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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide to invest in the Placing Shares.*

*There are risks associated with any investment in companies listed on GEM. Some of the particular risks in investing in the Placing Shares are set out in the section headed "Risk factors" of this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.*

### **BUSINESS OVERVIEW**

#### **Hotel operation**

The Group is an operator and consultant of budget hip hotels, being economic hotels with stylish and comfortable environment, in the PRC. During the Track Record Period, the Group has four leased-and-operated hotels under operation. The Group focuses on delivering values to budget-conscious hotel guests, such values included stylish design, cleanliness, comfort, friendly service, geographical convenience and safety. When designing the hotels, the Group pays attention on design details as well as placing emphasis on choosing cost effective yet durable building materials which it believes to be indispensable in delivering the aforesaid values to budget conscious travellers. The interior decoration is carefully thought out to create a stylish and modern ambience to the Group's hotels. Providing comfort to its customers is also one of the Group's top priorities. The Group's hotels are budget hotels which use branded mattresses and the beds therein are furnished with fresh, crisp white linen and sumptuous pillows. Each room of the Group's hotels is also provided with complimentary broadband internet access, air conditioning and a walk-in shower. The locations of the Group's hotels are strategically selected through a very stringent and detailed process to ensure certain exposure and convenience for the hotel guests.

The Group develops its hotels through leasing part of existing commercial buildings and converting them into hotel accommodations. This does not only open up a wider choice and increases flexibility in selecting potential sites for new hotels, but also substantially reduces the lead time and start up cost for hotel conversion when compared to a normal green field hotel project.

The values created by the Group's hotels enjoyed very positive response from the market. To further enhance the loyalty of the customers, the Group launched a loyalty programme which requires customers to pay membership fee for the enjoyment of membership discount. As at 31 December 2010, the loyalty programme had approximately 7,300 members in total<sup>(Note)</sup>. Customers under the loyalty programme accounted for approximately 14.3% of Total Available Room Nights during the Track Record Period.

*Note:* The Company does not categorise members under the loyalty programme into active and inactive members. The 7,300 members represent all members under the loyalty programme as at 31 December 2010.

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### **Hotel consultancy services**

Leveraging on the expertise and valuable experience built up over the years in operating budget hip hotels, the Group has also started to provide hotel consultancy services to Independent Third Parties hotel investors in 2009. The Group's ability to establish low cost yet stylish hotels with competitive room rates appeals to hotel investors. The hotel consultancy services provided by the Group include site selection through site analysis on location, traffic and people flow, questionnaires and environmental analysis, feasibility study, hotel interior design, preparing operating procedures and quality manual that complies with ISO 9001:2008 requirements and providing assistance in selecting contractors for building construction. During the Track Record Period, the Group had entered into four hotel consultancy agreements with two hotel investors for the provision of hotel consultancy services for Da Mei Sha Hotel, WBT Hotel, Gaomiao Hotel and Zhongxin Hotel. In 2011 and up to the Latest Practicable Date, the Group has entered into one hotel consultancy agreement for the provision of hotel consultancy services for South China Hotel. These hotel investors are Independent Third Parties who are not connected with the Group other than entering into the hotel consultancy agreements with the Group. These hotel investors do not have experience in the hotel industry and therefore engaged the Group to provide the hotel consultancy services. During the year ended 31 December 2010, the Group has completed the provision of hotel consultancy services for Da Mei Sha Hotel, WBT Hotel, Gaomiao Hotel and Zhongxin Hotel. The Company is in the process of site selection for South China Hotel.

As the Group's hotel consultancy business has only been launched since December 2009, there can be no assurance that it will generate long term revenue to the Group. Details are set out in the paragraph headed "The Group has a limited operating history in hotel consultancy business and consultancy fee is paid on a project basis" under the section headed "Risk factors" of this prospectus. Further details of hotel consultancy business are set out in the paragraph headed "Hotel consultancy services" under the section headed "Business" of this prospectus and the paragraph headed "Revenue from the provision of hotel consultancy services" under the section headed "Financial information" of this prospectus.

