You should read the following discussion and analysis in conjunction with our audited combined financial statements together with the accompanying notes, set forth in the accountants' report (the "Accountants' Report") included as Appendix I to this prospectus. Our audited combined financial statements are prepared in conformity with Hong Kong Financial Reporting Standards ("HKFRS"), which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions, including the United States. You should read the Accountants' Report included as Appendix I to this prospectus in its entirety and not rely merely on the information contained in this section.

For the purpose of this section, unless the context otherwise requires, references to 2008, 2009 and 2010 refer to our financial year ended 31 March of such year. Unless the context otherwise requires, financial information described in this section is described on a combined basis.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

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

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

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

We are also currently implementing a branding strategy to refresh and streamline our brands to better appeal to our target market segments and to serve as a platform for our expansion into the hotel management business. For further information regarding our branding strategy see the section headed "Business — Our Brands" in this prospectus.

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

Basis of Presentation

Pursuant to the Reorganisation as described in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, our Company acquired from FEC the entire equity interest in Dorsett Regency Hotel (M), Full Benefit Limited, Havena Holdings Limited, Jade River Profits Limited, Rosicky Limited, Tang Hotel Investments Pte. Ltd and Wonder China Investments Limited (the "Combined Entities") and became the holding company of the companies comprising our Group. The Combined Entities and our Company were under common control of FEC before and after the acquisition. Therefore, the Combined Entities and our Company are regarded as continuing entities and the acquisition of the Combined Entities are accounted for as a reorganisation of entities under common control by applying the principles of merger accounting in accordance with Guideline No. 5 "Merger Accounting for Common Control Combinations".

On 25 September 2008, certain subsidiaries of our Company acquired hotel operations which were indirectly owned by FEC. The hotel operations and these subsidiaries were under the common control of FEC before and after the acquisition and therefore were also accounted for as a common control reorganisation by applying the principles of merger accounting in accordance with Guideline No. 5 "Merger Accounting for Common Control Combinations". The combined statements of comprehensive income and the combined statements of cash flow for the Track Record Period include the results and cash flows of the companies and businesses comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation or establishment, whichever period is shorter. The combined statements of financial position as at 31 March 2008, 2009 and 2010 have been prepared to present the assets and liabilities of the companies and businesses now comprising the Group as if the current group structure had been in existence as at these dates.

Factors Affecting Our Results of Operations

Changes in the Group's results of operations are most easily explained by the following four performance indicators that are commonly used in the hotel industry:

- Total Available Room Nights;
- Occupancy rate;
- ARR; and
- RevPAR.

We generate revenue primarily from room revenue which is stated after business tax, for which occupancy rate and ARR are the major drivers. Other sources of revenue, for which occupancy rate is the main driver, include the sale of food and beverages at our hotels as well as the provision of ancillary services to hotel customers including business centre fees, laundry fees and Internet charges.

Our business, financial position and results of operations and their period-to-period comparability have been, and we expect may continue to be, affected by a number of factors, including:

Leisure, business and MICE travel. The occupancy rate, ARR, RevPAR and revenue of our hotels have been directly affected by the levels of leisure, business and MICE travel, which have, in turn, been driven by the development of the leisure industry and business activities, conferences and events in the areas where we operate. As key drivers of hotel demand in Hong Kong, Malaysia and China have been from leisure, business and/or MICE demand according to HVS, we believe a significant portion of the customers of our hotels were leisure, business and MICE travellers during the Track Record Period. We anticipate our results of operations will continue to depend to a substantial degree on demand from leisure, business and MICE travellers.

In addition, the increase in tourists from the PRC following the deregulation by the PRC government of the grant of visas for individual PRC residents in certain cities of the PRC to visit Hong Kong has had a positive impact on our operations in Hong Kong as tourists from the PRC account for a substantial proportion of all visitors to Hong Kong. Any adverse change in the policy of the PRC government, for example, by tightening its control over the grants of visas for visiting Hong Kong or expanding the scope of Individual Visitation Scheme to cover other countries and regions, may reduce the number of PRC tourists to Hong Kong and the demand for our hotel services in Hong Kong.

Current economic conditions, seasonality, special events and epidemics.

- *Economic conditions.* Our financial performance depends upon the demand for our hotel rooms, which is closely linked to the general economy in the areas where we operate. While the hotel industry in the areas where we operate has benefited from the significant growth experienced in Asia in recent years, the recent global financial crisis and economic slowdown in 2008 and 2009 have negatively affected business and consumer confidence and contributed to slowdowns in most industries, including the hotel industry. Despite signs of recovery, there remain uncertainties regarding the general economic conditions and demand for our products.

- *Seasonality*. Our operations are subject to fluctuations in revenues due to seasonality. Generally, the third and fourth quarters of our fiscal year, in which both the Golden Week in China and Chinese New Year holidays fall, account for a higher percentage of our annual revenues than the first and second quarters of our fiscal year. In Hong Kong, revenue from the third and fourth quarters of our Hong Kong operations accounted for 30.4% and 25.2%, respectively, of our Total Revenue generated from our operations in Hong Kong during the Track Record Period. As revenue from our operations in Hong Kong accounted for 66.7%, 61.2% and 55.2% of our Total Revenue for the years ended 31 March 2008, 2009 and 2010, respectively, the seasonality of our operations in Hong Kong led to corresponding seasonal fluctuations in our Total Revenue during the Track Record Period.

- *Special events*. Certain special events, such as the Hong Kong Sevens, the 2009 East Asian Games and the Hong Kong International Jewellery Show in Hong Kong, the 2010 World Expo in Shanghai and the 2010 Asian Games in Guangzhou, may increase the demand for our hotels as such special events may attract travellers into and within the region where we operate our hotels. However, we did not consider special events to have been a significant factor affecting our results of operations in Malaysia.

- *Epidemics*. During the Track Record Period, our results of operations have been affected by factors beyond our control. The tourism industry, particularly in Hong Kong, was affected in the first half of the financial year ended 31 March 2010 by the outbreak of H1N1. The outbreak of H1N1 adversely affected us in the form of a decrease in occupancy rates and ARRs. Similar epidemic events in the future may cause a decline in our corporate, convention and leisure guests, which may have a material adverse impact on our business, financial condition or results of operations.

PRC government policies and regulations. As we expand our presence in China, we anticipate our business and results of operations will be significantly affected by PRC government policies and regulations, such as licensing and zoning. Hotels in the PRC are required to obtain a special industry license issued by the local public security bureau and to comply with licence requirements and laws and regulations with respect to construction permits, fire prevention, public area hygiene, food hygiene, public safety and environmental protection. Any changes to existing laws and regulations in the future may increase our compliance efforts at significant costs.

Competition. The hotel industries in the areas where we operate are highly competitive. We compete primarily with other hotel operators. Competition among hotels in the areas where we operate is primarily based on location, room rates, brand recognition, the quality of the accommodations and service levels.

Access to capital. Our hotel development business is a capital intensive business that requires significant amounts of capital expenditures to acquire existing buildings, hotels and land, to convert and construct new hotels and to maintain and improve our existing hotels. Access to the capital that we need to finance the acquisition and development of land and property assets and to maintain and improve our existing hotels is critical to the continued growth of our hotel development business.

Acquisition, conversion and development opportunities at reasonable costs. An important part of our growth strategy will continue to focus on the acquisition of existing buildings and the conversion of these buildings into hotels, the acquisition of existing buildings and subsequent demolition to construct hotels on these sites, the acquisition of vacant sites and the construction of hotels on these sites and the acquisition of existing hotels, all of which, in turn, depend on appropriate acquisition, conversion and development opportunities at prices that can yield a reasonable return. Property and land acquisition costs in the areas where we operate can fluctuate and we anticipate competition for property and land assets in such areas will remain intense and can increase our land and property acquisition costs.

The total number of hotels and hotel rooms in our hotel network. As we continue to acquire and develop new hotel projects, we anticipate increases in our revenue will be driven in part by the growth of our hotel network. In addition, we believe the expanded geographic coverage of our hotel network will enhance our brand recognition.

Fixed-cost nature of our business. Many of the costs associated with managing and operating hotels are relatively fixed. These costs include personnel costs, insurance and utilities. In addition, hotel properties have an ongoing need for refurbishment and other capital improvements to remain competitive, including the replacement, from time to time, of furniture, fixtures and equipment. We need to continue to pay salaries, make regular repairs, perform maintenance and refurbishments and invest in other capital improvements throughout the year to maintain the attractiveness of our hotels. These costs do not vary as significantly as changes in occupancy and revenues. If we are unable to reduce these costs when demand for our hotel rooms decreases, the resulting decline in our revenues can have a material adverse effect on our net cash flows, margins and profits. This effect can be especially pronounced during periods of economic contraction or slow economic growth, such as the recent global financial crisis and economic slowdown in calendar years 2008 and 2009. The effectiveness of any cost-cutting efforts is limited by the fixed-cost nature of our business. As a result, we may not be able to offset revenue reductions through further cost cutting. Any of our efforts to reduce costs, or to defer or cancel capital improvements, could adversely affect the economic value of our properties and brands. In addition, if we do not make needed refurbishments and improvements, we could lose our market share to competitors and our occupancy rates and ARRs may decline.

