's Caveats.				
(iii) Three (3) Registrar's Caveats have been entered on the titles.				
(iv) The property is situated within an area zoned for commercial use.				
(v) Venue Summit Sdn. Bhd. is a limited liability company incorporated in Malaysia on 7 April 2006 which is 100% owned by the group.				
(vi) The status of the title and licenses in accordance with the information provided by the Group are summarised as follows:				
Certificate of Real Estate Ownership			Yes	
Business License			Yes	

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 30 June 2010
3. 252 room 3-star hotel and part of the lobby area within a ten (10) storey hotel/service apartment building known as Dorsett Johor Hotel, Malaysia.	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>Site area:56,723 sq. metres (610,561.3 sq. ft.)</p>	<p>The subject property is currently managed by Success Range Sdn. Bhd.</p> <p>The average occupancy rate is 75%.</p>	RM76,000,000.00
The subject property is sited off the south-western side of Lebuhraya Pasir Gudang and alongside Jalan Masai Baru, Johor Bahru.	<p>Built Site Area: 4,370 sq. metres (47,038.24 sq. ft.)</p> <p>Hotel Floor Area: 8,804.06 sq. metres (94,766.00 sq. ft.)</p> <p>The approximate age of the hotel building is 5 years.</p> <p>The land is of freehold interest and for the purposes of constructing serviced apartment building including residences/shops/club house which are to be constructed in accordance with plans approved by the Local Authorities.</p> <p>The land is held under Master Lot No. 66270 (formerly PTD No. 101375) held under Title No. GRN 358714 (formerly H.S. (D) 22751), Mukim of Plentong, District of Johor Bahru, State of Johor.</p> <p>Annual government rent is RM238,560.00.</p>		
Notes:			
(i)	The master title of the property is registered under Mayland Projects (Johor) Sdn. Bhd. (Company No. 478695-T). The subdivided title for the Hotel is yet to be issued.		
(ii)	The land is free from encumbrances.		
(iii)	The property is situated within an area zoned for commercial use.		
(iv)	Success Range Sdn. Bhd. is a limited liability company incorporated in Malaysia on 18th April 2006 which is 100% owned by the group.		
(v)	The status of the title and licenses in accordance with the information provided by the Group are summarised as follows:		
	Certificate of Real Estate Ownership		Yes
	Business License		Yes

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 30 June 2010
4. A 5-star hotel building consisting of three (3) storey podium with eight (8) storey and fourteen (14) storey hotel towers as well as a double storey restaurant and four (4) storey car parks building bearing postal address Grand Dorsett Subang Hotel, Jalan SS 12/1, 47500 Subang Jaya, Selangor Darul Ehsan	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>Site Areas: Lot 4244 : 19,474 sq. metres (209,616 sq. ft.)</p> <p>Lot 4245 : 18,308 sq. metres (197,065 sq. ft.)</p> <p>The total gross floor area of the building is about 43,264.10 sq. metres (465,691 sq. ft.) with an existing 353 rooms and ON THE ASSUMPTION 478 rooms.</p> <p>The approximate age of the hotel building is 13 years.</p> <p>The land is of freehold interest and to be used for commercial buildings only.</p> <p>The land is held under Lot Nos. 4244 and 4245 held under Title Nos. GRN 38842 and 38843, Mukim of Damansara, District of Petaling, State of Selangor</p> <p>Annual government rent:- Lot 4244 : RM38,734.00</p> <p>Lot 4245 : RM36,415.00</p>	<p>The subject property is currently managed by owner, Subang Jaya Hotel Development Sdn. Bhd.</p> <p>The occupancy rate of the subject property is about 60%.</p> <p>The hotel is under internal renovation.</p>	<p>RM253,557,000.00</p> <p>**RM312,000,000.00</p>

Notes:

**** ON THE ASSUMPTION THAT THE PROPOSED 125 ADDITIONAL ROOMS LOCATED ON THIRTEENTH TO SEVENTEENTH FLOORS ARE FULLY COMPLETED AND CERTIFIED FIT FOR OCCUPANCY AND THENCE THE HOTEL (478 ROOMS) TOGETHER WITH THE EXCESS LAND (6.41 ACRES) WHICH HAS A DEVELOPMENT PROPOSAL AND IS SUBMITTED FOR APPROVAL TO THE RELEVANT AUTHORITY.**

"IF ANY PARTY WISHES TO RELY ON THE ASSUMPTION STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTION THAT IS NOT YET OR FULLY REALISED".

- (i) The ownership of the property is Subang Jaya Hotel Development Sdn. Bhd. (Company No. 44190-A).
- (ii) Both the lands are charged to AFFIN BANK BERHAD dated 28 March 2008.
- (iii) Lot No 4245

The land is partly leased to TENAGA NASIONAL BERHAD for 30 years from 1 February 1987 and expiring on 31 January 2017.

- (iv) The property is situated within an area zoned for commercial use.
- (v) The status of the title and licences in accordance with the information provided by the Group are summarised as follows:

Certificate of Real Estate Ownership	Yes
Business License	Yes

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Market Value in existing state as at 30 June 2010
5. A nine (9) storey 5-Star hotel building (178 rooms) with a semi-basement car park bearing postal address Grand Dorsett Labuan Hotel, No. 462, Jalan Merdeka, 87029 Federal Territory of Labuan.	<p>Basic utility services such as electricity supply, water supply and other common facilities are provided to the subject property.</p> <p>Site Areas: 6,071 sq. metres (65,324 sq. ft.)</p> <p>The total gross floor area of the building is about 21,564.98 sq. metres (232,124 sq. ft.) with a total of 178 rooms.</p> <p>The approximate age of the hotel building is 14 years.</p> <p>The land is of 99 years leasehold interest expiring on 31 December 2090. The unexpired term of the lease is approximately 80 years and to be used for the purpose of a hotel.</p> <p>The land is held under Title No. TL 207531888, Town of Labuan, State of Federal Territory Labuan.</p> <p>Annual government rent:- RM12,141.00</p>	<p>The subject property is currently managed by owner, Merlin Labuan Sdn. Bhd.</p> <p>The occupancy rate of the subject property is about 76%.</p>	RM70,000,000.00

Notes:

- (i) The ownership of the property is Merlin Labuan Sdn. Bhd. (Company No. 109695-U).
- (ii) The land is free from encumbrances.
- (iii) The property is situated within an area zoned for commercial use.
- (iv) The status of the title and licenses in accordance with the information provided by the Group are summarised as follows:

Certificate of Real Estate Ownership	Yes
Business License	Yes

SUMMARY OF THE CONSTITUTION OF THE COMPANY**1 Memorandum Of Association**

The Memorandum of Association of the Company was conditionally adopted on 10 September 2010 and states, inter alia, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VII in the section headed "Documents available for inspection".

2 Articles Of Association

The Articles of Association of the Company were conditionally adopted on 10 September 2010 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of when the Articles of Association becomes effective will be HK\$500,000,000 divided into 5,000,000,000 shares of HK\$0.10 each.

*2.2 Directors***(a) Power to allot and issue Shares**

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal concerning any other company in which the Director or any of his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that the Director and any of his associates, are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;
- (v) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit;
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (C) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or about the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of Capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such

sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares of any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member of the Company is, under the Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognised clearing house (or its nominee) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company save as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 clear days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by notice of not less than 21 clear days and any other extraordinary general meeting shall be called by not less than 14 clear days. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20 per cent. (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in the newspaper or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own Shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong.

2.13 Power of any subsidiary of the Company to own Shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distributions

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividends which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding, or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on Shares and forfeiture of Shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15 per cent. per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (i) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) the Company has not during that time or before the expiry of the three month period referred to in (iv) below received any indication of the whereabouts or existence of the member; (iii) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (iv) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**1 Introduction**

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 January 2007 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to any other person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see 3 above for further details).

5 Shareholders' suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and auditing requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of books and records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary owning shares in parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

14 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

15 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

16 Liquidation

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

17 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

18 Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company may apply for an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made to or by the Company.

19 Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

20 General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix VII of the prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT US**1. Incorporation**

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law on 23 January 2007. Our Company's registered office is situated at P.O. Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands. Our Company has established, and registered as an overseas company under Part XI of the Companies Ordinance on 21 July 2010 and our principal place of business in Hong Kong is at 375 Queen's Road East, Wan Chai, Hong Kong. Mr. MOK Kwai Pui, Bill (莫貴標) has been appointed as our authorised representative for acceptance of service of process and notice in Hong Kong. Mr. Mok's address for acceptance of service of process in Hong Kong is 375 Queen's Road East, Wan Chai, Hong Kong.

As our Company was incorporated in the Cayman Islands, our corporate structure and operation is subject to the laws of the Cayman Islands and our constitutive documents which comprise the Memorandum and Articles of Association. A summary of certain parts of our constitution and relevant aspects of the company law of the Cayman Islands is set out in the section entitled "Summary of the Constitution of the Company and Cayman Islands Companies Law" in Appendix V to this prospectus.

2. Changes in share capital of our Company

As at the date of our incorporation, the authorised share capital of our Company was US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each, one share of which was issued fully-paid and transferred by the subscriber to Ample Bonus.

Save as aforesaid and those mentioned under paragraph 3 entitled "Written resolutions of our Shareholders" and paragraph 4 entitled "Reorganisation" below, there has been no alteration in our Company's share capital since the incorporation of our Company.

3. Written resolutions of our Shareholders

Pursuant to the written resolutions of all the Shareholders of our Company passed on 10 September 2010:

- (a) Conditional upon the conditions for completion of the Global Offering set forth in the section entitled "Structure of the Global Offering" in this prospectus being fulfilled or waived, the authorised share capital of the Company be and is hereby increased from US\$50,000 divided into 50,000 ordinary shares with a par value of US\$1.00 each to the aggregate of US\$50,000 and HK\$500,000,000 divided into 50,000 ordinary shares with a par value of US\$1.00 each and 5,000,000,000 ordinary shares with a par value of HK\$0.10 each by the creation of 5,000,000,000 ordinary Shares with a par value of HK\$0.10 each;

