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 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 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;

- 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 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 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.

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.

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 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.

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 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.

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.

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.

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.

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

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.