Expansion into the hotel management business. We intend to pursue opportunities to capitalise on our management expertise and reputation by securing more management agreements for properties wholly or partly owned by third parties. We believe this strategy will allow us to expand our hotel chain and build brand recognition without incurring significant capital expenditures while also providing us with recurring income. Competition in the hotel management business has intensified in recent years with more internationally well-known hotel management companies now active in the areas where we operate, in particular, the PRC. Although our hotel management business is focused on the PRC and we currently only have definitive plans to expand our hotel management business in the PRC, we have explored, and will continue to explore, potential markets in other regions of the Asia Pacific, including the sale of The Mercer by Kosmopolito coupled with the retention of management rights under a management agreement between us and the buyer of the hotel and seeking opportunities where we would be both the lessee and operator of a hotel. The expansion of our hotel management business will depend on various factors, including whether we are successful in implementing our business strategy and securing additional management agreements. For further information on our strategy to expand into the hotel management business see the section headed "Business — Strategies — Expand our hotel management business" in this prospectus.

Critical Accounting Policies and Estimates

We have identified certain accounting policies that are significant to the preparation of our financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 3 to the Accountants' Report included in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as judgments relating to accounting items such as revenue recognition, cost or expense allocation and liability provisioning. In each case, the determination of these items requires management's judgment based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial information. In addition, we discuss our revenue recognition policies below because of their significance, even though they do not involve significant estimates or judgments.

Property, plant and equipment

Property, plant and equipment other than hotels under development are stated at cost less accumulated depreciation and accumulated impairment loss. Depreciation is provided to write off the cost of items of property, plant and equipment, other than hotels under development, over their estimated useful lives and after taking into account their estimated residual value. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year in which the item is derecognised. If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Hotels under development

Hotels under development held for owner's operation are stated at cost less any impairment loss recognised. Cost comprises development expenditure including professional charges directly attributable to the development and interest capitalised during the development period. No depreciation is provided on the cost of the buildings until hotel operation commences. When the building on leasehold land is in the course of development, the leasehold land component is classified as a prepaid lease and is amortised on a straight-line basis over the lease term. The amortisation charge for the leasehold land is included as part of the costs of the buildings under construction during the construction period.

Investment properties

Investment properties are properties held to earn rentals and/or capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditures. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year in which the item is derecognised.

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation. The fair value at the date of transfer becomes the deemed cost for subsequent accounting as property, plant and equipment.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

As part of improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, leasehold land were required to be classified as operating leases and present as prepaid lease payments. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification of our Group's leasehold land for the financial year beginning on 1 April 2010.

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Derivative financial instruments

Derivatives are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services provided in the normal course of business, net of discounts and related taxes. Revenue from hotel operations is recognised when the relevant services are provided. Rental income from properties under operating lease is recognised on a straight-line basis over the periods of the respective tenancies. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Description of Certain Items of Statements of Comprehensive Income

Revenue

We generate revenue primarily from room revenue which is stated after business tax and rental income from the rental of space at our hotels to third parties for retail and other uses and from our investment properties. Other sources of revenue include the sale of food and beverages at our hotels as well as from hotel related businesses such as the provision of ancillary services to hotel customers, including business centre fees, laundry fees and telephone charges, Internet charges, mini-bar charges and the sale of hotel consumables and other supplies.

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

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

The following table sets out the Total Available Room Nights, Total Occupied Room Nights, occupancy rate, ARR and RevPAR of our hotels in Hong Kong, Malaysia and China for the periods indicated.

	Year ended 31 March		
	2008	2009	2010
Hong Kong			
Total Available Room Nights	563,725	562,695	551,045
Total Occupied Room Nights	501,214	496,278	459,192
Occupancy rate	88.9%	88.2%	83.3%
ARR (HK$)	771	769	672
RevPAR (HK$)	685	678	560
Malaysia			
Total Available Room Nights	278,526	388,692	467,565
Total Occupied Room Nights	215,229	258,631	321,721
Occupancy rate	77.3%	66.5%	68.8%
ARR (HK$)	485	494	424
RevPAR (HK$)	375	329	292
China			
Total Available Room Nights	–	51,260	66,242
Total Occupied Room Nights	–	19,019	32,301
Occupancy rate	–	37.1%	48.8%
ARR(HK$)	–	258	267
RevPAR (HK$)	–	96	130
Total			
Total Available Room Nights	842,251	1,002,647	1,084,852
Total Occupied Room Nights	716,443	773,928	813,214
Occupancy rate	85.1%	77.2%	75.0%
ARR (HK$)	685	665	558
RevPAR (HK$)	583	513	418

Depreciation and amortisation

Depreciation and amortisation reflect depreciation expenses of the cost of our property, plant and equipment and amortisation of prepaid lease payments.

Management fees to Sheraton

Management fees to Sheraton represent fees paid to Sheraton Overseas Management Corporation ("Sheraton"). This management fee was in connection with Grand Dorsett Subang Hotel, which was managed under the "Sheraton" brand when we acquired it in 2007. The management fees were calculated based on revenue generated from the Grand Dorsett Subang Hotel according to the management contract with Sheraton which was already in place when we acquired the Grand Dorsett Subang Hotel. As these fees are a direct operating cost, we deduct it when arriving at our gross profit during the Track Record Period. The management contract with Sheraton expired on 30 September 2009 and as we decided not to renew the management contract, we no longer pay any management fees to Sheraton. We chose not to renew the management contract with Sheraton when it expired on 30 September 2009 as we believed we were sufficiently familiar with the Grand Dorsett Subang Hotel to manage it ourselves and did not need to incur third party management fees for its management after having owned the property for over two years.

Operating costs

Our operating costs primarily consist of staff costs for hotel operations, room costs, food and beverage costs for our self-owned restaurants in our hotels, utilities (including electricity, water and gas) and others. Room costs consist primarily of amenities, laundry costs and travel agent commissions. The following table sets out our operating costs for the periods indicated.

	Year ended 31 March					
	2008		2009		2010	
	HK$'000	% of total	HK$'000	% of total	HK$'000	% of total
Operating costs						
Staff costs for hotel operations	90,031	47.9%	92,524	44.5%	91,444	42.7%
Room costs	33,213	17.7%	48,341	23.3%	46,822	21.9%
Food and beverage costs	33,794	18.0%	36,835	17.7%	42,946	20.1%
Utilities	23,261	12.4%	19,487	9.4%	21,426	10.0%
Others	7,483	4.0%	10,642	5.1%	11,306	5.3%
Total	187,782	100.0%	207,829	100.0%	213,944	100.0%

Gross profit

Gross profit represents revenue less depreciation and amortisation, management fees paid to Sheraton and operating costs.

Other income

Other income consists primarily of interest income.

Administrative expenses

Administrative expenses primarily consist of selling and distribution expenses, staff costs for management and administrative personnel, repair and maintenance costs, insurance and government rent and rates.

Management fees to FEC

Management fees represent fees paid to companies controlled by FEC for their provision of corporate management services and office support to us and were agreed to be calculated based on the services and support provided to us. These companies controlled by FEC ceased to provide corporate management services and office support to us as the management and office functions of our Group were separated from FEC in preparation for the Listing. Accordingly, we ceased payment of such management fees to these entities on 1 April 2010.

Pre-opening expenses

Pre-opening expenses consist of staff costs, utility charges and other miscellaneous expenses incurred prior to the commencement of operation of a hotel.

Change in fair value of investment properties

Change in fair value of investment properties reflects gains or losses arising from changes in the fair value of our investment properties for the period in which they arise.

The following table sets out the change in fair value of our investment properties for the periods indicated.

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Change in fair value of investment properties			
Wuhan Cosmopolitan Hotel	21,807	(8,245)	1,460
Yue Shanghai Hotel	–	1,941	2,026
	21,807	(6,304)	3,486

Other gains and losses

Other gains and losses primarily reflect the allowance for or reversal of bad and doubtful debts and decreases in fair value of derivative financial instruments. Other gains and losses also include discounts on acquisition of a subsidiary. The following table sets out our other gains and losses for the periods indicated.

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Other gains and losses			
Discount on acquisition of subsidiary	66,140	–	–
Decrease in fair value of derivative financial instruments	–	(11,694)	(6,577)
(Loss) gain on disposed of furniture, fixtures and equipment	(23)	49	(52)
Net foreign exchange gain	819	1,588	717
(Allowance for) reversal of bad and doubtful debts			
– Trade receivables...............................	(3,077)	(1,814)	1,322
– Amount due from a jointly controlled entity of a fellow subsidiary..................	–	(7,200)	–
	63,859	(19,071)	(4,590)

Finance costs

Finance costs primarily consist of interest expense on bank borrowings and other borrowings. Other borrowings primarily represent borrowings from Parent Entities. The net amount due to Parent Entities of HK$1,859.8 million as at 31 March 2010 will be capitalised upon Listing. For the years ended 31 March 2008, 2009, 2010, the portion of our finance costs for amounts due to Parent Entities were approximately HK$9.7 million, HK$3.6 million and HK$1.2 million, respectively. The following table sets out our finance costs for the periods indicated.

	Year ended 31 March		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Finance costs			
Interest on bank borrowings			
– wholly repayable within five years	17,962	67,831	66,244
– not wholly repayable within five years	36,859	24,763	16,501
Interest on amounts due to fellow subsidiaries			
– wholly repayable within five years	9,650	3,639	1,237
Amortisation of front-end fee	–	4,098	8,449
Others	18	310	122
	64,489	100,641	92,553
Less: amount capitalised to hotel properties under development	(8,304)	(10,416)	(15,941)
	56,185	90,225	76,612

Income tax expense

Income tax expense reflects income taxes we pay and any deferred income tax. The applicable income tax rate in Hong Kong was 17.5%, 16.5% and 16.5% for the years ended 31 March 2008, 2009 and 2010, respectively. The applicable income tax rate in the PRC was 33%, 25% and 25% for the years ended 31 March 2008, 2009 and 2010, respectively. The applicable income tax rate in Malaysia was 26%, 25% and 25% for the years ended 31 March 2008, 2009 and 2010, respectively.