- (b) conditional upon the conditions for completion of the Global Offering set forth in the section entitled "Structure of the Global Offering" in this prospectus being fulfilled or waived:
- (i) the Directors were authorised to allot and issue up to 2,000,000,000 new Shares fully credited as fully paid to the Shareholder on our register of members as at close of business on 6 October 2010 (or as it may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted and issued any fraction of a Share) by way of the capitalisation of the sum of HK\$1,859,812,000 due from the Company to FEC Group as at 31 March 2010, such new Shares ranking pari passu in all respects with the Shares then in issue. It was subsequently determined by the Board to allot and issue 1,730,000,000 Shares in respect of the Capitalisation Issue;
 - (ii) conditional upon completion of the Capitalisations Issue, the 1 issued share with a par value of US\$1.00 held by Ample Bonus as at the Latest Practicable Date be repurchased at par by the Company out of the proceeds of issue referred to in resolution (i) above;
 - (iii) following the repurchase in sub-paragraph (ii) above, the authorised but unissued share capital of the Company be reduced by the cancellation of 50,000 ordinary shares with a par value of US\$1.00 each;
 - (iv) following the cancellation of shares pursuant to resolution (iii) above, the authorised share capital of the Company shall be HK\$500,000,000 divided into 5,000,000,000 ordinary shares with a par value of HK\$0.10 each;
 - (v) the Global Offering was approved and our Directors were authorised to determine and approve the issue price for, and the issue and allotment of, the Offer Shares pursuant to the Global Offering;
 - (vi) the proposed grant of the Over-allotment Option by our Company and the Selling Shareholder to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters, to require (aa) our Company to issue and allot up to and not more than an aggregate of 15% of the total new Shares offered under the Global Offering and (bb) Ample Bonus, our Selling Shareholder, to sell up to an aggregate of 15% of the total Sale Shares initially being offered under the Global Offering to cover the over-allocations in the International Offering at the Offer Price was approved;
 - (vii) conditional further upon the Listing Committee of the Stock Exchange granting approval of the rules of the Share Option Scheme and the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of any options granted under the Share Option Scheme, the rules of the Share Option Scheme was approved and adopted and our Directors or any committee thereof established by the Board were authorised to (aa) modify or amend the Share Option Scheme as may be required by the Stock Exchange and which they deem necessary and/or desirable; (bb) grant options to subscribe for Shares under the Share Option Scheme; (cc) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; and (dd) take all such actions as they consider necessary and/or desirable to implement or give effect to the Share Option Scheme subject to the conditions therein;

- (viii) the adoption of the amended and restated Memorandum and Articles of Association, the terms of which are summarised in Appendix V to this prospectus, was approved;
- (c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued, unissued shares in the capital of our Company (otherwise than pursuant to a rights issue or the exercise of any subscription rights under the Share Option Scheme or pursuant to any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority, granted by our Shareholders) with an aggregate nominal value of not more than the sum of 20% of the aggregate nominal value of our share capital in issue following the completion of the Global Offering and the Capitalisation Issue but before any exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme; and the aggregate nominal value of our share capital repurchased (if any). Such mandate will expire:
- (i) at the conclusion of our next annual general meeting;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable law of the Cayman Islands; or
 - (iii) the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority given to the Directors by such resolution, whichever occurs first.
- (d) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, provided that such number of Shares is not more than 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering and the Capitalisation Issue but before any exercise of the Over-allotment Option as mentioned herein or any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme. Such mandate will expire whichever is the earliest of:
- (i) at the conclusion of our next annual general meeting;
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any applicable law of the Cayman Islands; or
 - (iii) the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority given to the Directors by such resolution; and

- (e) the extension of the general mandate to allot, issue and deal with Shares as mentioned in sub-paragraph (c) by the addition to the aggregate nominal amount of the Shares which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares repurchased by us pursuant to sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the Shares in issue immediately following the Global Offering and the Capitalisation Issue but before any exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme.

Immediately following the Global Offering becoming unconditional and the issue of Shares as mentioned herein being made, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options that maybe granted pursuant to the Share Option Scheme, the authorised share capital of our Company will be HK\$500,000,000 divided into 5,000,000,000 Shares of HK\$0.10 each and the issued share capital will be HK\$200,000,000 divided into 2,000,000,000 Shares, all fully paid or credited as fully paid and 3,000,000,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option and any options which may be granted pursuant to the Share Option Scheme, there is no present intention to issue any of our authorised but unissued share capital.

4. Reorganisation

For information with regards to our corporate reorganisation, please see the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the section headed “History, Reorganisation and Corporate Structure — Reorganisation” in this prospectus, the following Group companies of our Group have undergone the following changes in their respective share capitals during the two years immediately prior to the date of this prospectus:

(a) Ching Chu (Shanghai)

Ching Chu (Shanghai) has obtained the approval from Shanghai Municipal Commission of Commerce on 9 July 2010, according to which, the shareholder of Ching Chu (Shanghai) shall pay 20% of the increased capital as the first installment (i.e., US\$2,200,000) and the remaining 80% shall be paid within 2 years from the issuance date of the renewed business licence. As at the Latest Practicable Date, the Company has paid approximately 34.5% of the increased capital as the first installment (US\$3,800,010).

(b) Esteem Tactic

Esteem Tactic was established in Malaysia on 17 November 2009 as a limited liability company. The initial amount of issued share capital on incorporation was RM2.00. The registered capital of RM2.00 has been fully paid up.

(c) Kosmopolito Hotels International (S)

Kosmopolito Hotels International (S) was established in Singapore on 10 February 2010 as a limited private company. The issued and paid up share capital is S\$1.00.

(d) Shanghai Li Yue Management

Shanghai Li Yue Management was established in the PRC on 9 September 2009 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000 and was fully paid up as at 17 July 2009. On 14 July 2010, the registered capital was increased by RMB1,500,000 to a total of RMB2,000,000.

(e) Tang Hotel

Tang Hotel was established in Singapore on 29 April 2010. The issued and paid up share capital is S\$1.00.

(f) Tang Suites

Tang Suites was established in Singapore on 10 December 2009 as a limited private company. The initial amount of issued and paid up share capital on incorporation was S\$1.00. On 22 April 2010, the issued and paid up share capital was increased by S\$999,999 to a total of S\$1,000,000.

(g) Wuhan Li Yue Management

Wuhan Li Yue Management was established in the PRC on 19 May 2009 as a limited liability company. The initial amount of registered capital on incorporation was RMB300,000 and was fully paid up as at 14 May 2009.

Save as disclosed in this prospectus, there has been no other change to the share capital of any of the subsidiaries of our Company within the two years immediately prior to the date of this prospectus.

6. Repurchase by our Company of our own securities

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange. This section includes the information required by the Stock Exchange to be included in this prospectus concerning repurchases of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities that are listed on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

The Listing Rules provide that all repurchases of securities (which must be fully paid-up in the case of shares) by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the constitutive documents of company, the Listing Rules and any applicable laws of the jurisdiction of its incorporation. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as in effect from time to time. Subject to the foregoing, any repurchases may be made out of funds legally permitted to be used in this connection, including profits of a company or out of the proceeds of a new issue of shares made for that purpose or out of the company's share premium account or, if so authorised by its articles of association and subject to the provisions of any applicable laws, out of its share capital. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be provided out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of the company's share premium account.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors believe that, if the repurchase mandate is exercised in full, it might have a material adverse effect on our working capital position and/or our gearing position as compared with our position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements and/or gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(iii) Status of repurchased securities

The Listing of all repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically cancelled and the certificates for those securities must be cancelled and destroyed. Under the law of the Cayman Islands, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly, although the authorised share capital of the company will not be reduced.

(iv) Trading restrictions

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering (without taking into account our Shares which may be issued pursuant to the exercise of the Over allotment Option or any options granted under any options which may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately

following a repurchase of Shares, without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Stock Exchange.

(v) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchase of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the Listing Rules in force as at the date hereof, during the period of one month immediately preceding the earlier of:

- (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (bb) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange Business Day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected persons

The Listing Rules prohibit a company from knowingly repurchasing securities on the Stock Exchange from a "Connected Person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective associates (as defined in the Listing Rules) and a Connected Person is prohibited from knowingly selling his/her/its securities to the Company on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such Share repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our net asset value per Share and/or our earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Exercise of the repurchase mandate

The exercise in full of the current repurchase mandate, on the basis of 2,000,000,000 Shares in issue immediately following the completion of the Global Offering and assuming no exercise of the Over-allotment Option and no exercise of the options that may be granted under the Share Option Scheme, would result in up to 200,000,000 Shares being repurchased by us during the Relevant Period.

(d) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules) has any present intention to sell any Shares to us or any of our subsidiaries if the repurchase mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Articles of Association and any other applicable laws of Cayman Islands.

If, as a result of a repurchase of our Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code as a result of any such increase. Upon completion of the Global Offering (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted pursuant to the Shares Option Scheme), FEC will hold approximately 73.0% of our Shares through its wholly-owned subsidiary Ample Bonus. In the event the power to repurchase Shares under the repurchase mandate is exercised in full and assuming that there is no change in the issued share capital of the Company after the Latest Practicable Date (other than the Capitalisation Issue but assuming the Over-allotment Option is not exercised and no option granted under the Share Option Scheme has been exercised), FEC and Ample Bonus are not expected to incur an obligation to make a general offer to Shareholders as a result of an exercise of the repurchase mandate in full. Our Directors do not at present intend to exercise their authority so as to trigger such mandatory offer. Save as aforesaid, our Directors are not aware of any consequences which may arise if the repurchase mandate is exercised.

No connected person of our Company has notified us that he/she/it has a present intention to sell his/her/its Shares to us, nor has he/she/it undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) bought and sold notes dated 25 January 2010 for the transfer of 2 shares in Dorsett Hotels & Resorts International by FECL to the Company (formerly known as Dorsett International Group Limited) for a consideration of HK\$2.00;
- (b) bought and sold notes dated 25 January 2010 for the transfer of 2 shares in Kosmopolito Hotels International Services (formerly known as Dorsett Hotel Management Services Limited) by FECL to the Company (formerly known as Dorsett International Group Limited) for a consideration of HK\$2.00;
- (c) bought and sold notes dated 5 May 2010 for the transfer of 1 share in Excel Chinese by FECL to Havena for a consideration of HK\$1.00;
- (d) bought and sold notes dated 28 May 2010 for the transfer of 10,000 shares in Hong Kong (SAR) Hotel by FECL to Havena for a consideration of HK\$10,000.00;
- (e) equity transfer agreement (股權轉讓協議) dated 7 June 2010 for the transfer of 48% equity interest in Shanghai Ching Chu Trading (上海錦秋集貿市場經營管理有限公司) by Ching Chu (Shanghai) (錦秋(上海)置業發展有限公司) to Shanghai Chingchu Property Development (上海錦秋房地產有限公司) for a consideration of RMB240,000;
- (f) bought and sold notes dated 26 August 2010 for the transfer of 2 shares in Esmart Management by FECL to Havena for a consideration of HK\$2.00;
- (g) bought and sold notes dated 26 August 2010 for the transfer of 1 share in Panley by FECL to Havena for a consideration of HK\$1.00;
- (h) bought and sold notes dated 27 August 2010 for the transfer of 2 shares in Ruby Way by FECL to Havena for a consideration of HK\$2.00;
- (i) share transfer form dated 30 August 2010 for the transfer of 1 share in Tang Hotel by Madison Lighters & Watches Company Limited to Tang Hotel Investments for a consideration of S\$1.00;
- (j) corporate investor agreement dated 2 September 2010 entered into by and among the Company, Chow Tai Fook Nominee Limited, Credit Suisse, Morgan Stanley and RBS pursuant to which Chow Tai Fook Nominee Limited agreed to subscribe for Offer Shares for a consideration of HK\$100 million at the Offer Price per Offer Share;
- (k) a Deed of Indemnity dated 10 September 2010 signed by the Controlling Shareholders in favour of the Company, details of which are set out in the paragraph entitled "Indemnity" in the section headed "Other Information — Indemnity" of this Appendix;