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The following table sets out the particulars of all leased-and-operated hotels of the Group:

Hotel	Commencement date	Location	Approximate GFA ( <i>sq.m.</i> )	No. of rooms available	Lease term	Revenue		Total Available Room Nights		Occupancy		ARR		RevPAR	
						Year ended 31 December 2009 ( <i>HKS million</i> )	2010 ( <i>HKS million</i> )	Year ended 31 December 2009	2010	Year ended 31 December 2009 (%)	2010 (%)	Year ended 31 December 2009 ( <i>RMB</i> )	2010 ( <i>RMB</i> )	Year ended 31 December 2009 ( <i>RMB</i> )	2010 ( <i>RMB</i> )
Welcome Inn Caitian	11 December 2006	Futian District, Shenzhen	2,000	87	20 November 2005 – 19 November 2015	5.0	6.2	31,133	31,425	78.8	96.1	183.9	188.1	145.0	180.7
Welcome Inn Nanshan	30 May 2008	Nanshan District, Shenzhen	7,000	192	1 January 2007 – 31 December 2014	10.1	13.2	64,711	67,337	67.2	87.7	191.2	194.3	128.5	170.4
Welcome Inn Baoan	25 April 2008	Baoan District, Shenzhen	1,700	59	1 January 2011 – 30 December 2017	2.1	2.5	19,355	21,535	63.7	89.2	134.3	123.7	85.5	110.4
Welcome Inn Luohu	26 November 2008	Luohu District, Shenzhen	2,000	80	1 February 2008 – 31 January 2018	2.2	5.4	25,011	28,812	40.6	95.6	171.3	175.6	69.5	168.0
Total						19.4	27.3	140,210	149,109	64.0	91.2	178.9	179.4	114.6	163.6

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The following chart sets forth the business events and milestones of the Group:

<b>Year</b>		<b>Event/Milestone</b>
2006	November	Mr. Fong commenced setting up the budget hip hotel business in the PRC
	December	Welcome Inn Caitian commenced operation
2007	March	Moon Ko was incorporated in Hong Kong
	March	Triple Leaf was incorporated in Hong Kong
	May	Legend Strategy was incorporated in Hong Kong
2008	April	Welcome Inn Baoan commenced operation
	May	Welcome Inn Nanshan commenced operation
	November	Welcome Inn Luohu commenced operation
2009	October	The Group obtained ISO 9001:2008 certification
	December	The Group started to provide hotel consultancy services to hotel investors who are Independent Third Parties
2010	November	The Group entered into the 1506 CC Strategic Agreement with 1506 CC, a Chinese industry park developer and operator
2011	March	The Group entered into the Shu Yong Consultancy Agreement with Mr. Shu Yong, an international contemporary artist

### **Customers**

The Group's customers can be categorised into two types, namely hotel guests and hotel investors under the hotel consultancy agreements who are Independent Third Parties. For each of the two years ended 31 December 2010, the Group's five largest customers in aggregate accounted for approximately 3.0% and approximately 29.6% of the Group's revenue respectively. For the two years ended 31 December 2010, the Group's largest customer accounted for approximately 0.8% and approximately 19.1% of the Group's revenue respectively.

Hotel guests can be categorised into three types, namely corporate customers with contractual arrangements, customers who have joined loyalty programme and individual guests. Individual guests accounted for the majority of occupancy of the Group's leased-and-operated hotels.

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The hotel investors under the hotel consultancy agreements are Independent Third Parties who are not connected with the Group other than entering into the hotel consultancy agreements with the Group. These hotel investors are not engaged in other hotel development and operation business.

### **Procurement and suppliers**

The main suppliers of the Group comprise of suppliers of disposable amenities, cleansing products and laundry services. The Group has established business relationships with the major suppliers for about two years. For each of the two years ended 31 December 2010, the Group's five largest suppliers in aggregate accounted for approximately 91.0% and approximately 98.3% of the Group's total purchase respectively. For each of the two years ended 31 December 2010, the Group's largest supplier accounted for approximately 39.8% and approximately 51.1% of the Group's total purchase respectively.

### **Leased properties**

As at the Latest Practicable Date, the Group had a total of 12 leased properties in Hong Kong and the PRC for its hotels, staff quarters and office premises. There is a defect in the title of the leased property in which Welcome Inn Caitian is located. Details of the defective title are set out in the paragraph headed "Certain property owners are not able to produce certain title documents" under the section headed "Risk factors" and the sub-section headed "Properties" under the section headed "Business" of this prospectus.

## **COMPETITIVE STRENGTHS**

The Directors believe that the success of the Group is principally attributable to the following factors:

- Unique interior design;
- Comprehensive quality management system;
- Comparatively short lead time in opening a budget hip hotel;
- Simple management structure; and
- Ready for scalable expansion.

## **STRATEGIES AND BUSINESS OBJECTIVES**

The Group's objective is to enhance the return to the Shareholders through exploiting its competitive advantages to grow further with an aim to becoming a leading budget hip hotel provider in the PRC.

