
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,

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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.

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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.

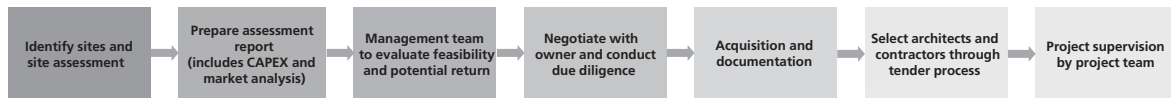
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Prior to and during the Track Record Period, we primarily acquired our hotels in three principal ways as summarised in the table below:

<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 	

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.

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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	
	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.

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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	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	
				
	A 	Hong Kong Singapore		
	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.

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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.....	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.

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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.

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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:

- 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.

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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			2,011	

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.

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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.

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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	74.3
Dorsett Kowloon Hotel	value	23	34,554	719	500	386	512	402	96.0
Cosmo Hotel	boutique	25	59,699	775	754	601	890	745	80.7
Lan Kwai Fong Hotel @ Kau U Fong	boutique	36	60,773	1,166	1,127	964	1,392	1,322	73.0
Dorsett Far East Hotel	value	17 ³	55,761	369	417	333	419	363	91.5
Dorsett Seaview Hotel	value	21	65,286	481	511	421	494	443	95.1
Cosmo Kowloon Hotel	mid-scale	25	67,002	N/A	N/A	N/A	N/A	N/A	N/A
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
Hotel name/expected hotel name¹									
China									
Owned and operated									
Wuhan Cosmopolitan Hotel	mid-scale	19 ⁴	724,489	N/A	85	107	N/A	230	37.1
Yue Shanghai Hotel	boutique	18 ⁵	170,003	N/A	N/A	180	N/A	502	50.3
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
Hotel name/expected hotel name¹									
Malaysia									
Owned and operated									
Dorsett Regency Hotel Kuala Lumpur	mid-scale	30	298,726	134	143	144	162	184	77.6
Grand Dorsett Subang Hotel	upscale	22 ⁷	465,691	177	167	137	242	236	58.0
Grand Dorsett Labuan Hotel	upscale	9	232,124	188	208	198	245	261	75.8
Maytower Hotel	mid-scale	33 ⁸	60,529	N/A	80	105	N/A	138	76.0
Dorsett Johor Hotel	value	10	94,766	N/A	45	72	N/A	112	63.9
Hotel name/expected hotel name¹									
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:

- 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.
- Hotel name and number of floors are preliminary. Grand Dorsett Subang Hotel only has 22 floors of hotel rooms, as at 30 June 2010.
- Dorsett Far East Hotel is a 17-story building, of which 17th floor is a 12-ft floor building.
- Wuhan Cosmopolitan Hotel is located in a 19-floor building, of which the hotel portion is comprised of portions of the basement, level one and level 110 and whole of level eight, levels 11 to 16 and carpark, hotel rooms are located on levels 11 to 16.
- Yue Shanghai Hotel is located in a four-floor retail podium and 18-floor hotel building, of which the hotel portion is located on level two of the retail podium and the 18-floor hotel building.
- 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.
- 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.
- 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