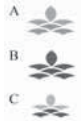



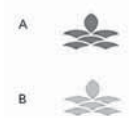
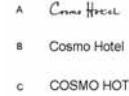
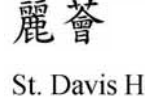
- (l) a Deed of Non-Competition Undertaking dated 10 September 2010 signed by Tan Sri Dato' David Chiu (邱達昌) and FEC in favour of the Company, details of which are set out in the section headed "Relationship with our Controlling Shareholders and Directors — Non-competition" of this prospectus;
- (m) bought and sold notes dated 13 September 2010 for the transfer of 2 shares in Everkent Development by FECL to Havena for a consideration of HK\$2.00;
- (n) an instrument of transfer dated 14 September 2010 for the transfer of 1 share in Giovanna Holdings by the Company to FECL for a consideration of US\$1.00;
- (o) an instrument of transfer dated 17 September 2010 for the transfer of 1 share in Full Benefit by FECL to the Company for a consideration of US\$1.00;
- (p) an instrument of transfer dated 17 September 2010 for the transfer of 1 share in Havena by FECL to the Company for a consideration of US\$1.00;
- (q) an instrument of transfer dated 17 September 2010 for the transfer of 1 share in Wonder China by FECL to the Company for a consideration of US\$1.00;
- (r) an instrument of transfer dated 17 September 2010 for the transfer of 2 shares in Jade River Profits by FECL to the Company for a consideration of US\$2.00;
- (s) an instrument of transfer dated 17 September 2010 for the transfer of 1 share in Rosicky by FECL to the Company for a consideration of US\$1.00;
- (t) a form of transfer of securities dated 17 September 2010 for the transfer of 5,000,000 shares in Dorsett Regency Hotel (M) by FEC Development (M) to the Company for a consideration of RM5,000,000.00;
- (u) share transfer form dated 17 September 2010 for the transfer of 2 shares in Tang Hotel Investments by Madison Lighters & Watches Company Limited to the Company for a consideration of S\$2.00; and
- (v) the Hong Kong Underwriting Agreement.

2. Intellectual property rights




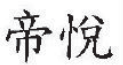












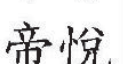




(a) Trademarks

(i) Registered trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks:

	Registration Number	Trademark	Registered Owner	Place of Registration	Class (Note 1)	Validity Period
1.	300678213	COSMO HOTEL	Grand Expert	Hong Kong	35 (Business Management of Hotels)	12.07.2006 — 11.07.2016
2.	300890965		Dorsett Hotels & Resorts International	Hong Kong	43	13.06.2007 — 12.06.2017
3.	300890974		Dorsett Hotels & Resorts International	Hong Kong	43	13.06.2007 — 12.06.2017
4.	300891009	麗悅	Dorsett Hotels & Resorts International	Hong Kong	43	13.06.2007 — 12.06.2017
5.	300904581AB		Hotel of Lan Kwai Fong	Hong Kong	14 (Clock)	04.07.2007 — 03.07.2017
6.	301000358	帝軒	Dorsett Hotels & Resorts International	Hong Kong	43	26.11.2007 — 25.11.2017
7.	301000367	帝盛	Dorsett Hotels & Resorts International	Hong Kong	43	26.11.2007 — 25.11.2017
8.	301041795	帝豪	Dorsett Hotels & Resorts International	Hong Kong	43 (Note 2)	29.01.2008 — 28.01.2018
9.	301041803	麗栢	Dorsett Hotels & Resorts International	Hong Kong	43	29.01.2008 — 28.01.2018
10.	301041812		Dorsett Hotels & Resorts International	Hong Kong	43	29.01.2008 — 28.01.2018
11.	301041821		Dorsett Hotels & Resorts International	Hong Kong	43	29.01.2008 — 28.01.2018
12.	301060974		Dorsett Hotels & Resorts International	Hong Kong	43	28.02.2008 — 27.02.2018
13.	301268514		Dorsett Hotels & Resorts International	Hong Kong	43	07.01.2009 — 06.01.2019
14.	301310282	St. Davis Hotel	Dorsett Hotels & Resorts International	Hong Kong	43	24.03.2009 — 23.03.2019

	Registration Number	Trademark	Registered Owner	Place of Registration	Class (Note 1)	Validity Period
15.	301521044		Dorsett Hotels & Resorts International	Hong Kong	43	13.01.2010 — 12.01.2020
16.	301521053		Dorsett Hotels & Resorts International	Hong Kong	43	13.01.2010 — 12.01.2020
17.	301559764	Hotel Kosmopolito	Dorsett Hotels & Resorts International	Hong Kong	43	10.03.2010 — 09.03.2020
18.	301599940	 	Dorsett Hotels & Resorts International	Hong Kong	43	28.04.2010 — 27.04.2020
19.	301599959	 	Dorsett Hotels & Resorts International	Hong Kong	43	28.04.2010 — 27.04.2020
20.	N/029440		Dorsett Hotels & Resorts International	Macau	43	27.11.2007 — 27.11.2014
21.	N/029441		Dorsett Hotels & Resorts International	Macau	43	27.11.2007 — 27.11.2014
22.	N/029443		Dorsett Hotels & Resorts International	Macau	43	27.11.2007 — 27.11.2014
23.	N/029444		Dorsett Hotels & Resorts International	Macau	43	27.11.2007 — 27.11.2014
24.	N/029445		Dorsett Hotels & Resorts International	Macau	43	27.11.2007 — 27.11.2014
25.	N/032636		Dorsett Hotels & Resorts International	Macau	43	23.06.2008 — 23.06.2015
26.	N/032637		Dorsett Hotels & Resorts International	Macau	43	23.06.2008 — 23.06.2015
27.	N/47181		Dorsett Hotels & Resorts International	Macau	43	05.05.2010 — 05.05.2017
28.	N/47182		Dorsett Hotels & Resorts International	Macau	43	05.05.2010 — 05.05.2017
29.	N/48131	Hotel Kosmopolito	Dorsett Hotels & Resorts International	Macau	43	23.07.2010 — 23.07.2017
30.	N/49058		Dorsett Hotels & Resorts International	Macau	43	05.08.2010 — 05.08.2017
31.	N/49059		Dorsett Hotels & Resorts International	Macau	43	05.08.2010 — 05.08.2017
32.	T0713584D		Dorsett Hotels & Resorts International	Singapore	43	19.06.2007 — 19.06.2017
33.	T0713586J	 	Dorsett Hotels & Resorts International	Singapore	43	19.06.2007 — 19.06.2017
34.	T0713587I		Dorsett Hotels & Resorts International	Singapore	43	19.06.2007 — 19.06.2017

	Registration Number	Trademark	Registered Owner	Place of Registration	Class (Note 1)	Validity Period
35.	T0723129J		Dorsett Hotels & Resorts International	Singapore	43	06.12.2007 — 06.12.2017
36.	T0723130D		Dorsett Hotels & Resorts International	Singapore	43	06.12.2007 — 06.12.2017
37.	T1001041J		Dorsett Hotels & Resorts International	Singapore	43	29.01.2010 — 29.01.2020
38.	T1001043G		Dorsett Hotels & Resorts International	Singapore	43	29.01.2010 — 29.01.2020
39.	T1005610J		Dorsett Hotels & Resorts International	Singapore	43	05.05.2010 — 05.05.2020
40.	01309041		Dorsett Hotels & Resorts International	Taiwan	43	16.04.2008 — 15.04.2018
41.	01309042		Dorsett Hotels & Resorts International	Taiwan	43	16.04.2008 — 15.04.2018
42.	01309043		Dorsett Hotels & Resorts International	Taiwan	43	16.04.2008 — 15.04.2018
43.	01309044		Dorsett Hotels & Resorts International	Taiwan	43	16.04.2008 — 15.04.2018
44.	01309045		Dorsett Hotels & Resorts International	Taiwan	43	16.04.2008 — 15.04.2018
45.	01327542		Dorsett Hotels & Resorts International	Taiwan	43	01.09.2008 — 31.08.2018
46.	01327543		Dorsett Hotels & Resorts International	Taiwan	43	01.09.2008 — 31.08.2018
47.	01334104		Dorsett Hotels & Resorts International	Taiwan	43	16.10.2008 — 15.10.2018
48.	01334105		Dorsett Hotels & Resorts International	Taiwan	43	16.10.2008 — 15.10.2018
49.	01340789		Dorsett Hotels & Resorts International	Taiwan	43	01.12.2008 — 30.11.2018
50.	01423237		Dorsett Hotels & Resorts International	Taiwan	43	01.08.2010 — 31.07.2020
51.	01423238		Dorsett Hotels & Resorts International	Taiwan	43	01.08.2010 — 31.07.2020
52.	6116593		Dorsett Hotels & Resorts International	PRC	43	28.03.2010 — 27.03.2020
53.	6116594		Dorsett Hotels & Resorts International	PRC	43	28.03.2010 — 27.03.2020
54.	6116595		Dorsett Hotels & Resorts International	PRC	43	28.03.2010 — 27.03.2020
55.	6116596		Dorsett Hotels & Resorts International	PRC	43	28.03.2010 — 27.03.2020

	Registration Number	Trademark	Registered Owner	Place of Registration	Class (Note 1)	Validity Period
56.	6116598	麗悅	Dorsett Hotels & Resorts International	PRC	43	28.03.2010 — 27.03.2020
57.	6407609	帝軒	Dorsett Hotels & Resorts International	PRC	43	07.04.2010 — 06.04.2020
58.	6407610	帝盛	Dorsett Hotels & Resorts International	PRC	43	07.04.2010 — 06.04.2020
59.	6930839	麗萊	Dorsett Hotels & Resorts International	PRC	43	14.06.2010 — 13.06.2020
60.	6930840	麗薈	Dorsett Hotels & Resorts International	PRC	43	14.06.2010 — 13.06.2020
61.	6116597	麗港	Dorsett Hotels & Resorts International	PRC	43	21.06.2010 — 20.06.2020

Notes:

- (1) Save as trademark registration number 301041795, the description of the Group's services covered under class 43 of the registered marks in the following jurisdictions are as follows:

Hong Kong, Macau, Singapore	hotel services, guest house services, providing facilities for conferences and exhibitions, rental of temporary accommodation, motel services, restaurant services, cafe, tea houses, coffee shops, banquet services, bars, wine bars, reservation services for hotel accommodation.
Taiwan	hotel services, guest house services, providing facilities for conferences and exhibitions, rental of temporary accommodation, motel services, restaurant services, cafe, tea houses, coffee shops, services in providing foods and drinks, bars, wine bars, reservation services for hotel accommodation.
PRC	住所(旅館、供膳寄宿處)；備辦宴席；咖啡館；餐廳；臨時住宿處出租；旅館預訂；汽車旅館；會議室出租；酒店。(Accommodation (hotels, boarding house) services; banquet services; coffee shops; restaurants; rental of temporary accommodation; reservations services for hotel accommodation; motel services; rental of conference rooms; hotel services.)