Results of Operations

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

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

Notes:

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

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

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

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

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

Adjusted EBITDA

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

	Year ended 31 March		
	2008	**2009**	**2010**
		HK$'000	
Profit for the year	226,476	86,677	45,813
Income tax expense	30,415	11,948	9,806
Profit before taxation	256,891	98,625	55,619
Interest income[1]	(2,612)	(2,258)	(2,467)
Finance costs	56,185	90,225	76,612
Depreciation and amortisation	56,290	65,027	68,325
EBITDA	366,754	251,619	198,089
Pre-opening expenses[2]	1,432	1,876	6,517
Management fees[3]	37,594	34,859	30,408
Change in fair value of investment properties	(21,807)	6,304	(3,486)
Change in fair value of derivative financial instruments	–	11,694	6,577
Other non-recurring items[4]	(66,140)	7,200	–
Adjusted EBITDA	317,833	313,552	238,105

Notes:

1 Interest income includes interest income from ultimate holding company and bank interest income.

2 Pre-opening expenses consist of staff costs and other miscellaneous expenses incurred prior to the commencement of operation of a hotel.

3 Management fees reflect management fees paid to Sheraton and FEC which have ceased on 30 September 2009 and 1 April 2010, respectively.

4 Other non-recurring items consist of discount on acquisition of a subsidiary and allowance for bad and doubtful debts in amount due from a jointly controlled entity of a fellow subsidiary.

YEAR ENDED 31 MARCH 2010 COMPARED TO YEAR ENDED 31 MARCH 2009

Revenue. Revenue decreased by HK$65.7 million, or 9.6%, from HK$681.9 million in the year ended 31 March 2009 to HK$616.3 million in the year ended 31 March 2010 primarily as a result of a decrease in our overall occupancy rate and ARR. Our overall occupancy rate decreased from 77.2% in the year ended 31 March 2009 to 75.0% in the year ended 31 March 2010 and our overall ARR decreased by HK$107, or 16.1%, from HK$665 in the year ended 31 March 2009 to HK$558 in the year ended 31 March 2010. These decreases were offset by an increase in our Total Available Room Nights by 82,205, or 8.2%, from 1,002,647 room nights in the year ended 31 March 2009 to 1,084,852 room nights in the year ended 31 March 2010.

In Hong Kong, our revenue decreased by HK$77.5 million, or 18.6%, from HK$417.4 million in the year ended 31 March 2009 to HK$339.9 million in the year ended 31 March 2010 as a result of the decrease in our occupancy rate and ARR. This was primarily due to the impact of the global economic slowdown and the outbreak of H1N1 swine flu in the first half of the year ended 31 March 2010 as well as a decrease in Total Available Room Nights due to room and facility upgrades in a number of our hotels. Occupancy rate of our hotels in Hong Kong decreased from 88.2% in the year ended 31 March 2009 to 83.3% in the year ended 31 March 2010 and our ARR decreased by HK$97, or 12.6%, from HK$769 in the year ended 31 March 2009 to HK$672 in the year ended 31 March 2010. Total Available Room Nights decreased by 11,650, or 2.1%, from 562,695 in the year ended 31 March 2009 to 551,045 in the year ended 31 March 2010. However, the occupancy rate of our hotels in Hong Kong increased from 75.1% in the first half of the year ended 31 March 2010 to 91.2% in the second half of the year ended 31 March 2010 and ARR increased from HK$587 in the first half of the year ended 31 March 2010 to HK$739 in the second half of the year ended 31 March 2010, primarily due to the increase of business and leisure travellers in the second half of the year ended 31 March 2010.

In Malaysia, our revenue increased by HK$4.7 million, or 2.0%, from HK$237.1 million in the year ended 31 March 2009 to HK$241.8 million in the year ended 31 March 2010 primarily as a result of the full year operation of Maytower Hotel and Dorsett Johor Hotel, hotels which we acquired in the year ended 31 March 2009. Total Available Room Nights increased by 78,873, or 20.3%, from 388,692 in the year ended 31 March 2009 to 467,565 in the year ended 31 March 2010. Occupancy rate of our hotels in Malaysia increased by 2.3%, from 66.5% in the year ended 31 March 2009 to 68.8% in the year ended 31 March 2010. These were partially offset by a 14.2% reduction in our ARR, from HK$494 in year ended 31 March 2009 to HK$424 in year ended 31 March 2010, primarily as a result of the full year operation of Maytower Hotel and Dorsett Johor Hotel, each of which, as a mid-scale and value hotel, respectively, had lower ARRs than our existing product offerings in Malaysia.

In China, our revenue increased by HK$7.2 million, or 26.2%, from HK$27.4 million in the year ended 31 March 2009 to HK$34.6 million in the year ended 31 March 2010, primarily as a result of the increase in our occupancy rate and ARR. Occupancy rate of our hotels in China increased from 37.1% in the year ended 31 March 2009 to 48.8% in the year ended 31 March 2010 and ARR increased by HK$9, or 3.5%, from HK$258 in the year ended 31 March 2009 to HK$267 in the year ended 31 March 2010. Our revenue increase was driven by the partial completion of the upgrade of our Wuhan Cosmopolitan Hotel and also partly due to the opening of our first boutique hotel in China, the Yue Shanghai Hotel, in February 2010 which increased our ARR.

Our key performance indicators and results of operations for the year ended 31 March 2009 and the year ended 31 March 2010 were impacted by the global financial crisis and the outbreak of H1N1 and there are still uncertainties regarding the economic conditions and the demand for travel in our key markets for the remainder of 2010 and beyond.

Depreciation and amortisation. Depreciation and amortisation increased by HK$3.3 million, or 5.1%, from HK$65.0 million in the year ended 31 March 2009 to HK$68.3 million in the year ended 31 March 2010 primarily due to the full year operation of Maytower Hotel and Dorsett Johor Hotel in Malaysia and Wuhan Cosmopolitan Hotel in China and, to a lesser extent, the opening of Yue Shanghai Hotel in February 2010. Our depreciation and amortisation also increased as our hotel properties have an ongoing need for refurbishment and other capital improvements such as the replacement of furniture, fixtures and equipment.

Management fees to Sheraton. Management fees paid to Sheraton decreased by HK$3.1 million, or 57.9%, to HK$2.2 million in the year ended 31 March 2010 from HK$5.3 million in the year ended 31 March 2009 as a result of the expiration of the management contract with Sheraton on 30 September 2009 in connection with Grand Dorsett Subang Hotel, which was managed under the "Sheraton" brand when we acquired it in 2007. Since the management contract with Sheraton expired on 30 September 2009, we have managed the Grand Dorsett Subang Hotel ourselves. We chose not to renew the management contract with Sheraton when it expired on 30 September 2009 as we believed we were sufficiently familiar with the Grand Dorsett Subang Hotel to manage it ourselves and did not need to incur third party management fees for its management after having owned the property for over two years.

Operating costs. Operating costs increased slightly by HK$6.1 million, or 2.9%, to HK$213.9 million in the year ended 31 March 2010 from HK$207.8 million in the year ended 31 March 2009 primarily as a result of the full year operation of Maytower Hotel and Dorsett Johor Hotel in Malaysia and Wuhan Cosmopolitan Hotel in China and, to a lesser extent, the opening of Yue Shanghai Hotel in February 2010.

Gross profit. Our gross profit decreased by HK$72.0 million, or 17.8%, to HK$331.7 million in the year ended 31 March 2010 from HK$403.7 million in the year ended 31 March 2009 and our gross margin decreased to 53.8% in the year ended 31 March 2010 from 59.2% in the year ended 31 March 2009, primarily as a result of the decrease in our revenues and increase in depreciation and amortisation and operating costs, which was partially offset by a decrease in the management fee paid to Sheraton.

Other income. Other income increased by HK$0.8 million, or 31.4%, to HK$3.2 million in the year ended 31 March 2010 from HK$2.4 million in the year ended 31 March 2009 primarily because of the increase in interest income from our ultimate holding company.

Administrative expenses. Administrative expenses increased by HK$6.4 million, or 4.0%, to HK$166.9 million in the year ended 31 March 2010 from HK$160.5 million in the year ended 31 March 2009 primarily as a result of the full year operation of Maytower Hotel and Dorsett Johor Hotel in Malaysia and Wuhan Cosmopolitan Hotel in China and, to a lesser extent, the opening of Yue Shanghai Hotel in February 2010.

Management fees to FEC. Management fees paid to companies controlled by FEC amounted to HK$28.2 million in the year ended 31 March 2010 which was comparable to HK$29.5 million in the year ended 31 March 2009.

Pre-opening expenses. Pre-opening expenses increased by HK$4.6 million, or 247.4%, to HK$6.5 million in the year ended 31 March 2010 from HK$1.9 million in the year ended 31 March 2009 primarily as a result of the pre-opening preparation of Yue Shanghai Hotel, Hotel Kosmopolito City Centre, Chengdu and Cosmo Kowloon Hotel.

Change in fair value of investment properties. The increase in the fair value of our investment properties amounted to HK$3.5 million in the year ended 31 March 2010 compared to a decrease in the fair value of our investment properties of HK$6.3 million in the year ended 31 March 2009. We had a HK$3.5 million increase in the fair value of our investment properties in the year ended 31 March 2010 as our investment properties within our hotel properties in Shanghai increased by HK$2.0 million while our investment properties within our hotel properties in Wuhan increased by HK$1.5 million due to the improvement in the property market. The HK$6.3 million decrease in the fair value of our investment properties in the year ended 31 March 2009 was due to a HK$8.2 million decrease in the fair value of our investment properties within our Wuhan Cosmopolitan Hotel offset by a HK$1.9 million increase in the fair value of our investment properties within our Yue Shanghai Hotel. The HK$8.2 million decrease in the fair value of our investment properties within our Wuhan Cosmopolitan Hotel was primarily due to changes in local property market conditions and constituted 2.5% of the fair value of our investment properties within our Wuhan Cosmopolitan Hotel as at 31 March 2008.

