

OVERVIEW

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

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

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

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

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

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

Notes:

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

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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	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	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 Grand Dorsett Labuan Hotel was acquired by us in September 2007 but was operated under the management of an independent third party prior to our acquisition.

OUR STRENGTHS

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

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

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

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

Our ability to deliver strong returns from our hotel portfolio

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

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

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

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

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

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

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

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

We have successfully established a portfolio of diversified hotel products

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

STRATEGIES

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

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

Continue to identify sites and acquisition opportunities in strategic locations

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

Expand our hotel management business

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

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

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

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

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

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

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Develop and strengthen our brands to increase customer loyalty

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

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

HOTEL OPERATIONS

Overview

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

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

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

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

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

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

Note:

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

BUSINESS

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

Recent operating performance

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

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

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

Hong Kong Operations

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



HOTELS IN OPERATION

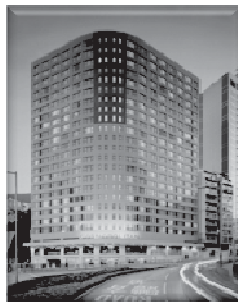
- 1 Central Park Hotel (boutique)
- 2 Lan Kwai Fong Hotel @ Kau U Fong (boutique)
- 3 Cosmopolitan Hotel (mid-scale)
- 4 Cosmo Hotel (boutique)
- 5 Dorsett Kowloon Hotel (value)
- 6 Dorsett Seaview Hotel (value)
- 7 Dorsett Far East Hotel (value)
- 8 Cosmo Kowloon Hotel (mid-scale)

HOTELS UNDER DEVELOPMENT

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

Hotels under operation — Hong Kong Island, Hong Kong

Cosmopolitan Hotel, Wan Chai



BUSINESS

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

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

Cosmo Hotel, Wan Chai



BUSINESS

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

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

Central Park Hotel, Sheung Wan



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

BUSINESS

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

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

Lan Kwai Fong Hotel @ Kau U Fong, Central



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

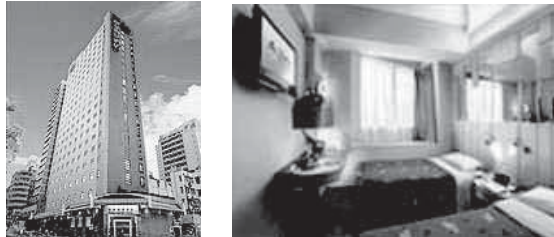
We position Lan Kwai Fong Hotel @ Kau U Fong as a high-end boutique hotel targeted to both business and leisure customers.

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

Hotels under operation — Kowloon, Hong Kong

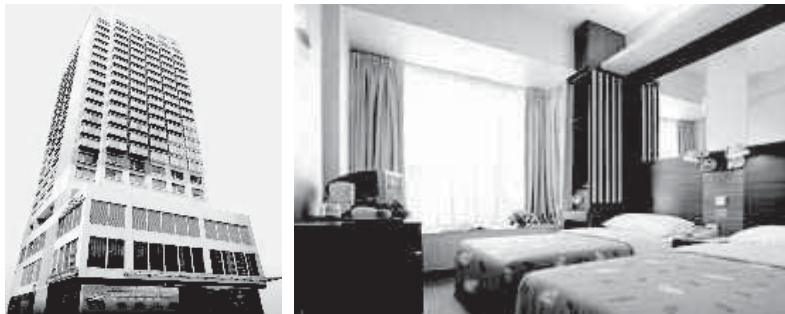
Dorsett Seaview Hotel, Yau Ma Tei



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

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

Dorsett Kowloon Hotel, Tai Kok Tsui



Note:

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

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

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

Dorsett Far East Hotel, Tsuen Wan



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

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

Cosmo Kowloon Hotel, Tai Kok Tsui



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

Hotels under development — Hong Kong

Dorsett Regency Kennedy Town, Hong Kong

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

The Mercer by Kosmopolito, Sheung Wan

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

Dorsett Regency Kwun Tong, Hong Kong

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

Dorsett Regency Kwai Chung, Hong Kong

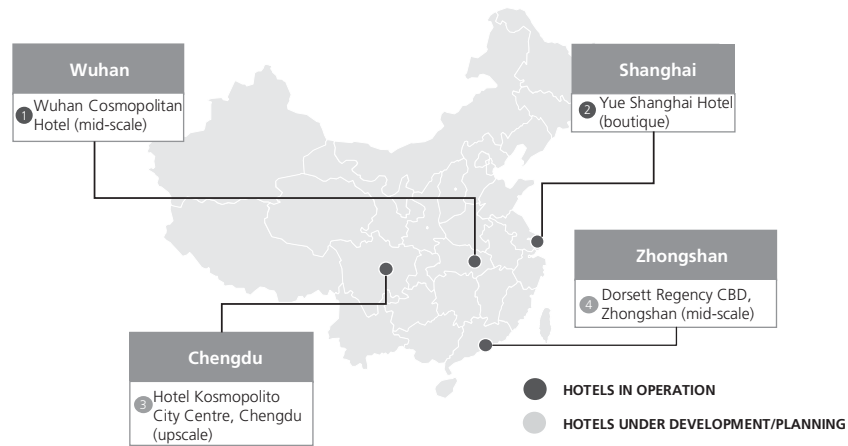
We acquired the existing industrial building, known as Topy Tower, in 2008. This industrial building is in the process of being fully refurbished into a mid-scale hotel to be named Dorsett Regency Kwai Chung, Hong Kong with a proposed 506 rooms. The refurbishment includes the elimination of an existing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

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

PRC Operations

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



Hotels under operation – China

Yue Shanghai Hotel, Shanghai



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

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

Wuhan Cosmopolitan Hotel, Wuhan



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

Hotels under planning or development – China

Hotel Kosmopolito City Centre, Chengdu

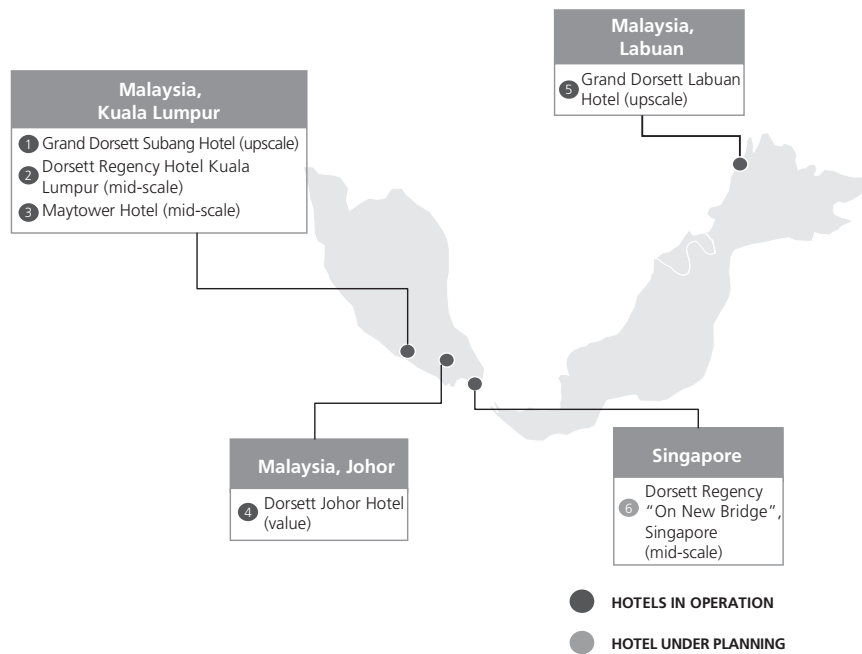
Hotel Kosmopolito City Centre, Chengdu is a proposed contemporary upscale hotel located in the heart of the central business district and close to major financial and entertainment complexes in Chengdu. The building is an existing commercial building acquired by us from Industrial and Commercial Bank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

Dorsett Regency CBD, Zhongshan

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

Malaysia and Singapore Operations

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



Hotels under Operation – Malaysia

Dorsett Regency Hotel Kuala Lumpur, Kuala Lumpur



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

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

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

Maytower Hotel, Kuala Lumpur



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

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

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

Grand Dorsett Subang Hotel, Subang



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

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

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

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

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

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

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

Dorsett Johor Hotel, Johor Bahru



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

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

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

Grand Dorsett Labuan Hotel, Labuan



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

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

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

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Hotels under planning – Singapore

Dorsett Regency “On New Bridge”, Singapore

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

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

HOTEL PORTFOLIO ACQUISITION STRATEGY

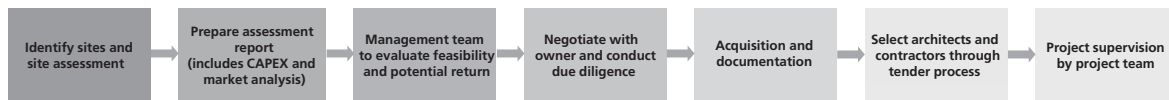
Prior to and during the Track Record Period, we primarily acquired our hotels in three principal ways as summarised in the table below:

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

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

Our site acquisition process is summarised as follows:



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

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

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

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

PROJECT MANAGEMENT

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

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

RENOVATION AND EXPANSION PLAN

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

INTERIOR DESIGN

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

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

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

HOTEL MANAGEMENT

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

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

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

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

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

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

OUR BRANDS

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

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

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

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

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

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

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



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

BUSINESS

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

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

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

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

FACILITIES

Food and Beverage (F&B) Facilities

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

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

Meeting Facilities

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

Other facilities and services

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

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

SALES AND MARKETING

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

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

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

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

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

Travel agents

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

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

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

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

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

Corporate customers

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

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

Internet websites

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

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

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

Other

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

HOTEL CONSTRUCTION

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

PROCUREMENT

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

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

CUSTOMERS AND SUPPLIERS**Customers**

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

Suppliers

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

PROPERTY**Owned Properties**

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

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

As at 30 June 2010

	No. of rooms	GFA (sqf) ¹	Carrying value (HKDm) ¹		Capital value (HKDm) ¹		Revaluation surplus (HKDm) ^{1,2}	Capital value at existing state ¹	
			Unaudited		Existing state	At completion		HK\$'000 per room	HK\$ per sqf
HK operating hotels									
Cosmopolitan Hotel	454	171,095	333	1,622	1,622	1,289	3,573	9,480	
Central Park Hotel	142	51,076	127	429	429	302	3,021	8,399	
Dorsett Kowloon Hotel	141	34,554	122	250	250	128	1,773	7,235	
Cosmo Hotel	142	59,699	145	490	490	345	3,451	8,208	
Lan Kwai Fong Hotel @ Kau U Fong	162	60,773	206	797	797	591	4,920	13,114	
Dorsett Seaview Hotel	268	65,286	470	542	542	72	2,022	8,302	
Dorsett Far East Hotel	240	55,761	163	336	336	173	1,400	6,026	
Subtotal	1,549	498,244	1,566	4,466	4,466	2,900	2,883	8,963	
HK hotels under development									
Cosmo Kowloon Hotel ³	285	67,002	291	537	539	246	1,884	8,015	
The Mercer by Kosmopolito	55	37,941	182	222	290	40	4,036	5,851	
Dorsett Regency Kennedy Town, Hong Kong	217	73,271	258	481	597	223	2,217	6,565	
Dorsett Regency Kwun Tong, Hong Kong	380	119,277	248	426	673	178	1,121	3,572	
Dorsett Regency Kwai Chung, Hong Kong ⁴	506	214,680	288	270	962	(18)	534	1,258	
Subtotal	1,443	512,171	1,267	1,936	3,061	669	1,342	3,780	
Total HK Hotels	2,992	1,010,415	2,833	6,402	7,527	3,569	2,140	6,336	
China operating hotels									
Wuhan Cosmopolitan Hotel ⁵	384	724,489	540	769	769	229	2,004	1,062	
Yue Hotel Shanghai	264	170,003	411	514	514	103	1,947	3,024	
Subtotal	648	894,492	951	1,283	1,283	332	1,981	1,435	
China hotels under development/planning									
Hotel Kosmopolito City Centre, Chengdu	547	727,829	390	713	1,035	323	1,303	980	
China hotels contracted to acquire and under planning									
Dorsett Regency CBD, Zhongshan ⁶	416	457,072	110	253	N.A.	143	608	554	
Subtotal	963	1,184,901	500	966	1,035	466	1,003	815	
Total China Hotels	1,611	2,079,393	1,451	2,249	2,318	798	1,396	1,082	

Notes:

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

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

Notes:

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

a) Land grant breaches

Central Park Hotel:

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

It is a term of the Old Licence Letter that:

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

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

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Lan Kwai Fong Hotel @ Kau U Fong

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

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

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

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

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

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

b) Land title

Hong Kong

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

PRC

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

Malaysia

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

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

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

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

Singapore

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

c) Indemnity

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

Leased Properties

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

INTELLECTUAL PROPERTY

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

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

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

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

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

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

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

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

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









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

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

Notes:

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

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

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

Notes:

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

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

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

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

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

COMPETITION

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

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

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

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

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

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

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

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

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

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

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

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EMPLOYEES

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

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

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

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

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

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

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

Training and Development

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

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

Employee Relations

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

Employee Benefits

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

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Insurance

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

Litigation

(a) Hong Kong (SAR) Hotel

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

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

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

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

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

(b) Hotel of Lan Kwai Fong

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

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

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

(c) Dorsett Regency Hotel (M)

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

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

BUSINESS

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

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

Environmental Matters

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

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

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