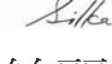






- (2) The description of the Group's services covered under class 43 for trademark registration number 301041795 is as follows:

Hong Kong	hotel services, guest house services, providing facilities for conferences and exhibitions, rental of temporary accommodation, motel services, reservation services for hotel accommodation.
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(ii) Trademarks Under Registration

As at the Latest Practicable Date, our Group had applied for the following trademarks:

	Application Number	Trademark	Name of Applicant	Place of Registration	Class (Note 1)	Application Date (Note 2)
1.	1350537	麗悅	Dorsett Hotels & Resorts International	Australia	43	11.03.2010 #
2.	1350538	Hotel Kosmopolito	Dorsett Hotels & Resorts International	Australia	43	11.03.2010 #

Application Number	Trademark	Name of Applicant	Place of Registration	Class (Note 1)	Application Date (Note 2)
3. 1359363		Dorsett Hotels & Resorts International	Australia	43	30.04.2010 #
4. 1359364		Dorsett Hotels & Resorts International	Australia	43	30.04.2010 #
5. 1368737	Silka	Dorsett Hotels & Resorts International	Australia	43	25.06.2010
6. 1374148	絲麗	Dorsett Hotels & Resorts International	Australia	43	26.07.2010
7. 1374150		Dorsett Hotels & Resorts International	Australia	43	26.07.2010
8. 301258182		Hotel of Lan Kwai Fong	Hong Kong	3,14,16, 24,35,43 (Note 3)	16.12.2008 (Note 4)
9. 301647216	Silka	Dorsett Hotels & Resorts International	Hong Kong	43	23.06.2010 #
10. 301670382	 	Dorsett Hotels & Resorts International	Hong Kong	43	22.07.2010
11. 301670391	絲麗	Dorsett Hotels & Resorts International	Hong Kong	43	22.07.2010
12. J002010016690		Dorsett Hotels & Resorts International	Indonesia	43	06.05.2010
13. J002010016692		Dorsett Hotels & Resorts International	Indonesia	43	06.05.2010
14. J002010016686	Hotel Kosmopolito	Dorsett Hotels & Resorts International	Indonesia	43	06.05.2010
15. J002010016702	麗悅	Dorsett Hotels & Resorts International	Indonesia	43	06.05.2010
16. J002010027439		Dorsett Hotels & Resorts International	Indonesia	43	27.07.2010
17. J002010027443	Silka	Dorsett Hotels & Resorts International	Indonesia	43	27.07.2010
18. J002010027441	絲麗	Dorsett Hotels & Resorts International	Indonesia	43	27.07.2010
19. N/50062	Silka	Dorsett Hotels & Resorts International	Macau	43	25.06.2010 #
20. N/50650	絲麗	Dorsett Hotels & Resorts International	Macau	43	27.07.2010 #
21. N/50651		Dorsett Hotels & Resorts International	Macau	43	27.07.2010 #
22. 2010007687		Dorsett Hotels & Resorts International	Malaysia	43	30.04.2010
23. 2010007686		Dorsett Hotels & Resorts International	Malaysia	43	30.04.2010

	Application Number	Trademark	Name of Applicant	Place of Registration	Class (Note 1)	Application Date (Note 2)
24.	2010004244	Hotel Kosmopolito	Dorsett Hotels & Resorts International	Malaysia	43	11.03.2010
25.	2010004245	麗悅	Dorsett Hotels & Resorts International	Malaysia	43	11.03.2010
26.	2010011421	Silka	Dorsett Hotels & Resorts International	Malaysia	43	25.06.2010
27.	2010013706		Dorsett Hotels & Resorts International	Malaysia	43	27.07.2010
28.	2010013707	絲麗	Dorsett Hotels & Resorts International	Malaysia	43	27.07.2010
29.	09020605		Dorsett International (M)	Malaysia	35	20.11.2009*
30.	09020606		Dorsett International (M)	Malaysia	43	20.11.2009*
31.	09020607		Dorsett International (M)	Malaysia	35	20.11.2009*
32.	09020608		Dorsett International (M)	Malaysia	43	20.11.2009*
33.	09020609		Dorsett International (M)	Malaysia	35	20.11.2009*
34.	09020610		Dorsett International (M)	Malaysia	43	20.11.2009*
35.	09020611	Hospitality Redefined	Dorsett International (M)	Malaysia	43	20.11.2009*
36.	09020612	You'll Never Miss Home!	Dorsett International (M)	Malaysia	43	20.11.2009*
37.	09020613	Home Away From Home	Dorsett International (M)	Malaysia	43	20.11.2009*
38.	09020614	All in the Family	Dorsett International (M)	Malaysia	43	20.11.2009*
39.	09020615	Your Perfect Hospitality Partner	Dorsett International (M)	Malaysia	43	20.11.2009*
40.	8110960	Hotel Kosmopolito	Dorsett Hotels & Resorts International	PRC	43	11.03.2010
41.	8423003	Silka	Dorsett Hotels & Resorts International	PRC	43	25.06.2010
42.	7993872	帝薈	Dorsett Hotels & Resorts International	PRC	43	14.01.2010

Application Number	Trademark	Name of Applicant	Place of Registration	Class (Note 1)	Application Date (Note 2)
43. 7993873		Dorsett Hotels & Resorts International	PRC	43	14.01.2010
44. 8275219		Dorsett Hotels & Resorts International	PRC	43	07.05.2010
45. 8275220		Dorsett Hotels & Resorts International	PRC	43	07.05.2010
46. T1002862Z	Hotel Kosmopolito	Dorsett Hotels & Resorts International	Singapore	43	10.03.2010 #
47. T1005609G	 	Dorsett Hotels & Resorts International	Singapore	43	05.05.2010 #
48. T1008051F		Dorsett Hotels & Resorts International	Singapore	43	29.06.2010 #
49. T1009632C	 	Dorsett Hotels & Resorts International	Singapore	43	29.07.2010 #
50. T1009635H		Dorsett Hotels & Resorts International	Singapore	43	29.07.2010
51. 099010879	Hotel Kosmopolito	Dorsett Hotels & Resorts International	Taiwan	43	11.03.2010
52. 099020301		Dorsett Hotels & Resorts International	Taiwan	43	30.04.2010
53. 099020302		Dorsett Hotels & Resorts International	Taiwan	43	30.04.2010
54. 099030971		Dorsett Hotels & Resorts International	Taiwan	43	25.06.2010
55. 099036132		Dorsett Hotels & Resorts International	Taiwan	43	26.07.2010
56. 099036128		Dorsett Hotels & Resorts International	Taiwan	43	26.07.2010

Notes:

(1) The description of the Group's services covered under class 43 in the following jurisdictions are as follows:

Australia, Hong Kong, Macau and Malaysia	hotel services, guest house services, providing facilities for conferences and exhibitions, rental of temporary accommodation, motel services, restaurant services, cafe, tea houses, coffee shops, banquet services, bars, wine bars, reservation services for hotel accommodation.
Indonesia	hotel services, guest house services, providing facilities for conferences and exhibitions, rental of temporary accommodation, motel services, restaurant services, cafe, tea houses, coffee shops, banquet services, bars, wine bars, reservation services for hotel accommodation.
PRC	Accommodation (hotels, boarding house) services; banquet services; coffee shops; restaurants; rental of temporary accommodation; reservations services for hotel accommodation; motel services; rental of conference rooms; hotel services.
Singapore	hotel services, guest house services, provision of conference facilities, provision of facilities for exhibitions, rental of temporary accommodation, motel services, restaurant services, cafe, tea houses, coffee shops, banquet services, bars, wine bars, reservation services for hotel accommodation.

Taiwan hotel services, guest house services, providing facilities for conferences and exhibitions, rental of temporary accommodation, motel services, restaurant services, cafe, tea houses, coffee shops, services in providing foods and drinks, bars, wine bars, reservation services for hotel accommodation.

For trademarks applied by Dorsett International (M), the description of the services covered under class 35 and class 43 are as follows:–

Class 35: includes Advertising, Business management, Business administration, office functions
Class 43: services for providing food & drink, temporary accommodation

(2) As at the Latest Practicable Date, all trademarks in application have been received by the trade mark registry of each of the respective jurisdictions.

As at the Latest Practicable Date:

(a) for the marks applied in Australia, such trademarks have been published in the Australian Official Journal of Trademarks issued by the Commissioner of Patents for the purposes of the Trade Marks Act 1995;

(b) for the marks applied in Hong Kong, such trademarks have been accepted by the Registrar of Trademark under section 42 of the Trade Marks ordinance (Cap. 559 of the Laws of Hong Kong) and are published in the Hong Kong Intellectual Property Journal;

(c) for the marks applied in Macau, details are published in the Official Gazette of the Macau Special Administrative Region; and

(d) for the marks applied in Singapore, such trademarks have been published in the Trade Marks Journal Singapore published by the Intellectual Property Office of Singapore published in accordance with the Trade Marks Rules.

* According to a trademark and tradename licence agreement dated 30 August 2010 entered into between Dorsett International (M) and the Company, Dorsett International (M) authorises the Group to use such trademarks. Further details of this trademark and tradename licence agreement are set out in the section headed “Connected Transactions” of this prospectus.

(3) The description of the Group’s of goods and services covered by the respective class under trademark number 301258182 are as follows:

Class	Scope
3	Body wash, lotion, shampoo, conditioner
14	Clock
16	Writing pad, writing paper, envelope, pencil, pen, plastic bag for packaging, laundry bag
24	Towel, Flooring towel, shoe shine cloth
35	Advertising and promotional services, marketing, hotel and business management, hotel and business administration
43	Hotel services, providing temporary rooms and accommodation, restaurant services, catering services, provision of conference facilities

(4) As at the Latest Practicable Date, according to the Trade Mark Registry public search results, the First Examination Report of this trademark has been issued.