Other gains and losses. Our net other losses decreased by HK$14.5 million, or 75.9%, to HK$4.6 million in the year ended 31 March 2010 from HK$19.1 million in the year ended 31 March 2009 primarily due to a smaller decrease in the fair value of our interest rate cap (to hedge against future increases in interest rate on our Syndicated Loan) recorded in the year ended 31 March 2010.

Finance costs. Finance costs decreased by HK$13.6 million, or 15.1%, to HK$76.6 million in the year ended 31 March 2010 from HK$90.2 million in the year ended 31 March 2009 primarily due to a decrease in our effective interest rates, partially offset by an increase in our bank borrowings.

Profit before taxation. As a result of the foregoing, our profit before taxation decreased by HK$43.0 million, or 43.6%, to HK$55.6 million in the year ended 31 March 2010 from HK$98.6 million in the year ended 31 March 2009.

Income tax expense. Our income tax expense decreased by HK$2.1 million, or 17.9%, to HK$9.8 million in the year ended 31 March 2010 from HK$11.9 million in the year ended 31 March 2009 primarily as a result of the decrease in our profit before taxation, partially offset by the normalisation in our effective income tax rate in the year ended 31 March 2010. Our effective income tax rate was lower in the year ended 31 March 2009 mainly due to the reversal of deferred tax as a result of the reduction in statutory income tax rates in Hong Kong and China in that year.

Profit for the year. As a result of the foregoing, our profit for the year decreased by HK$40.9 million, or 47.1%, to HK$45.8 million in the year ended 31 March 2010 from HK$86.7 million in the year ended 31 March 2009 and net profit margins decreased by 5.3% to 7.4% in the year ended 31 March 2010 from 12.7% in the year ended 31 March 2009.

YEAR ENDED 31 MARCH 2009 COMPARED TO YEAR ENDED 31 MARCH 2008

Revenue. Revenue in the year ended 31 March 2009 was HK$681.9 million compared to HK$633.6 million in the year ended 31 March 2008, representing an increase of HK$48.3 million, or 7.6%, primarily as a result of the increase in our Total Available Room Nights from 842,251 in the year ended 31 March 2008 to 1,002,647 in the year ended 31 March 2009 due to the expansion of our hotel operations. We commenced operation of three new hotels in the year ended 31 March 2009, namely Maytower Hotel and Dorsett Johor Hotel in Malaysia and Wuhan Cosmopolitan Hotel in China. In addition, revenue in the year ended 31 March 2009 reflected the full year operation of Grand Dorsett Labuan Hotel which we acquired in the year ended 31 March 2008. However, our overall occupancy rate decreased from 85.1% in the year ended 31 March 2008 to 77.2% in the year ended 31 March 2009 and our overall ARR decreased by HK$20, or 2.9%, from HK$685 in the year ended 31 March 2008 to HK$665 in the year ended 31 March 2009, in part due to the opening of our new hotels which were still in the early stage of their ramp up period and in part due to the global financial crisis in the second half of the year ended 31 March 2009.

In Hong Kong, revenue decreased by HK$5.4 million, or 1.3%, to HK$417.4 million in the year ended 31 March 2009 from HK$422.8 million in the year ended 31 March 2008 as the occupancy rate in our hotels in Hong Kong decreased to 88.2% in the year ended 31 March 2009 from 88.9% in the year ended 31 March 2008 and our ARR decreased by HK$2, or 0.3%, to HK$769 in the year ended 31 March 2009 from HK$771 in the year ended 31 March 2008. Although we experienced growth in the first half of the year ended 31 March 2009, this growth was negatively impacted by the global financial crisis during the second half of the year ended 31 March 2009.

In Malaysia, revenue increased by HK$27.5 million, or 13.1%, to HK$237.1 million in the year ended 31 March 2009 from HK$209.6 million in the year ended 31 March 2008 primarily due to the commencement of operation of Maytower Hotel and Dorsett Johor Hotel and the full year operation of Grand Dorsett Labuan Hotel. Total Available Room Nights in Malaysia increased by 110,166, or 39.6%, to 388,692 in the year ended 31 March 2009 from 278,526 in the year ended 31 March 2008. In addition, the ARR of our hotels in Malaysia increased by HK$9, or 1.9%, to HK$494 in the year ended 31 March 2009 from HK$485 in the year ended 31 March 2008. These increases were offset by a decrease in our occupancy rate to 66.5% in the year ended 31 March 2009 from 77.3% in the year ended 31 March 2008 because Maytower Hotel and Dorsett Johor Hotel were still in the early stage of their ramp up period.

In China, revenue increased by HK$26.2 million, from HK$1.2 million in the year ended 31 March 2008 to HK$27.4 million in the year ended 31 March 2009 as a result of the commencement of hotel operations of Wuhan Cosmopolitan Hotel. The HK$1.2 million revenue we generated in the year ended 31 March 2008 was from Total Rental Revenue we received prior to the commencement of hotel operations of Wuhan Cosmopolitan Hotel.

Depreciation and amortisation. Depreciation and amortisation increased by HK$8.7 million, or 15.5%, from HK$56.3 million in the year ended 31 March 2008 to HK$65.0 million in the year ended 31 March 2009 primarily as a result of the commencement of operation of Wuhan Cosmopolitan Hotel, Maytower Hotel and Dorsett Johor Hotel in the year ended 31 March 2009 and the full year operation of Grand Dorsett Labuan Hotel which we acquired in the year ended 31 March 2008.

Management fees to Sheraton. Management fees paid to Sheraton decreased by HK$0.6 million, or 9.8%, to HK$5.3 million in the year ended 31 March 2009 from HK$5.9 million in the year ended 31 March 2008 mainly due to the drop in revenue of Grand Dorsett Subang Hotel in the year ended 31 March 2009.

Operating costs. Operating costs increased by HK$20.0 million, or 10.7%, from HK$187.8 million in the year ended 31 March 2008 to HK$207.8 million in the year ended 31 March 2009 primarily due to the increase in revenue and the commencement of operation of Wuhan Cosmopolitan Hotel, Maytower Hotel and Dorsett Johor Hotel and the full year operation of Grand Dorsett Labuan Hotel.

Gross profit. Our gross profit increased by HK$20.1 million, or 5.2%, from HK$383.7 million in the year ended 31 March 2008 to HK$403.7 million in the year ended 31 March 2009 and gross margin decreased slightly from 60.5% in the year ended 31 March 2008 to 59.2% in the year ended 31 March 2009, primarily as a result of the increase in our revenues and decrease in management fees paid to Sheraton, which were partially offset by the increase in depreciation and amortisation and operating costs.

Other income. Other income decreased by HK$1.2 million, or 33.3%, from HK$3.6 million in the year ended 31 March 2008 to HK$2.4 million in the year ended 31 March 2009 primarily as a result of the decrease in bank interest income.

Administrative expenses. Administrative expenses increased by HK$33.7 million, or 26.6%, to HK$160.5 million in the year ended 31 March 2009 from HK$126.8 million in the year ended 31 March 2008 primarily as a result of the commencement of operation of Wuhan Cosmopolitan Hotel, Maytower Hotel and Dorsett Johor Hotel and the full year operation of Grand Dorsett Labuan Hotel.

Management fees to FEC. Management fees paid to companies controlled by FEC decreased by HK$2.2 million, or 6.9%, to HK$29.5 million in the year ended 31 March 2009 from HK$31.7 million in the year ended 31 March 2008 mainly due to these entities providing fewer corporate management services and office support in the year ended 31 March 2009.

Pre-opening expenses. Pre-opening expenses increased by HK$0.4 million, or 31.0%, to HK$1.9 million in the year ended 31 March 2009 from HK$1.4 million in the year ended 31 March 2008 primarily as a result of the pre-opening preparation of the Hotel Kosmoplito City Centre, Chengdu.

Change in fair value of investment properties. We had a decrease in the fair value of our investment properties in the amount of HK$6.3 million in the year ended 31 March 2009 compared to an increase in the fair value of our investment properties in the amount of HK$21.8 million in the year ended 31 March 2008. The HK$6.3 million decrease in the fair value of our investment properties in the year ended 31 March 2009 was due to a HK$8.2 million decrease in the fair value of our investment properties within our Wuhan Cosmopolitan Hotel offset by a HK$1.9 million increase in our investment properties within our Yue Shanghai Hotel. The HK$8.2 million decrease in the fair value of our investment properties within our Wuhan Cosmopolitan Hotel was primarily due to changes in local property market conditions and constituted 2.5% of the fair value of our investment properties within our Wuhan Cosmopolitan Hotel as at 31 March 2008. We had a HK$21.8 million increase in the fair value of our investment properties in the year ended 31 March 2008 due to the increase in our investment properties within our Wuhan Cosmopolitan Hotel due to improving conditions in the property market.

Other gains and losses. We had net other losses of HK$19.1 million in the year ended 31 March 2009 primarily as a result of the aggregate effect of a HK$11.7 million decrease in the fair value of our interest rate cap and HK$7.2 million allowance for bad and doubtful debts on amounts due from a jointly controlled entity of a fellow subsidiary. For the year ended 31 March 2008, we had net other gains of HK$63.9 million primarily due to our recognition of HK$66.1 million from the discount on acquisition of a subsidiary. The recognition of HK$66.1 million from the discount on acquisition of a subsidiary arose in connection with our acquisition of Merlin Labuan Sdn. Bhd. (the "Merlin Acquisition"), which operated the Grand Dorsett Labuan Hotel, in September 2007 for a consideration of HK$73.0 million. As the fair value of the net assets we acquired were valued at HK$139.1 million, we recognised a HK$66.1 million discount on acquisition of subsidiary for the year ended 31 March 2008.