(b) Domain Names

As at the Latest Practicable Date, our Group had registered the following domain names:

	Domain Name	Registered Owner	Date of Registration	Expiry Date
1.	dorsett-hotel.com	Kosmopolito Hotels International Services	05.02.2001	05.02.2011
2.	dorsettinternational.com	Dorsett Regency Hotel (M)	19.11.2008	19.11.2011
3.	granddorsett.com	Merlin Labuan and Subang Jaya	21.11.2007	21.11.2010
4.	yueshanghai.com	Shanghai Li Yue Management	09.07.2009	09.07.2014
5.	yueshanghaihotel.com	Shanghai Li Yue Management	09.07.2009	09.07.2014
6.	yueshanghai.cn	Shanghai Li Yue Management	09.07.2009	09.07.2014
7.	yueshanghaihotel.cn	Shanghai Li Yue Management	09.07.2009	09.07.2014
8.	centralparkhotel.com.hk	Kosmopolito Hotels International Services	05.01.2005	07.01.2013
9.	cosmohotel.com.hk	Grand Expert	07.07.2005	08.07.2011
10.	cosmopolitanhotel.com.hk	Cosmopolitan Hotel Limited	04.11.2003	07.11.2010
11.	dorsettfareast.com.hk	Kosmopolito Hotels International Services	25.03.2006	28.03.2015
12.	dorsettkeowloon.com.hk	Kosmopolito Hotels International Services	29.05.2008	13.06.2011
13.	dorsettolympic.com.hk	Kosmopolito Hotels International Services	30.10.2004	03.11.2010
14.	hiphotelconcept.com.hk	Hotel of Lan Kwai Fong	06.03.2006	07.03.2011
15.	lankwaifonghotel.com.hk	Kosmopolito Hotels International Services	08.04.2005	15.04.2013
16.	dorsett.com.my	Dorsett Regency Hotel (M)	27.09.2005	27.09.2010
17.	dorsettregency.com.my	Dorsett Regency Hotel (M)	12.05.1999	12.05.2011
18.	maytower.com.my	Venue Summit	17.06.2009	17.06.2011
19.	boutique-kosmopolito.com	Kosmopolito Hotels International (S)	03.08.2010	03.08.2011
20.	boutique-kosmopolito.com.hk	Kosmopolito Hotels International Services	12.08.2010	12.08.2011
21.	boutique-kosmopolito.com.my	Dorsett International (M)	04.08.2010	04.08.2011
22.	boutique-kosmopolito.com.sg	Kosmopolito Hotels International (S)	03.08.2010	03.08.2011
23.	boutique-kosmopolito.com.tw	Kosmopolito Hotels International (S)	04.08.2010	04.08.2011
24.	dorsettregency.com.hk	Kosmopolito Hotels International Services	12.08.2010	12.08.2011
25.	dorsettregency.com.sg	Kosmopolito Hotels International (S)	03.08.2010	03.08.2011
26.	dorsettregency.com.tw	Kosmopolito Hotels International (S)	03.08.2010	03.08.2011
27.	hotel-kosmopolito.com	Kosmopolito Hotels International (S)	03.08.2010	03.08.2011
28.	hotel-kosmopolito.com.hk	Kosmopolito Hotels International Services	12.08.2010	12.08.2011
29.	hotel-kosmopolito.com.my	Dorsett International (M)	04.08.2010	04.08.2011
30.	hotel-kosmopolito.com.sg	Kosmopolito Hotels International (S)	03.08.2010	03.08.2011
31.	hotel-kosmopolito.com.tw	Kosmopolito Hotels International (S)	03.08.2010	03.08.2011
32.	kosmohotels.com	Kosmopolito Hotels International (S)	30.08.2010	30.08.2011
33.	silkahotel.com	Kosmopolito Hotels International (S)	03.08.2010	03.08.2011
34.	silkahotel.com.hk	Kosmopolito Hotels International Services	12.08.2010	12.08.2011
35.	silkahotel.com.my	Dorsett International (M)	04.08.2010	04.08.2011
36.	silkahotel.com.sg	Kosmopolito Hotels International (S)	03.08.2010	03.08.2011
37.	silkahotel.com.tw	Kosmopolito Hotels International (S)	03.08.2010	03.08.2011

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**1. Disclosure of interests**

- (a) Save as disclosed herein and in the sub-paragraph entitled “Summary of material contracts” in this Appendix, none of our Directors or the experts named in the paragraph entitled “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of us or in any assets acquired or disposed of by or leased to any member of our Group or is proposed to be acquired or disposed of by or leased to any member of our Group within the two years immediately preceding the date of this prospectus.
- (b) Save as disclosed in the sub-paragraph entitled “Summary of material contracts” in this Appendix, none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our Group’s business.

2. Particulars of service contracts

- (a) Each of the executive Directors entered into a service contract with the Company. The aggregate annual basic salary (excluding the bonus and share options mentioned below) of all the executive Directors pursuant to each of their respective services contracts is approximately HK\$4.61 million. The executive Director’s service contracts have a term ending on the third anniversary of the Listing Date and may be terminated with three months’ notice. The salary of each executive Director will be reviewed in accordance with our salary review policy. Each of the executive Directors may be entitled to a discretionary bonus based on performance.
- (b) Each of Tan Sri Dato’ CHIU, David (邱達昌), Mr. IP, Hoi Wah Edmond (葉海華), Mr. HOONG, Cheong Thard (孔祥達) and Mr. CHAN, Chi Hing (陳志興) has been appointed as a non-executive Director for an initial term ending on the third anniversary of the Listing Date under their appointment letters and may be terminated with three months’ notice and such notice may only expire after one year from the Listing Date. The aggregate annual directors’ fee payable to the non-executive Directors is approximately HK\$1.55 million.
- (c) Each of Mr. Shek, Lai Him Abraham (石禮謙), Mr. To, Peter (杜彼得) and Dr. Liu, Ngai Wing (廖毅榮) has been appointed as an independent non-executive Director for an initial term ending on the third anniversary of the Listing Date under their appointment letters and may be terminated with three months’ notice and such notice may only expire after one year from the Listing Date. The aggregate annual directors’ fee payable to the independent non-executive Directors is approximately HK\$450,000.

In addition, certain Directors will receive share options granted by the Board as indicated in the section headed “D. Share Option Scheme” in this Appendix.

3. Directors' remuneration

Save for Mr. Ip Hoi Wah Edmond (葉海華), who joined the Group in February 2010, no remuneration was paid or is payable to any directors of the companies comprising the Group during the Track Record Period. However, certain executive and non-executive Directors received remuneration from the FEC Group in respect of their services to both the FEC Group and the Group. The amounts paid by the FEC Group were not specifically allocated between their services to the Group and to the FEC Group, respectively, as such allocation of services of the directors to the various group companies in the FEC Group is not feasible.

Remuneration and benefits in kind of approximately HK\$2.59 million, HK\$2.58 million and HK\$3.75 million were paid and granted by the FEC Group to Tan Sri Dato' David Chiu (邱達昌) in respect of the Track Record Period.

Under the current arrangements, the aggregate remuneration and benefits in kind (excluding share options granted) of our Directors will be entitled to receive for the financial year ending 31 March 2011 is expected to be approximately HK\$5.9 million.

For further information on the remuneration of our Directors, please refer to Note 15 of the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

4. Interests and/or short positions of our Directors in our Shares, underlying shares or debentures of our Company and our associated corporations

Immediately following completion of the Global Offering and taking into account the options that are expected to be granted pursuant to the Share Option Scheme, further details of which are set out in the section headed "D. Share Option Scheme" in this Appendix (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), our Directors will have the following interests and/or short positions in the Shares, underlying shares or debentures of our Company and the associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, will be required to be notified to our Company and the Stock Exchange once the Shares are listed:

Long positions in our Shares

Name of the Director	Capacity	Number of Shares (Note 1 and 2)	Approximate percentage in our Company (Note 2)
Mr. MOK Kwai Pui Bill (莫貴標)	Beneficial Interests ^(Note 1)	3,250,000	0.16%
Mr. CHU Chee Seng (朱志成)	Beneficial Interests ^(Note 1)	3,229,166	0.16%
Mr. LAI Wai Keung (賴偉強)	Beneficial Interests ^(Note 1)	1,458,333	0.07%
Ms. CHIU Wing Kwan Winnie (邱詠筠)	Beneficial Interests ^(Note 1)	2,083,333	0.10%
Tan Sri Dato' CHIU, David (邱達昌)	Interest of controlled corporation ^(Note 3)	1,460,000,000	73.0%
Mr. HOONG Cheong Thard (孔祥達)	Beneficial Interests ^(Note 1)	2,600,000	0.13%
Mr. CHAN, Chi Hing (陳志興)	Beneficial Interests ^(Note 1)	3,250,000	0.16%

Notes:

1. Details of the share options expected to be granted to the Directors are set out under the section headed "D. Share Option Scheme" in this Appendix.
2. The number of Shares subject to the option is equal to the value determined by the Company, in HK\$, divided by the Offer Price. For illustration purposes, we have calculated the number of underlying Shares pursuant to the option by dividing the aforesaid value, in HK\$, by an Offer Price of HK\$2.40 per Share, being the midpoint value of the proposed Offer Price range of HK\$2.04 to HK\$2.75 as stated in this prospectus. The percentage is calculated based on the number of Shares expected to be in issue immediately following the Global Offering but excluding the number of Shares which may fall to be issued under the Over-allotment Option and the Share Option Scheme.
3. These Shares are directly held by Ample Bonus which is wholly owned by FEC. As at the Latest Practicable Date, Tan Sri Dato' David Chiu (邱達昌) is interested in an aggregate of 662,695,547 shares (34.73%) of FEC, a Controlling Shareholder. Details of Tan Sri Dato' David Chiu's (邱達昌) interest in FEC are set out in note 2 under the table headed "Long positions in the shares of our associated corporations (as defined in the SFO)" in this Appendix. Tan Sri Dato' David Chiu (邱達昌) is a director of Ample Bonus.

Long positions in the shares of our associated corporations (as defined in the SFO)

Name of the Director	Name of associated corporation	Capacity/ Nature of interest	Number of shares	Description of shares	Approximate percentage of that associated corporation's issued share capital
Mr. MOK, Kwai Pui Bill (莫貴標)	FEC	Beneficial Interests	5,000,000 ⁽¹⁾	Ordinary Shares	0.26%
Mr. LAI Wai Keung (賴偉強)	FEC	Beneficial Interests	1,300,000 ⁽²⁾	Ordinary Shares	0.07%
Tan Sri Dato' CHIU, David (邱達昌)	FEC	Interest in controlled corporation	662,695,547 ⁽³⁾	Ordinary Shares	34.73%
Mr. HOONG, Cheong Thard (孔祥達)	FEC	Beneficial Interests	8,352,937 ⁽⁴⁾	Ordinary Shares	0.44%
Mr. CHAN, Chi Hing (陳志興)	FEC	Beneficial Interests	4,506,561 ⁽⁵⁾	Ordinary Shares	0.24%
Dr. LIU, Ngai Wing (廖毅榮)	FEC	Beneficial Interests	4,447	Ordinary Shares	0.00%

Notes:

1. As at the Latest Practicable Date, Mr. Mok, the company secretary, the chief financial officer and an employee of FEC, was interested in 5,000,000 share options in FEC that have a vesting period from 31 December 2006 to 31 December 2008. Such options are capable of being exercised in tranches from 1 January 2007 to 20 October 2014 at an exercise price of HK\$2.075.
2. As at the Latest Practicable Date, Mr. Lai was interested in 1,300,000 share options in FEC that have a vesting period from 31 December 2006 to 31 December 2008. Such options are capable of being exercised in tranches from 1 January 2007 to 20 October 2014 at an exercise price of HK\$2.075.
3. As at the Latest Practicable Date, Tan Sri Dato' David Chiu (邱達昌), an executive director and an employee of FEC, was interested in an aggregate of 662,695,547 ordinary shares (34.73%) of FEC of which (i) 13,026,362 ordinary shares (0.68%) were beneficially held by Tan Sri Dato' David Chiu (邱達昌); (ii) 557,000 ordinary shares (0.03%) were held by his spouse, Ms. Nancy Ng and (iii) 649,112,185 ordinary shares (34.01%) were held by Sumptuous Assets Limited and Modest Secretarial Services Limited, companies controlled by Tan Sri Dato' David Chiu (邱達昌).