Finance costs. Finance costs increased by HK$34.0 million, or 60.6%, to HK$90.2 million in the year ended 31 March 2009 compared to HK$56.2 million in the year ended 31 March 2008 as a result of a change in the financing structure of our hotel operations, which involved a drawdown of the Syndicated Loan in the full amount of HK$1.9 billion thus causing our interest expenses on bank borrowings to increase to HK$92.6 million in the year ended 31 March 2009 from HK$54.8 million in the year ended 31 March 2008.

Profit before taxation. As a result of the foregoing, profit before taxation decreased by HK$158.3 million, or 61.6%, from HK$256.9 million in the year ended 31 March 2008 to HK$98.6 million in the year ended 31 March 2009.

Income tax expense. Our income tax expense decreased by HK$18.5 million, or 60.9%, from HK$30.4 million in the year ended 31 March 2008 to HK$11.9 million in the year ended 31 March 2009 primarily as a result of a reversal of deferred tax in the year ended 31 March 2009 largely due to a reduction in statutory income tax rates in Hong Kong and China and a decrease in our profit before taxation.

Profit for the year. As a result of the foregoing, profit for the year decreased by HK$139.8 million, or 61.7%, from HK$226.5 million in the year ended 31 March 2008 to HK$86.7 million in the year ended 31 March 2009 and net profit margins decreased by 23.0% from 35.7% in the year ended 31 March 2008 to 12.7% in the year ended 31 March 2009.

Liquidity and Capital Resources

Our liquidity requirements relate primarily to hotel investment, development and refurbishment and other capital expenditures, operating activities, repayment of liabilities as they become due, and interest and dividend payments. Our principal sources of liquidity have been borrowings from commercial banks, advances from Parent Entities and cash generated from operating activities.

For the year ended 31 March 2009, we made changes to the financing structure of our hotel operations, which involved a drawdown of the Syndicated Loan in the full amount of HK$1.9 billion, and an advance and repayment of HK$932.9 million to Parent Entities.

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

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

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

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

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

Notes:

1 The value of the assets used to calculate the denominator in the Loan-to-value Ratio under the Syndicated Loan is based on the market value of the following properties of our Group as at and for the periods indicated above: (i) Dorsett Far East Hotel; (ii) Dorsett Kowloon Hotel; (iii) Central Park Hotel; (iv) Cosmo Hotel; (v) Cosmopolitan Hotel; (vi) Dorsett Seaview Hotel; and (vii) Lan Kwai Fong Hotel @ Kau U Fong. For further information, please see the section headed "Risk Factors — Risks Relating To Our Business — If we breach our undertaking to maintain certain loan covenant ratios under our Amended Syndicated Loan, we may be required to repay all our indebtedness under the Amended Syndicated Loan and other bank borrowings on an accelerated basis" in this prospectus.

2 DSCR under our Syndicated Loan is the consolidated EBITDA of the FEC Group (including our Group), for the financial quarter ending immediately prior to an interest payment date and the three preceding financial quarters divided by aggregate actual finance costs, as specified under our Syndicated Loan, for the four interest periods immediately following such interest payment date.

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

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

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

Notes:

1 The value of the assets used to calculate the denominator in the Loan-to-value Ratio under the Amended Syndicated Loan is based on the market value of the following properties of our Group: (i) Dorsett Far East Hotel; (ii) Dorsett Kowloon Hotel; (iii) Central Park Hotel; (iv) Cosmo Hotel; (v) Cosmopolitan Hotel; (vi) Dorsett Seaview Hotel; and (vii) Lan Kwai Fong Hotel @ Kau U Fong. For further information, please see the section headed "Risk Factors – Risks Relating To Our Business – If we breach our undertaking to maintain certain loan covenants under our Amended Syndicated Loan, we may be required to repay all our indebtedness under the Amended Syndicated Loan and other bank borrowings on an accelerated basis" in this prospectus.

2 The value of consolidated tangible net worth of the Group is determined by using the aggregate amounts of paid up or credited as paid up issued ordinary share capital of the Group and any amount standing to the credit of the Group's reserves, including amounts credited to the share premium account and the market value of the properties as described under footnote 1 above in this prospectus, but subtracting (i) any debit balance on the consolidated profit and loss account of the Group, (ii) (to the extent included) goodwill (including goodwill arising on consolidation) or intangible assets, (iii) interests of non Group members in Group subsidiaries or minority interests in subsidiaries, (iv) (to the extent included) any provision for tax, deferred tax or bad debts, (v) (to the extent included) amounts attributable to a revaluation of investment properties, (vi) if applicable, any amount attributable to redeemable shares redeemed prior to September 2013, and (vii) any amount in respect of any dividend or distribution declared, recommended or made by any member of the Group to the extent such dividend or distribution is payable to a non member of the Group and not provided for in the most recent financial statements.

3 Consolidated total liabilities means the aggregate of all indebtedness which would be treated as a liability of the Group, including any amount raised by the issuance of redeemable shares which are redeemable before September 2013 but excluding redeemable shares redeemable solely at the option of the relevant issuer and excluding any intra-Group indebtedness.

4 Consolidated total net debt means the aggregate amount of all obligations of the Group in respect of borrowings, as defined under the Amended Syndicated Loan, excluding any such obligations due to any other member of the Group and deducting the aggregate amount of freely available cash held by any member of the Group, such that no amount shall be included or excluded more than once.

5 Consolidated EBITDA means, for any relevant period, as defined under the Amended Syndicated Loan, the consolidated operating profits of the Group for that relevant period before taxation plus (i) consolidated net finance charges, as defined under the Amended Syndicated Loan, (ii) accrued interest owing to any member of the Group, (iii) exceptional or extraordinary items, (iv) profits of any Group member attributable to minority interests, (v) amortisation of goodwill or other intangible assets and (vi) depreciation of tangible assets.

6 The aggregate amount of our consolidated EBITDA, as defined under the Amended Syndicated Loan and summarised under footnote 6 above, for the financial quarter ending immediately prior to an interest payment date and the three preceding financial quarters divided by aggregate actual finance costs, as defined under the Amended Syndicated Loan, for the four interest periods immediately following such interest payment date.

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

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

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

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

Going forward, we expect to fund our foreseeable working capital, capital expenditures and other capital requirements from a combination of various sources, including cash generated from our operating activities, bank and other borrowings and the net proceeds from the Global Offering. We expect to fund our indebtedness and other known and reasonably foreseeable cash requirements from a combination of cash generated from our operating activities, refinancings and bank and other borrowings. Taking into account our bank balances and cash on hand, the net cash flow from our operating activities, our available borrowing facilities and the estimated net proceeds from the Global Offering, our Directors are satisfied that we have sufficient working capital for at least 12 months from the date of this prospectus.

Cash Flows

The following table presents selected cash flow data from our consolidated cash flow statements for the periods indicated.

	Year ended 31 March		
	2008	**2009**	**2010**
		HK$'000	
Net cash from operating activities	317,156	249,196	209,475
Net cash used in investing activities	(1,118,503)	(1,473,163)	(960,409)
Net cash from financing activities	865,820	1,174,952	773,325
Increase (decrease) in cash and cash equivalents	64,473	(49,015)	22,391
Cash and cash equivalents as at 31 March	118,274	66,784	93,637

Year ended 31 March 2010

Net cash from operating activities in the year ended 31 March 2010 was HK$209.5 million. This amount primarily reflected our profit before taxation of HK$55.6 million for the year ended 31 March 2010, finance costs in the amount of HK$76.6 million and depreciation and amortisation in the amount of HK$68.3 million and an increase in creditors and accruals in the amount of HK$30.8 million, offset by income tax paid in the amount of HK$16.3 million.

Net cash used in investing activities in the year ended 31 March 2010 was HK$960.4 million, primarily reflecting additions of prepaid lease payments in the amount of HK$604.3 million, development expenditures on hotel properties in the amount of HK$227.5 million, acquisition of hotel properties in the amount of HK$82.1 million and acquisition of property, plant and equipment in the amount of HK$30.9 million.

Net cash from financing activities in the year ended 31 March 2010 was HK$773.3 million, primarily reflecting new bank borrowings in the amount of HK$604.2 million and advances from Parent Entities in the amount of HK$299.8 million, offset by interest paid in the amount of HK$82.9 million and repayment of bank borrowings in the amount of HK$47.8 million.

Year ended 31 March 2009

Net cash from operating activities in the year ended 31 March 2009 was HK$249.2 million. This amount primarily reflected our profit before taxation of HK$98.6 million for the year ended 31 March 2009, finance costs in the amount of HK$90.2 million and depreciation and amortisation in the amount of HK$65.0 million, offset by income tax paid in the amount of HK$23.4 million.

Net cash used in investing activities in the year ended 31 March 2009 was HK$1,473.2 million, primarily reflecting additions of prepaid lease payments in the amount of HK$529.2 million, advances to Parent Entities of HK$536.9 million, development expenditures on hotel properties in the amount of HK$261.4 million, acquisition of hotel properties in the amount of HK$95.6 million, acquisition of investment properties in the amount of HK$27.2 million and acquisition of property, plant and equipment in the amount of HK$26.7 million.

Net cash from financing activities in the year ended 31 March 2009 was HK$1,175.0 million, primarily reflecting new bank borrowings in the amount of HK$2,461.5 million, which primarily reflected the full drawdown of the Syndicated Loan in the amount of HK$1.9 billion in connection with our decision to change the financing structure of our hotel operations. These amounts were offset by the repayment to Parent Entities in the amount of HK$396.0 million, repayment of bank borrowings in the amount of HK$768.6 million and interest paid in the amount of HK$92.9 million. The HK$768.6 million repayment of bank borrowings were repaid primarily from refinancings as well as funds from our drawdown of the Syndicated Loan.

Year ended 31 March 2008

Net cash from operating activities in the year ended 31 March 2008 was HK$317.2 million, primarily reflecting profit before taxation of HK$256.9 million, depreciation and amortisation of HK$56.3 million, finance costs of HK$56.2 million and an increase in creditors and accruals by HK$42.3 million, offset by a discount on acquisitions of subsidiary in the amount of HK$66.1 million in connection with the acquisition of Grand Dorsett Labuan Hotel, an increase in fair value of investment properties in the amount of HK$21.8 million and income tax paid in the amount of HK$20.5 million.

Net cash used in investing activities in the year ended 31 March 2008 was HK$1,118.5 million, primarily reflecting development expenditures on hotel properties in the amount of HK$324.4 million, acquisition of investment properties in the amount of HK$294.7 million, additions of prepaid lease payments in the amount of HK$252.0 million, and acquisition of hotel properties in the amount of HK$190.0 million.

Net cash from financing activities in the year ended 31 March 2008 was HK$865.8 million, primarily reflecting advances from Parent Entities in the amount of HK$684.1 million and new bank borrowings in the amount of HK$304.7 million, offset by repayment of bank borrowings in the amount of HK$68.2 million and interest paid in the amount of HK$54.8 million.

Capital Expenditures

Our capital expenditures consist primarily of expenditures for acquisition and development expenditures on hotel properties, acquisition of investment properties and property, plant and equipment and expenditures on prepaid lease payments. For the years ended 31 March 2008, 2009 and 2010, our capital expenditures amounted to HK$1,073.9 million, HK$940.1 million and HK$944.7 million, respectively. These capital expenditures were funded by bank borrowings, advances from Parent Entities and funds generated from our operating activities.

For the year ending 31 March 2011, we plan to incur HK$744.4 million in capital expenditures primarily for the expansion of our hotel portfolio and our expansion into the hotel management business. We expect to fund our capital expenditures for the year ending 31 March 2011 from bank and other borrowings and funds generated from our operating activities.

Description of Certain Items of Statements of Financial Position

Property, plant and equipment

Property, plant and equipment consist of hotel properties, hotels under development and furniture, fixture and equipment.

Our hotel properties had a carrying value of HK$1,885.9 million, HK$2,115.8 million and HK$2,424.3 million as at 31 March 2008, 2009 and 2010, respectively. Our hotel properties increased from HK$1,885.9 million as at 31 March 2008 to HK$2,115.8 million as at 31 March 2009 primarily as a result of the acquisition of Wuhan Cosmopolitan Hotel, Maytower Hotel and Dorsett Johor Hotel in the year ended 31 March 2009. Our hotel properties increased from HK$2,115.8 million as at 31 March 2009 to HK$2,424.3 million as at 31 March 2010 primarily as a result of the completion of Yue Shanghai Hotel in the year ended 31 March 2010.

Hotels under development had a carrying value of HK$359.1 million, HK$648.4 million and HK$712.6 million as at 31 March 2008, 2009 and 2010, respectively. Hotels under development increased from HK$359.1 million as at 31 March 2008 to HK$648.4 million as at 31 March 2009 primarily as a result of an increase in the number of hotels under development from five as at 31 March 2008 to seven as at 31 March 2009. Hotels under development increased from HK$648.4 million as at 31 March 2009 to HK$712.6 million as at 31 March 2010 as we continued to develop our hotels under development as at 31 March 2010.

Furniture, fixture and equipment had a carrying value of HK$41.3 million, HK$56.0 million and HK$78.2 million as at 31 March 2008, 2009 and 2010, respectively. Furniture, fixture and equipment increased from HK$41.3 million as at 31 March 2008 to HK$56.0 million as at 31 March 2009 primarily as a result of an increase in furniture and fixtures due to the increase in the number of hotels under our operation. Furniture, fixture and equipment increased from HK$56.0 million as at 31 March 2009 to HK$78.2 million as at 31 March 2010 also primarily as a result of the increase in the number of hotels under our operation.

Prepaid lease payments

Prepaid lease payments reflect leasehold land that is in the course of being developed for hotel operations. We have land leases in Hong Kong, China, Malaysia and Singapore. Our prepaid lease payments increased from HK$953.9 million as at 31 March 2008 to HK$1,363.0 million as at 31 March 2009 primarily as a result of an increase in the number of our hotels under development in Hong Kong and China. Prepaid lease payments increased from HK$1,363.0 million as at 31 March 2009 to HK$1,928.6 million as at 31 March 2010 primarily as a result of the addition of our hotel under planning in Singapore.

Investment properties

Investment properties are properties held by us to earn rental income. Our investment properties were valued at HK$331.5 million, HK$358.3 million and HK$364.0 million as at 31 March 2008, 2009 and 2010, respectively. The increase in the value of our investment properties from HK$331.5 million as at 31 March 2008 to HK$358.3 million as at 31 March 2009 was primarily due to the reclassification of the retail sections within Yue Shanghai Hotel from hotels under development to investment properties, partially offset by the decrease in fair value of our investment properties. The increase in the value of our investment properties from HK$358.3 million as at 31 March 2009 to HK$364.0 million as at 31 March 2010 was primarily as a result of the reclassification of certain sections within Wuhan Cosmopolitan Hotel to investment properties as well as an increase in the fair value of our investment properties.

Deposits for acquisition of property, plant and equipment

Deposits for acquisition of property, plant and equipment reflect deposits paid to acquire potential hotel properties. Deposits for acquisition of property, plant and equipment decreased from HK$97.2 million as at 31 March 2008 to HK$73.5 million as at 31 March 2009 primarily as a result of the transfer of deposits paid for the acquisition of Dorsett Regency Kwai Chung, Hong Kong to hotel properties under development once an acquisition process is completed. Deposits for acquisition of hotel properties increased from HK$73.5 million as at 31 March 2009 to HK$110.1 million as at 31 March 2010 primarily as a result of the increase in deposits paid for Dorsett Regency CBD, Zhongshan.

Amounts due to Parent Entities

Amounts due to Parent Entities amounted to HK$2,157.5 million, HK$2,090.0 million and HK$2,416.3 million as at 31 March 2008, 2009 and 2010, respectively. The amounts are unsecured and have no fixed terms of repayment. Of those amounts due to Parent Entities, HK$1,977.7 million, HK$1,645.4 million and HK$2,008.7 million were interest-free as at 31 March 2008, 2009 and 2010, respectively, while HK$179.8 million as at 31 March 2008 bore interest at prevailing commercial rates and HK$403.2 million and HK$350.4 million as at 31 March 2009 and 2010, respectively, bore interest at 0.5% per annum. Certain portions of the amounts due from and to Parent Entities were interest-free as these were intra-group loans which were typically interest-free. Prior to September 2008, if our Parent Entities borrowed from a bank and subsequently lent to us from these funds, we were charged interest at commercial rates. The interest rate we were charged by our Parent Entities for the amount due to Parent Entities in the amount of HK$179.8 million, HK$403.2 million and HK$350.4 million as at 31 March 2008, 2009 and 2010 were the same as our Parent Entities' cost of funding for such amount. The net amount due to Parent Entities of HK$1,859.8 million as at 31 March 2010 will be capitalised upon Listing.

Inventory

Inventory consists primarily of food and beverage and amounted to HK$2.8 million, HK$3.5 million and HK$3.9 million as at 31 March 2008, 2009 and 2010, respectively. Inventory as a percentage of our total assets amounted to 0.07%, 0.07% and 0.06% as at 31 March 2008, 2009 and 2010, respectively.

Trade debtors and trade creditors

Trade debtors amounted to HK$43.7 million, HK$33.8 million and HK$37.7 million as at 31 March 2008, 2009 and 2010, respectively, and are included in our debtors, deposits and prepayments. Trade debtors as a percentage of our total assets amounted to 1.1%, 0.6% and 0.6% as at 31 March 2008, 2009 and 2010, respectively. The table below sets forth the aging analysis of our trade debtors as at the dates indicated:

	At 31 March		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
0 – 60 days	38,210	30,679	30,722
61 – 90 days	2,055	2,515	2,084
91 – 180 days	3,452	587	4,882
	43,717	33,781	37,688

Trade creditors amounted to HK$16.2 million, HK$17.3 million and HK$24.4 million as at 31 March 2008, 2009 and 2010, respectively, and are included in creditors and accruals. Trade creditors as a percentage of our total liabilities amounted to 0.5%, 0.3% and 0.4% as at 31 March 2008, 2009 and 2010, respectively. The table below sets forth the aging analysis of our trade creditors as at the dates indicated:

	At 31 March		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
0 – 60 days	15,031	14,377	14,170
61 – 90 days	639	1,410	8,795
91 – 180 days	525	1,469	1,428
	16,195	17,256	24,393

As at 21 July 2010, the subsequent settlement of trade debtors amounting to HK$37.7 million as at 31 March 2010 was HK$27.8 million.

Net current liabilities

As at 31 March 2010, we had net current liabilities of HK$2,321.3 million, consisting of HK$747.4 million of current assets and HK$3,068.6 million of current liabilities, which represented an increase of HK$630.0 million from our net current liabilities of HK$1,691.2 million as at 31 March 2009. This increase was principally driven by a HK$326.3 million increase in amounts due to Parent Entities, a HK$330.6 million increase in our secured bank borrowings and a HK$36.9 million increase in creditors and accruals, offset by a HK$26.9 million increase in our bank balances and cash and a HK$18.4 million increase in amounts due from Parent Entities.