4. As at the Latest Practicable Date, Mr. Hoong, the managing director and an employee of FEC, was interested in 8,352,937 ordinary shares (0.44%) in FEC of which (i) 261 ordinary shares (0.00%) and 7,400,000 share options (0.39%) were beneficially held by Mr. Hoong; (ii) 366,166 ordinary shares (0.02%) were beneficially jointly held by Mr. Hoong and his spouse Ms. Teng Pei Chun; and (iii) 586,510 ordinary shares (0.03%) which would fall to be issued upon conversion of the convertible bonds held beneficially by Mr. Hoong in the principal sum of HK\$2,000,000 issued by FEC based on the conversion price of HK\$3.41. The 7,400,000 share options have a vesting period from 15 September 2009 to 15 September 2012 and are capable of exercise, in tranches, from 16 September 2009 to 15 September 2019 at an exercise price of HK\$1.50.
5. As at the Latest Practicable Date, Mr. Chan, the chief operating officer and an employee of FEC, was interested in 206,561 ordinary shares and 4,300,000 share options in FEC representing 0.01% and 0.23% of the issued share capital of FEC. The 4,300,000 share options have a vesting period from 31 December 2006 to 31 December 2008, and are capable of exercise, in tranches, from 1 January 2007 to 20 October 2014 at an exercise price of HK\$2.075. Mr. Chan is also a director of Ample Bonus, our substantial shareholder.

Save as disclosed above, immediately following completion of the Global Offering and taking into account the option that are expected to be granted pursuant to the Share Option Scheme, further details of which are set out in the section headed "D. Share Option Scheme" in this Appendix (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), none of our Directors will have any interests and/or short position in the Shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

5. Interests and/or short position of substantial shareholders in our Shares, underlying Shares or debentures of our Company

So far as is known to our Directors, immediately following the completion of the Global Offering (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted pursuant to the Share Option Scheme), the following persons (not being the Director or chief executive) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in our Shares

Name	Capacity/ Nature of interest	Number of Shares	Approximate percentage of shareholding immediately after the Global Offering ⁽¹⁾
Ample Bonus ⁽²⁾	Beneficial owner	1,460,000,000 Shares	73.0%
FEC	Interest in controlled corporation	1,460,000,000 Shares	73.0%

Notes:

- (1) The relevant percentages have been calculated by reference only to the aggregate number of Shares expected to be in issue on the Listing Date. We have therefore assumed that no Shares will be issued pursuant to the exercise of the share options which may be granted under the Share Option Scheme or the exercise of the Over-allotment Option and that 2,000,000,000 Shares will be in issue on the Listing Date.
- (2) Ample Bonus is wholly owned by FEC. FEC is deemed to be interested in the Shares held by Ample Bonus for the purpose of Part XV of the SFO.

For details relating to our Director's interests in Shares immediately following the completion of the Global Offering, please refer to the section entitled "Further information about Directors and substantial shareholders" in this Appendix.

So far as is known to our Directors, immediately following completion of the Global Offering (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted pursuant to the Share Option Scheme), there is no other person (not being the Director or chief executive or members of the Group) who has an interest or a short position in the Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings or any other members of our Group.

6. Agency fees or commission

Within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group.

7. Disclaimers

- (i) Save as disclosed in the section headed "Interests and/or short position of our Directors in our Shares, underlying Shares or debentures of our Company and our associated corporations" in this Appendix, none of our Directors or chief executive has any interest and/or short position in the Shares, the underlying shares or debentures of our Company or, any of our associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, once the Shares are listed.
- (ii) There are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group.
- (iii) None of our Directors or the experts named in the paragraph entitled "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.
- (iv) None of our Directors or experts named in the paragraph entitled "Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.
- (v) No cash, share or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of our Company nor is any cash, share or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned in this prospectus.
- (vi) So far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our five largest customers or our five largest suppliers.

D. SHARE OPTION SCHEME

For the purpose of this section only, unless the context otherwise requires, the following words shall have the following meanings:

“Adoption Date”	10 September 2010, the date on which the Share Option Scheme was conditionally adopted by written resolutions of all the Shareholders;
“Board”	the board of directors of our Company for the time being or a duly authorised committee thereof;
“Business Day”	any day (excluding a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for business;
“Date of Grant”	in respect of an Option and unless otherwise specified in the letter of grant, the Business Day on which the Board resolves to make an offer, or the grant of an Option to a Participant whether or not the Offer is subject to Shareholders’ approval on the terms of the Share Option Scheme;
“Grantee”	any Participant who accepts an offer in accordance with the terms of the Share Option Scheme, or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee, or the personal representative of such person;
“Group”	the Company and the subsidiaries;
“Offer”	the offer of the grant of an Option;
“Option”	an option to subscribe for Shares pursuant to the Share Option Scheme and for the time being subsisting;
“Option Period”	in respect of any particular Option, the period to be determined and notified by the Board to the Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;
“Participants”	directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the FEC Group (other than our Group) and our Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of our Group who the Board considers, in its sole discretion, have contributed or will contribute to our Group;
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to paragraph (d) below; and

“Subsidiary” a company which is for the time being and from time to time a subsidiary (within the meaning of the Hong Kong Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere.

The following is a summary of the principal terms of the Share Option Scheme which complies with Chapter 17 of the Listing Rules approved by the written resolutions of all the Shareholders passed on 10 September 2010:

(a) Purpose

The purpose of the Share Option Scheme is to reward Participants who have contributed to our Group and to encourage Participants to work towards enhancing the value of our Company and the Shares for the benefit of our Company and the Shareholders as a whole.

(b) Who May Join

Our Directors may, at their discretion, invite Participants to take up Options at a price calculated in accordance with paragraph (d) below. An Offer shall remain open for acceptance by the Participant concerned for 28 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the Option Period or after the Share Option Scheme is terminated or after the Participant has ceased to be a Participant. An Offer is deemed to be accepted when our Company receives from the Grantee the Offer letter signed by the Grantee specifying the number of Shares in respect of which the Offer is accepted, and a remittance to our Company of HK\$1.00 as consideration for the grant of the Option. Such remittance is not refundable in any circumstances. The Offer shall specify the terms on which the Option is granted. Such terms may at the discretion of the Board, include among other things, (i) the minimum period for which an Option must be held before it can be exercised, and/or (ii) a performance target that must be reached before the Option can be exercised in whole or in part, and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

(c) Grant of Options to Connected Persons or any of their Associates

Any grant of Options to any Director, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of our Company, or any of their respective associates under the Share Option Scheme or any other share option schemes of our Company or any of the Subsidiaries shall be subject to the prior approval of the independent non-executive Directors (excluding independent non-executive Directors who are the proposed Grantees of the Options in question). Where any grant of Options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and
- (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK\$5 million,

such further grant of Options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll). We shall send a circular to the Shareholders in accordance with the Listing Rules and all Connected Persons shall abstain from voting in favour of the resolution at such general meeting of the Shareholders.

(d) Subscription Price

The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant which must be a Business Day;
- (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Date of Grant; and
- (iii) the nominal value of the Shares.

For the purposes of calculating the Subscription Price where the Company has been listed for less than five Business Days, the Offer Price shall be used as the closing price for any Business Day falling within the period before the Listing Date.

(e) Maximum Number of Shares

- (i) The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not, in the absence of Shareholders' approval, in aggregate exceed 200,000,000 shares, being 10% in nominal amount of the aggregate of Shares in issue on the Listing Date (not taking into account any Shares which may be allotted and issued under the Over-allotment Option) (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (ii) We may renew the Scheme Mandate Limit at any time subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed must not exceed 10% of the Shares then in issue as at the date of the Shareholders' approval of the renewed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.
- (iii) For the purpose of seeking the approval of our Shareholders, we will send a circular containing the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules to our Shareholders.
- (iv) Notwithstanding the foregoing, we may grant Options beyond the Scheme Mandate Limit to Participants if:
 - (1) separate Shareholders' approval has been obtained for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by us before such Shareholders' approval is sought; and
 - (2) we, in connection with the seeking of such separate Shareholders' approval, has first sent a circular to Shareholders containing such information as may be required by the Listing Rules then prevailing to be included in such circular.

- (v) Subject to paragraph (vi) below, the maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of our Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the Shares in issue for the time being (the "Individual Limit").
- (vi) Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his associates abstaining from voting. We must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Listing Rules.
- (vii) At any time, the maximum number of Shares which may be issued upon exercise of all Options which then have been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of our Company shall not, in the absence of Shareholders' approval, in aggregate exceed 30% of the Shares in issue from time to time.

(f) Time of Exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the Option Period.

(g) Rights are Personal to Grantees

An Option is personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option.

(h) Rights on Termination of Employment by Dismissal

- (i) If the Grantee ceases to be a Participant by reason of the termination of his employment or directorship on the grounds of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily, his Option will lapse automatically (to the extent not already exercised) and not be exercisable on or after the date of termination of his employment.
- (ii) If the Grantee who is an employee or a director of our Company or another member of our Group ceases to be a Participant for any reason other than his death or termination of his employment or directorship on one or more of the grounds specified in paragraph (h)(i) above, the Option shall lapse (to the extent not already exercised) on the date of cessation or termination of his employment and shall on that day cease to be exercisable.

(i) Rights on Ceasing to be a Participant

If the Grantee who is not an employee or a Director or another member of the Group ceases to be a Participant as and when determined by the Board by resolution for any reason other than his death, the Board may by written notice to such Grantee within one month from the date of such cessation determine the period within which the Option (or such remaining part thereof) shall be exercisable following the date of such cessation.

(j) Rights on Death

If the Grantee ceases to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as described in paragraph (h)(i) above have arisen, his personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within a period of 12 months following the date of his death.

(k) Effect of Alterations to Share Capital

In the event of an alteration in the capital structure of our Company, whilst any Option remains exercisable, by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital of our Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party), such corresponding adjustments (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; or
- (ii) the Subscription Price,

or any combination thereof, provided that:

- (a) any such adjustments give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled; and
- (b) notwithstanding paragraph (k)(a) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures (referred to in Hong Kong Accounting Standards 33) and the acceptable adjustments set out in the Supplemental Guidance on Listing Rule 17.03(3) issued by the Stock Exchange on 5 September 2005,

but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value. In respect of any such adjustments, an independent financial advisor or our auditors must confirm to the Directors in writing that the adjustments are in their opinion fair and reasonable.

(l) Rights on a General Offer by way of Takeover

In the event of a general offer by way of takeover (other than by way of scheme of arrangement) being made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, we shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by us at any time within such period as shall be notified by us.

(m) Rights on a General Offer by way of Scheme of Arrangement

In the event of a general offer by way of scheme of arrangement being made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, we shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) may at any time thereafter, (but before such time as shall be notified by us) exercise the Option either to its full extent or to the extent notified by us.

(n) Rights on Winding-up

In the event a notice is given by us to the Shareholders to convene a Shareholders' meeting to consider and, if thought fit, approve a resolution to voluntarily wind-up our Company, we shall forthwith give notice thereof to all Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by us) exercise the Option either to its full extent or to the extent notified by us, and we shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of Shares to the Grantee which fall to be issued on such exercise.

(o) Rights on a Compromise or Arrangement

In the event a compromise or arrangement (other than a scheme of arrangement) between us and our members or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of our Company, we shall give notice to all the Grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a compromise or arrangement, and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by us) exercise the Option either to its full extent or to the extent notified by us and we shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of Shares which fall to be issued on such exercise.

(p) Ranking of Shares

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the articles of association of the Company for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which these Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividend or other distributions paid or made after the date on which the Shares are allotted other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.

(q) Period of the Share Option Scheme

The Share Option Scheme was adopted for a period of 10 years commencing from the Adoption Date. We may, by ordinary resolution in a general meeting or, such date as the board of Directors determines, terminate the Share Option Scheme at any time without prejudice to the exercise of Options granted prior to such termination.

(r) Alterations to the Share Option Scheme

- (i) The specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants without the prior approval of Shareholders in general meeting;
- (ii) changes to the authority of the Board in relation to any alteration of the terms of the Share Option Scheme shall not be made, without the prior approval of Shareholders in general meeting, and
- (iii) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules.

(s) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to:

- (i) the passing of the resolution by the Shareholders to approve and adopt the Share Option Scheme and to authorise the Board to grant Options thereunder and to allot and issue Shares pursuant to the exercise of any Options;
- (ii) the Listing Committee granting approval of the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options (subject to an initial limit of 10% of the aggregate number of Shares in issue on the Listing Date (being 200,000,000 Shares)); and
- (iii) the commencement of trading of the Shares on the Main Board of the Stock Exchange.

(t) Lapse of Option

An Option shall lapse automatically and shall not be exercisable, to the extent not already exercised, on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraphs (h), (i), (j), (l) to (o) above respectively;
- (iii) the expiry of the period referred to in paragraph (l) above, subject to any court of competent jurisdiction not making an order to prohibit the offeror from acquiring the remaining Shares in the Offer;

- (iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (m) above;
- (v) the date of commencement of the winding-up of the Company;
- (vi) the date on which the Grantee ceases to be a Participant as referred to in paragraph (h)(i) and (i) above;
- (vii) the date on which the Grantee commits a breach by selling, transferring, charging, mortgaging, encumbering or creating any interest in favour of any third party over or in relation to any Option; and
- (viii) subject to paragraph (h)(ii), the date the Grantee ceases to be a Participant for any other reason.

(u) Termination of the Share Option Scheme

We, by ordinary resolution in general meeting, or the Board may at anytime terminate the Share Option Scheme and in such event no further Options may be granted but in all other respects the Share Option Scheme shall remain in full force and effect in respect of Options which are granted during the life of the Share Option Scheme and which remain unexpired immediately prior to termination of the operation of the Share Option Scheme.

(v) Restriction on Grant of Option

In addition, a grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers or in such other manner as prescribed by the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

- (i) the date of the board meeting of our Company (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half-year or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for us to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or, not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted.

(w) Cancellation

Any Options granted but not exercised may be cancelled if the Participant so agrees.

As at the Latest Practicable Date, the details of the individuals whom we expect to grant share options to pursuant to the Share Option Scheme on the Listing Date are as follows:

Grantee	Position in relevant Group companies	Residential address	Value for the purpose of determining number of option to be granted (HK\$) (Note 1)	Number of underlying Shares pursuant to the Option for illustrative purposes (Note 1)	Approximate percentage of the issued Shares for illustrative purposes (Note 2)
MOK Kwai Pui Bill (莫貴標)	President Executive Director Company Secretary	Block A, 2/F The Hacienda 90 Repulse Bay Road Hong Kong	7,800,000	3,250,000	0.16%
CHU Chee Seng (朱志成)	Executive Director Chief Financial Officer	Apt/Block 128 Lorong Ah Soo, #11-300, Singapore 530128 Singapore	7,750,000	3,229,166	0.16%
CHAN Chi Hing (陳志興)	Non-Executive Director	Flat B, 26/F Block 5, Royal Peninsula 8 Hung Lai Road Hung Hom, Kowloon Hong Kong	7,800,000	3,250,000	0.16%
YIP Shu Kiong (葉樹強)	Chief Marketing Officer	175B Bencoolen Street #09-10 Singapore 189651 Singapore	7,750,000	3,229,166	0.16%
HOONG Cheong Thard (孔祥達)	Non-Executive Director	5/F, Flat A, Kennedy Heights 10-18 Kennedy Road Mid Levels, Hong Kong	6,240,000	2,600,000	0.13%
CHIU Wing Kwan Winnie (邱詠筠)	Executive Director Chief Strategy Officer	House 3, Lancaster Place, 23 La Salle Road, Kowloon Tong, Kowloon, Hong Kong	5,000,000	2,083,333	0.10%
LAI Wai Keung (賴偉強)	Executive Director Chief Operating Officer, China and Hong Kong	Flat C, 32/F, Tower 2, 38 Sung Wong Toi Road Sky Tower, Ma Tau Kok Kowloon, Hong Kong	3,500,000	1,458,333	0.07%

Grantee	Position in relevant Group companies	Residential address	Value for the purpose of determining number of option to be granted (HK\$) (Note 1)	Number of underlying Shares pursuant to the Option for illustrative purposes (Note 1)	Approximate percentage of the issued Shares for illustrative purposes (Note 2)
CHIU Jennifer Wendy . . .	Head of interior design	House 4, Sussex Lodge, 831 Clear Water Bay Road, Sai Kung, New Territories, Hong Kong	3,500,000	1,458,333	0.07%
TANG Seng Mun	Chief Operating Officer for the hotel operations in Malaysia	Suite 7-23-28, Maytower Hotel Serviced Apartments 7 Jalan Munshi Abdullah 50100 Kuala Lumpur Malaysia	2,000,000	833,333	0.04%
CHAN Siu Fong Anita (陳 小芳).	General Manager of Cosmopolitan Hotel and Cosmo Hotel	Flat B3, 30th Floor, Block B, Fortune Gardens 11 Seymour Road Mid-levels, Hong Kong	2,000,000	833,333	0.04%
KWAN Shuk Wah Rebecca (關淑華)	General Manager of Lan Kwai Fong @ Kau U Fong and Central Park Hotel	Flat B, 11/F, Wah Lai Court 12 Wah King Hill Road Kwai Chung, New Territories Hong Kong	2,000,000	833,333	0.04%
KWONG Wing Cheung . .	General Manager of Dorsett Kowloon Hotel and Dorsett Seaview Hotel	Flat D, 15/F, Block 39, City One Shatin 16 Pak Tak Street Shatin, New Territories, Hong Kong	2,000,000	833,333	0.04%
TOH Lai Fong Christina . .	General Manager of Dorsett Regency Hotel, Kuala Lumpur	172 Jalan Imbi 55100 Kuala Lumpur Malaysia	2,000,000	833,333	0.04%
HENG Binh Jasmine Aabdullah.	General Manager of Grand Dorsett Subang Hotel	Jalan SS12/1Subang Jaya 47500 Malaysia	2,000,000	833,333	0.04%

Grantee	Position in relevant Group companies	Residential address	Value for the purpose of determining number of option to be granted (HK\$) (Note 1)	Number of underlying Shares pursuant to the Option for illustrative purposes (Note 1)	Approximate percentage of the issued Shares for illustrative purposes (Note 2)
CHENG Wai Ching (鄭維政)	General Manager of Dorsett Far East Hotel	Flat G, 10/F, Block 4, Cheerful Park Sheung Shui, New Territories, Hong Kong	1,200,000	500,000	0.03%
LI Kim Lung	Group Chief Engineer	Flat 5, 5/F, Block D, 14 Kwai Yi Road New Kwai Fong Gardens Kwai Chung New Territories Hong Kong	1,200,000	500,000	0.03%
CHIN Hon Bun (錢漢彬)	Owner's representative	Flat 4, 11/F, Block G, Yeung King House Siu Shan Court Tuen Mun New Territories Hong Kong	1,200,000	500,000	0.03%
LAI Siuw Hong	General Manager of Maytower Hotel	2 Jln Kosas 3/13 Tmn Kosas 68000 Ampang Selangor	1,200,000	500,000	0.03%
WILFRED Anthony Herbert	General Manager of Grand Dorsett Labuan Hotel	462 Jalan Merdeka 87029 Labuan F.T Malaysia	1,200,000	500,000	0.03%
Total			<u>67,340,000</u>	<u>28,058,329</u>	<u>1.40%</u>

Notes:

- The number of underlying Shares pursuant to the Option is equal to the value determined by the Company as stated above, in HK\$, divided by the Offer Price. For illustration purposes, we have calculated the number of underlying Shares pursuant to the Option by dividing the aforesaid value, in HK\$, by an Offer Price of HK\$2.40 per Share, being the midpoint value of the proposed Offer Price range of HK\$2.04 to HK\$2.75 per Share as stated in this prospectus.
- The percentage is for illustrative purposes only and is based on the number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue and assuming the Over-allotment Option and the options expected to be granted under the Share Option Scheme have not been exercised, i.e. 200,000,000 Shares.

The first instalment of all Options shall vest on the first anniversary date of the Listing Date and all Options vested will, if not exercised, expire on the third anniversary of the respective vesting date.

Mr. Chu Chee Seng (朱志成) and Mr. Yip Shu Kiong (葉樹強), who are expected to be granted Options under the Share Option Scheme as set out above, may only exercise such Options expected to be granted in three instalments in the following manner:

Period of exercise of the relevant percentage of the option	Maximum percentage of options exercisable
A period of three years commencing on the first anniversary date of the Listing Date	30% of the total number of Options granted
A period of three years commencing on the second anniversary date of the Listing Date	30% of the total number of Options granted
A period of three years commencing on the third anniversary date of the Listing Date	40% of the total number of Options granted

The remaining grantees expected to be granted Options under the Share Option Scheme as set out above may only exercise such Options expected to be granted in five equal instalments in the following manner:

Period of exercise of the relevant percentage of the option	Maximum percentage of options exercisable
A period of three years commencing on the first anniversary date of the Listing Date	20% of the total number of Options granted
A period of three years commencing on the second anniversary date of the Listing Date.	20% of the total number of Options granted
A period of three years commencing on the third anniversary date of the Listing Date	20% of the total number of Options granted
A period of three years commencing on the fourth anniversary date of the Listing Date	20% of the total number of Options granted
A period of three years commencing on the fifth anniversary date of the Listing Date	20% of the total number of Options granted

The proposal to grant such Options to the grantees as set out above has been approved by the Board (including the independent non-executive Directors) on 10 September 2010. Pursuant to the terms of the Share Option Scheme which are compliant with Note 1 to Rule 17.03(9) of the Listing Rules, the exercise price of such Options expected to be granted on the Listing Date to the grantees shall be determined based on the higher of (i) the closing price of the Shares on the Listing Date and (ii) the Offer Price.