Under the Reorganisation, the net amount due to Parent Entities of HK$1,859.8 million, equivalent to the amount outstanding as at 31 March 2010, will be capitalised on the date the Global Offering becomes unconditional and will be effected simultaneously with the issue of the Offer Shares. The net current liabilities as at 31 July 2010 would have been HK$466.3 million if the capitalisation of net amount due to Parent Entities of HK$1,859.8 million had been capitalised on 31 July 2010.

The table below sets forth a breakdown of our net current liabilities as at 31 July 2010:

	HK$'000
Current assets	
Inventories	4,617
Debtors, deposits and prepayments	64,326
Amount due from Parent Entities	149,891
Amounts due from related companies	222
Investment held-for-trading	2,300
Derivative financial instruments	609
Prepaid lease payments	34,556
Tax recoverable	2,856
Pledged deposits	430
Bank balances and cash	73,674
Total current assets	333,481
Current liabilities	
Creditors and accruals	150,369
Amounts due to Parent Entities	1,998,080
Secured bank borrowings	508,625
Tax payable	2,524
Total current liabilities	2,659,598
Net current liabilities	(2,326,117)
Capitalisation of net amount due to Parent Entities as at 31 March 2010[1]	1,859,812

Note:

1 Capitalisation of a net amount due to Parent Entities of HK$1,859.8 million will be completed on the date the Global Offering becomes unconditional and will be effected simultaneously with the issue of the Offer Shares

Indebtedness, Capital Commitments, Contractual Obligations and Contingent Liabilities

Bank Borrowings

Our bank borrowings primarily consist of short-term and long-term loans from commercial banks (all of which are secured).

Our bank borrowings increased from HK$1,244.0 million as at 31 March 2008 to HK$2,964.3 million as at 31 March 2009. In particular, we made changes to the financing structure of our hotel operations, which involved a drawdown of the Syndicated Loan in the full amount of HK$1.9 billion and an advance and repayment of HK$932.9 million to Parent Entities. Our bank borrowings increased from HK$2,964.3 million as at 31 March 2009 to HK$3,569.0 million as at 31 March 2010 as a result of the acquisition of land and existing buildings and the development and refurbishment of hotels in connection with the expansion of our business operations.

The table below sets forth the maturity profiles of our bank borrowings as at the dates indicated:

	As at 31 March		
	2008	2009	2010
		HK$'000	
On demand or within one year	384,100	198,032	528,629
More than one year but not exceeding two years	203,672	292,650	163,496
More than two years but not exceeding five years	290,160	2,074,279	2,519,243
More than five years	366,059	399,383	357,644
Total	1,243,991	2,964,344	3,569,012

Our bank borrowings are denominated in HK dollars, Ringgit, Renminbi and Singapore dollars. Our bank borrowings carry interest at prevailing market rates. The table below sets forth the effective annual interest rates of our bank borrowings as at the dates indicated:

	As at 31 March		
	2008	2009	2010
Bank borrowings	5.0% – 10.7%	1.07% – 8.25%	1.01% – 7.13%

As at 31 March 2010, outstanding bank loans amounted to HK$3,569.0 million and unutilised bank loans amounted to HK$227.1 million. As at 31 July 2010, outstanding bank loans amounted to HK$3,630.4 million and unutilised bank loans amounted to HK$880.0 million.

We had two short-term loans due in September 2010, which, as at 31 July 2010 amounted to HK$101.9 million and HK$171.3 million, respectively. We have received confirmation from the lender that the maturity date for the loan in the amount of HK$101.9 million outstanding as at 31 July 2010 will be extended to September 2011. As at the Latest Practicable Date, we are currently in discussions with the lender of the loan in the amount of HK$171.3 million outstanding as at 31 July 2010 to also extend the maturity date for another year.

As at 31 March 2008, 2009 and 2010, an aggregate of HK$1,569.5 million, HK$3,150.4 million and HK$3,450.1 million of our borrowings was guaranteed by FEC and an aggregate of HK$60.8 million, HK$52.8 million and HK$59.5 million was guaranteed by one of our Directors, Tan Sri Dato' David CHIU (邱達昌). Guarantees by FEC will be released on or prior to Listing.

Our return on asset, which is our profit for the year divided by our total asset, was 5.9%, 1.6% and 0.7% for the years ended 31 March 2008, 2009 and 2010, respectively. Our return on asset decreased from 5.9% for the year ended 31 March 2008 to 1.6% for the year ended 31 March 2009 primarily as a result of a decrease in our profit for the year by HK$139.8 million, or 61.7%, from HK$226.5 million in the year ended 31 March 2008 to HK$86.7 million in the year ended 31 March 2009. In addition, our total assets increased by HK$1,436.6 million, or 37.3%, from HK$3,852.3 million as at 31 March 2008 to HK$5,288.9 million as at 31 March 2009. Our return on asset decreased from 1.6% for the year ended 31 March 2009 to 0.7% for the year ended 31 March 2010 primarily because our profit for the year decreased by HK$40.9 million, or 47.1%, to HK$45.8 million in the year ended 31 March 2010 from HK$86.7 million in the year ended 31 March 2009. In addition, our total assets increased by HK$1,051.9 million, or 19.9%, from HK$5,288.9 million as at 31 March 2009 to HK$6,340.8 million as at 31 March 2010.

Due to the capital intensive nature of our hotel development business, we customarily pledge our hotel properties in connection with bank borrowings we incur for developing and constructing our hotels. As at 31 March 2008, 2009 and 2010, bank borrowings granted to us in the amount of HK$1,244.0 million, HK$2,926.4 million and HK$3,533.7 million were secured by fixed charges over hotel properties and investment properties with aggregate carrying values of HK$2,514.6 million, HK$4,279.2 million and HK$4,577.5 million, respectively and bank deposits of HK$5.1 million and some of the loans are also secured by floating charges over all assets of certain borrowers and benefits accrued to the hotel and investment properties.

Amounts due to Parent Entities

HK$1,977.7 million, HK$1,645.4 million and HK$2,008.7 million were interest-free as at 31 March 2008, 2009 and 2010, respectively, while HK$179.8 million as at 31 March 2008 bore interest at prevailing commercial rates and HK$403.2 million and HK$350.4 million as at 31 March 2009 and 2010, respectively, bore interest at 0.5% per annum. The net amount due to Parent Entities of HK$1,859.8 million, equivalent to the amount outstanding at 31 March 2010, will be capitalised on the date the Global Offering becomes unconditional and will be effected simultaneously with the issue of the Offer Shares.

Capital commitments

The following table summarises our capital commitments relating to the development and refurbishment of our hotel properties as at the dates indicated:

	As at 31 March		
	2008	2009	2010
		HK$'000	
Capital expenditures in respect of acquisition, development and refurbishment of hotel properties:			
– Contracted but not provided in the combined financial statements	352,024	327,289	315,527
– Authorised for but not contracted for	303,636	126,801	271,948
Total	655,660	454,090	587,475

Indebtedness

As at 31 July 2010, being the latest practicable date for the indebtedness statement, we had outstanding indebtedness in the amount of HK$5,628.5 million, comprising bank loans in the amount of HK$3,627.1 million, bank overdrafts in the amount of HK$3.3 million and amounts due to Parent Entities in the amount of HK$1,998.1 million. The bank loans and overdrafts were secured by certain of our assets, including properties in the amount of HK$5,397.9 million and bank deposits in the amount of HK$5.2 million. Certain bank borrowings were guaranteed by certain of our subsidiaries and the Company or FEC or one of our Directors. Guarantees by FEC will be released on or prior to Listing

As part of the Reorganisation, the net amount due to Parent Entities in the amount of HK$1,859.8 million, equivalent to the amount outstanding at 31 March 2010, will be capitalised by the issue of 1,730,000,000 Shares to Parent Entities. The Capitalisation Issue is conditional on the Global Offering becoming unconditional and will be effected simultaneously with the issue of the Offer Shares.

In response to a lawsuit one of our subsidiaries filed against a contractor in connection with the construction of a hotel, the contractor has filed counter-claims against our subsidiary for an amount of HK$25.8 million. While the financial impact and outcome of these proceedings cannot yet be assessed with reasonable certainty due to the preliminary stage of these proceedings, our Directors are of the view that the counter-claims would not have a material adverse impact on our financial position.

Save as disclosed above and apart from intra-Group liabilities, we did not, as at 31 July 2010, have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, and authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, contingent liabilities or guarantees.

We confirm that there has been no material change in our indebtedness or contingent liabilities since 31 July 2010.

Off-balance Sheet Arrangements

We have not entered into any off-balance sheet guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any uncombined entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

Related Party Transactions

Amounts due to and from Parent Entities

Amounts due to Parent Entities amounted to HK$2,157.5 million, HK$2,090.0 million and HK$2,416.3 million as at 31 March 2008, 2009 and 2010, respectively. The amounts were unsecured and have no fixed terms of repayment. Of those amounts due to Parent Entities, HK$1,977.7 million, HK$1,645.4 million and HK$2,008.7 million were interest-free as at 31 March 2008, 2009 and 2010, respectively, while HK$179.8 million as at 31 March 2008 bore interest at prevailing commercial rates and HK$403.2 million and HK$350.4 million as at 31 March 2009 and 2010, respectively, bore interest at 0.5% per annum.

Amounts due from Parent Entities amounted to nil, HK$538.1 million and HK$556.5 million as at 31 March 2008, 2009 and 2010, respectively. The amounts were unsecured and repayable on demand.

The net amount due to Parent Entities of HK$1,859.8 million, equivalent to the amount outstanding at 31 March 2010, will be capitalised upon Listing.