The number of underlying Shares pursuant to the Option equals to the fixed value determined and approved by the Board stated in the table above, divided by the Offer Price. Assuming an Offer Price of HK\$2.40 per Share, being the mid-point of the proposed Offer Price range of HK\$2.04 to HK\$2.75 per Share as stated in this prospectus, the number of underlying Shares pursuant to the Options expected to be granted under the Share Option Scheme on the Listing Date will amount to

28,058,329 Shares, representing approximately 1.40% of the issued Shares immediately following the completion of the Global Offering and the Capitalisation Issue but assuming that the Over-allotment Option is not exercised.

For illustrative purpose only (since no Options will be exercised until at least the first anniversary date of the Listing Date), if all Options were exercised immediately following the completion of the Global Offering and the Capitalisation Issue but assuming that the Over-allotment Option is not exercised, this would have a dilutive effect on the shareholdings of our Shareholders of approximately 1.38% assuming the total issued share capital of the Company is only enlarged by the Shares so issued pursuant to the exercise of the aforesaid Options. There will not be any dilutive effect on the forecasted earnings per Share for the six-month period ending 30 September 2010 as the expected date of grant (being the Listing Date) falls outside such forecasted period. However, as the Options expected to be granted on the Listing Date will be exercisable for a period of up to 8 years from the expected date of grant (being the Listing Date) any such dilution and impact on earnings per Share will be staggered over several years.

Assuming that all of the Options granted under the Share Option Scheme had been exercised in full as at 1 April 2010 and that an aggregate of 2,000,000,000 Shares (being the number of Shares to be issued pursuant to the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised)), and the aforementioned 28,058,329 Shares which may be issued upon the exercise in full of the Options granted pursuant to the Share Option Scheme, were in issue as at 1 April 2010, the earnings per Share attributable to equity holders of the Company for the forecasted period ending 30 September 2010 would have been diluted from approximately HK1.61 cents per Share to approximately HK1.59 cents per Share.

Pursuant to the Listing Rules, an announcement will be made on or about the Listing Date in relation to the actual number of Options to be granted to employees of the Company when such information is available.

The Options granted under the Share Option Scheme will not be exercisable within the first twelve months from the Listing Date. The Directors will not exercise any Options granted under the Share Option Scheme to the extent that the percentage of the Shares in the public hands will be less than the public float requirements under the Listing Rules.

E. OTHER INFORMATION

1. Indemnity

Each of the Controlling Shareholders has entered into a Deed of Indemnity in favour of our Company (for itself and as trustee for each of our present subsidiaries) whereby it has given indemnity in connection with, among other matters:

- (i) any liability of our Company to any form of taxation (including without limitation to withholding and such other taxes pursuant to GuoShuiHan No. 698), duties, rates, deduction, withholdings, levies, fees, charges, social security contribution or other impositions (including those of a provisional nature) whenever created or imposed and whether of Hong Kong, the PRC, Singapore, Malaysia or of any part of the world and, whatsoever and without prejudice to the generality of the foregoing, includes any tax computed on profits or income, any tax computed on capital assets, profits tax, provisional profits tax, interest tax, salaries tax, property tax, value added tax and land appreciation tax, taxes on income, inheritance tax, gift duty, transfer tax, estate duty, death duty, capital duty, stamp duty, payroll tax, employment tax, withholding tax, rates, customs and excise duties and generally other liabilities payable by the Group Companies to the revenue or fiscal authorities in Hong Kong, the PRC, Singapore, Malaysia or any part of the world;

- (ii) any historical non-payment of housing funds in the PRC by the Company's subsidiaries (including but not limited to that of Wuhan Far East, Wuhan Hong Kong and Macau Centre and Wuhan Li Yue Management) for their respective employees;
- (iii) the lack of title certificates held by Ching Chu (Shanghai) in respect of its Dorsett Regency CBD, Zhongshan hotel in the PRC;
- (iv) historical regulatory breaches by the Group including but not limited to that of the land grant terms by Caragis and Vicsley in respect of Central Park Hotel and Hotel of Lan Kwai Fong in respect of Lan Kwai Fong Hotel @ Kau U Fong and breaches of the Companies Ordinance by those members of the Group in respect of the laying of accounts and/or failing to make the requisite regulatory filings within the prescribed time or at all; and
- (v) the failure to transfer the relevant land title on which Maytower Hotel and Dorsett Johor Hotel are respectively erected.

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands.

The Deed of Indemnity does not cover any claim and the indemnifiers shall be under no liability under such deed in respect of taxation or liability:-

- (i) to the extent that provision, reserve or allowance has been made for such taxation or claim in the audited accounts of the Group for each of the three financial years ended 31 March 2008, 2009 and 2010 ("Accounts");
- (ii) to the extent that such taxation or claim arises or is incurred as a result of the imposition of taxation or claims as a consequence of any retrospective change in the law, rules and regulation or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or the Taxation Authority of the PRC or any other relevant authority (whether in Hong Kong or the PRC or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation or claim arises or is increased by an increase in rates of taxation or claim after the thereof with retrospective effect;
- (iii) to the extent of any provision or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve in which case the indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied to reduce the indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter;
- (iv) falling on the Company after the Listing Date unless (a) the bases of such taxation occur prior to the Listing Date; or (b) such taxation or liability would not have arisen but for any act or omission by the Company (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers (such consent or agreement not to be unreasonably withheld or delayed), otherwise than in the ordinary course of business after the date of the Deed of Indemnity;

- (v) to the extent that such taxation or liability is discharged by another person who is not the Company or a member of the Group companies and that the Company or such member of the Group companies is not required to reimburse such person in respect of the discharge of the taxation or liability; and
- (vi) for which the Company is primarily liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business after the Listing Date.

2. Litigation

As at the Latest Practicable Date, save as disclosed above and in the section headed “Business — Litigation” in this prospectus, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, all our Shares in issue and any Shares which may fall to be issued as mentioned herein, including any Shares that may be issued upon the exercise of the Over-allotment Option and any Shares falling to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme. All necessary arrangements have been made enabling such Shares to be admitted to CCASS.

4. Preliminary expenses

The estimated preliminary expenses of our Company are approximately US\$5,000 and are payable by our Company.

5. Consents of experts

Each of Credit Suisse, Morgan Stanley, RBS, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, Raine and Horne International Zaki + Partners Sdn. Bhd., Commerce and Finance Law Offices and Maples and Calder has given and has not withdrawn its respective written consents to the issue of this prospectus with copies of its reports, valuation certificate, letters, opinions or summaries of opinions (as the case may be) and the references to its names included herein in the form and context in which it is respectively included.

6. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Credit Suisse	Licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (dealing on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities as defined under the SFO
Morgan Stanley	Licensed corporation under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities as defined under the SFO
RBS	Licensed corporation under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
DTZ Debenham Tie Leung Limited	Independent property valuer (Hong Kong, PRC and Singapore)
Raine and Horne International Zaki + Partners Sdn. Bhd.	Independent property valuer (Malaysia)
Commerce and Finance Law Offices	Legal advisers to the Company on PRC laws
Maples and Calder	Legal advisers to the Company on laws of the Cayman Islands

7. Interests of experts in our Company

None of the persons named in the paragraph entitled “Consents of experts” in this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or securities in any member of our Group.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

9. Miscellaneous

- (a) Within the two years preceding the date of this prospectus,
- (i) save as disclosed in the section headed “Changes in share capital of subsidiaries” and “Written Resolution of our Shareholders” in this Appendix, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) save as disclosed in the section headed “Underwriting” in this prospectus, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iii) save as disclosed in the section headed “Share Option Scheme” in this Appendix, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iv) save as disclosed in the section headed “Underwriting” in this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any of our Share in our Company or any of our subsidiaries; and
 - (v) save as disclosed in the section headed “Structure of the Global Offering” in this prospectus, none of the equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (b) There has not been any interruption in our business which may have or has had a significant effect on our financial position in the 12 months preceding the date of this prospectus.
- (c) There are no founder, management or deferred shares or any debenture in our Company or any of our subsidiaries.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.
- (e) The principal register of our members will be maintained in the Cayman Islands by our Cayman Islands Share Registrar and a register of our members will be maintained in Hong Kong by our Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our register in Hong Kong and may not be lodged in the Cayman Islands.

10. Bilingual prospectuses

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

11. Particulars of the Selling Shareholder

Name	Description	Address	Number of Sale Shares
Ample Bonus (Note 1).....	Company	P.O. Box 957, Offshore Incorporation Centre, Road Town, Tortola BVI	270,000,000 (Note 2)

Notes:

1. Tan Sri Dato' David Chiu (邱達昌) and Mr. Chan Chi Hing (陳志興), both being non-executive directors of our Company, are directors of Ample Bonus.
2. Upon the exercise of the Over-allotment Option, Ample Bonus may be required to sell up to an additional 40,500,000 Shares (being 15% of the Sale Shares offered by the Selling Shareholder under the International Offering).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

1. copies of the Application Forms;
2. the written consents referred to in paragraph headed "Consents of experts" of Appendix VI to this prospectus;
3. copies of each of the material contracts referred to in paragraph headed "Summary of material contracts" of Appendix VI to this prospectus;
4. statement of adjustments made by Deloitte Touche Tohmatsu; and
5. a statement of particulars of the Selling Shareholder as set out in the paragraph headed "Particulars of the Selling Shareholder" of Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Richards Butler in association with Reed Smith LLP of 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of the prospectus:

1. the Memorandum of Association and the Articles of Association;
2. the Accountants' Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
3. the audited consolidated financial statements of the Group for each of the three financial years ended 31 March 2008, 2009 and 2010 and the statement of adjustments prepared by Deloitte Touche Tohmatsu;
4. the letter from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
5. the letters from Deloitte Touche Tohmatsu and the Joint Sponsors relating to the profit forecast, the texts of which are set out in Appendix III to this prospectus;
6. the letter, summary of valuation and valuation certificates relating to our property interests prepared by each of DTZ Debenham Tie Leung Limited (for properties in Hong Kong, PRC and Singapore) and Raine and Horne International Zaki + Partners Sdn. Bhd. (for properties in Malaysia), the texts of which are set out in Appendix IVa and Appendix IVb to this prospectus, respectively;
7. the material contracts referred to in paragraph headed "Summary of material contracts" of Appendix VI to this prospectus;
8. the written consents referred to in paragraph headed "Consents of experts" of Appendix VI to this prospectus;

9. the PRC legal opinion issued by Commerce and Finance Law Offices, our legal advisors on PRC law, in respect of, inter alia, general matters, property interests and taxation matters of our Group in the PRC;
10. the service contracts referred to in section headed "Further Information about Directors and substantial shareholders — Particulars of service contracts" in Appendix VI to this prospectus;
11. the rules of the Share Option Scheme;
12. the letter prepared by Maples and Calder, our legal advisors on Cayman Islands law, summarising certain aspects of Companies Law referred to in Appendix V to this prospectus;
13. the Companies Law; and
14. a statement of particulars of the Selling Shareholder as set out in the paragraph headed "Particulars of the Selling Shareholder" of Appendix VI to this prospectus.

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