Guarantees from our Shareholders and Directors

As at 31 March 2008, 2009 and 2010, an aggregate of HK$1,569.5 million, HK$3,150.4 million and HK$3,450.1 million of our borrowings was guaranteed by FEC and an aggregate of HK$60.8 million, HK$52.8 million and HK$59.5 million was profit for the year guaranteed by one of our Directors, Mr. Tan Sri Dato' David CHIU (邱達昌). Guarantees by FEC will be released prior to Listing.

Management Fees to FEC

Management fees to FEC represent fees paid to companies controlled by FEC for their provision of corporate management services and office support to us and were agreed to based on the services and support provided to us. These companies controlled by FEC ceased to provide corporate management services and office support to us as the management and office functions of our Group were separated from FEC in connection with our spin-off from FEC. Accordingly, we ceased payment of such management fees to these entities on 1 April 2010. Management fees paid to companies controlled by FEC amounted to HK$31.7 million, HK$29.5 million and HK$28.2 million in the years ended 31 March 2008, 2009 and 2010.

Amounts due to and from Related Companies

Amounts due to related companies amounted to nil, HK$3.9 million and nil as at 31 March 2008, 2009 and 2010, respectively. The amounts were unsecured, interest-free and repayable on demand. The HK$3.9 million due as at 31 March 2009 was due to a jointly controlled entity of a fellow subsidiary and a company controlled by one of our Directors, Mr. Tan Sri Dato' David CHIU (邱達昌).

Amounts due from related companies amounted to HK$2.7 million, nil and HK$0.2 million as at 31 March 2008, 2009 and 2010, respectively. The amounts were unsecured, interest-free and repayable on demand. The HK$2.7 million amount as at 31 March 2008 was due from a jointly controlled entity of a fellow subsidiary. During the year ended 31 March 2009, we reviewed the carrying value and recognised a full impairment loss of HK$7.2 million as we considered this related company was not expected to generate sufficient cash flow to repay the amount due. The HK$0.2 million as at 31 March 2010 was due from a company controlled by one of our Directors, Mr. Tan Sri Dato' David CHIU (邱達昌), and was settled subsequent to 31 March 2010.

Transactions with FECL

Cosmopolitan Hotel Limited as licensee entered into a licence agreement with FECL as licensor on 16 February 2009 for the use of the Shops 1-4, G/F, Grand View Mansion, 383-385 Queen's Road East, Hong Kong for a monthly fee of HK$30,000 inclusive of management fees excluding government rates. The duration of the licence agreement is three years commencing from 1 January 2009 to 31 December 2011 (both days inclusive). Cosmopolitan Hotel Limited paid HK$360,000 for the financial year ended 31 March 2009 and HK$360,000 for the financial year ended 31 March 2010.

FECL as tenant entered into a tenancy agreement with Cosmopolitan Hotel Limited as landlord on 10 November 2009 for the lease of the first floor of Cosmopolitan Hotel for a monthly rental of HK$200,000 inclusive of government rent, government rates, air-conditioning charges and management fees. The duration of the tenancy is three years commencing from 1 October 2009 to 30 September 2012 (both days inclusive) with an option to extend for another three years. FECL paid HK$2.4 million for the financial year ended 31 March 2010.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix VI to this prospectus.

Quantitative and Qualitative Disclosure about Market Risks

Interest Rate Risk

We are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on our bank balances and deposits, amounts due to Parent Entities and bank borrowings. We have entered into certain interest rate cap contracts with Deutsche Bank AG to mitigate the risk of the fluctuation of interest rates on the future interest payments on our Amended Syndicated Loan which carry variable rates of interest based on HIBOR. Under the terms of the interest rate cap contracts, we are required to pay interest at the rate of three months HIBOR with a maximum interest rate capped at 7.5% per annum. In return, we receive three months interest at the rate of HIBOR. The interest rate cap contracts will mature on 25 September 2013 but are subject to early termination at our discretion. As of March 2010, the maximum financial impact our interest rate cap contracts may have on our Group is HK$1.7 million which is the maximum loss than can be recorded in our income statement. The interest rate cap contracts are not accounted for under hedge accounting as hedge accounting is not required under Hong Kong Accounting Standards 39. As we have the option to choose whether to use hedge accounting for the interest rate cap contracts and chose not to do so, we have not evaluated whether the criteria for hedge accounting under Hong Kong Accounting Standards 39 has been met. The senior management of FEC was primarily responsible for making the decision to enter into the interest rate cap contracts, and our president, Mr. MOK, Kwai Pui Bill (莫貴標), who was previously the chief financial officer of FEC at the time, is primarily responsible for monitoring the interest rate cap contracts prior to

Listing. Subsequent to Listing, our senior management and our chief financial officer, Mr. CHU, Chee Seng (朱志成), will be primarily responsible for monitoring the interest rate cap contracts.

Price Risk
We are exposed to price risk arising from investment held-for-trading.

Liquidity Risk
Our liquidity requirement for operation and compliance with lending covenants is monitored closely by the management team of our respective companies to ensure that each company maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

DIVIDEND POLICY
Subject to the Companies Law, we, through a general meeting, may declare final dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. Our Articles of Association provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve set aside from profits that the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of our share premium account or any other fund or account that can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide: (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to us on account of calls or otherwise.

In addition, the declaration of dividends is subject to the discretion of our Directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our shareholders; and
- any other factors that the Board may deem relevant.

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

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

PROFIT FORECAST

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

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

PROPERTY INTERESTS AND PROPERTY VALUATION

Particulars of our property interests are set out in Appendix IV to this prospectus. DTZ Debenham Tie Leung Limited, an independent property valuer, has valued our property interests in Hong Kong, China and Singapore as at 30 June 2010. Raine and Horne, an independent property valuer, has valued our property interests in Malaysia as at 30 June 2010. The full text of their letters, summaries of values and valuation certificates in connection with such property interests are set out in Appendix IV to this prospectus.

Notes:

1 We have undertaken to the Stock Exchange that the interim report for the six months ending 30 September 2010 will be audited pursuant to Rule 11.18 of the Listing Rules.

2 The bases and assumptions on which the forecast combined profit attributable to equity holders of our Company for the six months ending 30 September 2010 has been prepared are set out in Appendix III to this prospectus.

3 The calculation of the unaudited pro forma forecast earnings per Share is based on the unaudited forecast combined profit attributable to equity holders of our Company for the six months ending 30 September 2010 of HK$32.2 million (including one-off Global Offering and Listing expenses of approximately HK$19 million), assuming the Capitalisation Issue and the Global Offering were completed on 1 April 2010 and a total of 2,000,000,000 Shares were in issue and outstanding during the entire six-month period, without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.

The table below sets forth the reconciliation of aggregate carrying amounts of property interests from our combined financial information as at 31 March 2010 to 30 June 2010 and the revalued amount of our property interests as at 30 June 2010.

	HK$ million
Hotels	2,424
Hotels under development	713
Prepaid lease payments	
– current portion	33
– non-current portion	1,895
Investment properties	364
Deposits for acquisition of property, plant & equipment	110
Carrying amount of our property interests as at 31 March 2010	5,539
Movement for the three months ended 30 June 2010	
– Additions[1]	92
– Depreciation and amortisation	(20)
Carrying amount of our property interests as at 30 June 2010	5,611
Revaluation surplus up to 30 June 2010	4,987
Valuation as at 30 June 2010	10,598

Note:

1 Includes increase in fair value of investment properties for the three months ended 30 June 2010 of HK$1 million.

UNAUDITED PRO FORMA NET TANGIBLE ASSETS

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

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

	Audited combined net tangible assets of the Group as at 31 March 2010[1]	Estimated net proceeds from the Global Offering[2]	Unaudited pro forma adjusted net tangible assets of the Group[3, 4]	Unaudited pro forma adjusted net tangible assets per Share[4, 5]
	HK$'000	HK$'000	HK$'000	HK$
Based on an Offer Price of HK$2.04 per Share	184,005	510,627	694,632	0.35
Based on an Offer Price of HK$2.75 per Share	184,005	695,618	879,623	0.44

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has not been any material adverse change in our financial or trading position since 31 March 2010, being the date of our last audited accounts.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Save for the release of a share charge given by Ample Bonus over the shares of the Company on the Listing Date, our Directors confirm that, as at the Latest Practicable Date, they are not aware of any circumstances that would give rise to a disclosure requirement under Listing Rules 13.13 to 13.19.

Notes:

1 The audited combined net tangible assets of the Group as at 31 March 2010 is extracted from the Accountants' Report included in Appendix I to this prospectus.

2 The estimated net proceeds from the Global Offering are based on 270,000,000 shares at the respective low and high-ends of the indicative Offer Price range of HK$2.04 and HK$2.75 per Share, respectively after deduction of underwriting fee and other related expenses payable by us, and take no account of any Shares which may be issued by us pursuant to the Over-allotment Option.

3 Based on the valuation reports as at 30 June 2010 as set out in Appendix IV to this prospectus, our Group's hotel portfolio had a revaluation surplus up to 30 June 2010, of approximately HK$4,987.0 million. The unaudited pro forma adjusted net tangible assets has not taken into account of this revaluation surplus nor will the Group incorporate the revaluation surplus in its future financial statements. If the revaluation surplus up to 30 June 2010 is to be incorporated in the Group's future financial statements, additional annual depreciation and amortisation of approximately HK$120.0 million would be charged to profit or loss.

4 Does not take into account the effect of the Capitalisation Issue, which would increase the unaudited net tangible assets by HK$1,860 million and HK$0.93 per Share, respectively.

5 The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and assuming that 2,000,000,000 Shares were issued immediately following the completion of Global Offering after taking into account the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.