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Having considered the market potential and evaluated the Group's market position and competitive strengths, the Group intends to achieve its business objectives and further growth through implementation of the following strategies:

- Continue to expand the Group's leased-and-operated hotel portfolio with focus on the Southern PRC;
- Continue to expand the hotel consultancy business;
- Expand the business by offering hotel management services;
- Continue to forge and strengthen strategic relationships with strategic partners; and
- Continue to enhance the awareness of the brand names “悦來客棧” and “Welcome Inn”.

### USE OF PROCEEDS

#### Proposed use of net proceeds from the Placing

On the basis that the Placing Price ranges from HK\$0.8 to HK\$1.2, the Directors estimate that the net proceeds payable to the Group from the Placing (after deducting placing commission and estimated expenses payable by the Group in connection with the Placing) will range from approximately HK\$18.6 million to HK\$36.2 million. On the basis that the Placing Price is HK\$1.0 (being the mid-point of the indicative range of the Placing Price), the Directors intend that the net proceeds payable to the Group from the Placing will be applied for the period from the Latest Practicable Date to 31 December 2012 as follows:

	From the Latest Practicable Date to 31 December 2011 <i>(HK\$ thousand)</i>	For the six months ending 30 June 2012 <i>(HK\$ thousand)</i>	31 December 2012 <i>(HK\$ thousand)</i>	Total <i>(HK\$ thousand)</i>
<b>Continue to expand the Group's leased-and-operated hotel portfolio with focus on the Southern PRC</b>				
Capital expenditures and expenses on Fujian Hotel	11,050	1,542	1,542	14,134
Capital expenditures and expenses on Heyuan Hotel	—	10,360	1,602	11,962
<b>Continue to expand the hotel consultancy business</b>				
Expenses on participating in tradeshow, exhibitions and special public relation activities	—	30	30	60
<b>Expand the business by offering hotel management services</b>				
Capital expenditures and expenses on a new management office	1,000	—	—	1,000
<b>Continue to enhance the awareness of the brand names</b>				
Capital expenditures on internet booking system and front desk booking system upgrade	—	90	90	180
Marketing and advertising expenses	—	30	30	60
<b>Total</b>	<b>12,050</b>	<b>12,052</b>	<b>3,294</b>	<b>27,396</b>

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The table below illustrates the plans of Fujian Hotel and Heyuan Hotel:

	<b>Fujian Hotel</b>	<b>Heyuan Hotel</b>
<b>Location</b>	Quanzhou, Fujian Province, the PRC	Heyuan, Guangdong Province, the PRC
<b>Expected capital expenditure and expenses</b>	Approximately HK\$14.1 million	Approximately HK\$12.0 million
<b>Number of rooms</b>	About 100	About 100
<b>Target average daily room rate</b>	About RMB250	About RMB200
<b>Area</b>	Approximately 5,000 sq.m.	Approximately 4,000 sq.m.
<b>Expected time of commencement of operation</b>	Early 2012	Second half of 2012

The expenses in relation to the Group's future plan to recruit a development director and an operation director of approximately RMB1.2 million from the Latest Practicable Date to 31 December 2012 will be funded by internal resources. The Company will employ a designer and a design technical staff for the expansion of the hotel consultancy business whose salaries of approximately RMB0.3 million from the Latest Practicable Date to 31 December 2013 will be funded by internal resources. No proceeds from the Placing is expected to be applied to the implementation of the Group's business plans from 1 January 2013 to 31 December 2013. The expected expenses for launching marketing campaign, promoting the membership programme and improving design quality for the year ending 31 December 2013 are approximately HK\$1 million which will be financed by the Group's internally generated cashflows and other financing.

If the Placing Price is finally determined to be less than HK\$1.0 (being the mid-point of the indicative range of the Placing Price), the Group will reduce the proposed use of net proceeds on a pro rata basis. If the Placing Price is finally determined to be more than HK\$1.0, the Group will increase the above proposed usage on a pro rata basis. The Group will finance such shortfall by internal cash resources and/or other financing, as and when appropriate. To the extent that the net proceeds of the Placing are not immediately applied to the above purposes, it is the Directors' present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong. The same will be disclosed in the relevant annual report.

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**FINANCIAL INFORMATION OF THE GROUP**

The following is the financial information of the Group during the Track Record Period. The following information is extracted from, and should be read in conjunction with, the accountant's report (the "Accountant's Report") set out in Appendix I to this prospectus.

**Combined Statements of Comprehensive Income**

	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2010</b>
	<i>HK\$</i>	<i>HK\$</i>
Revenue	19,545,963	37,317,933
Operating lease expenses	(8,420,635)	(7,492,727)
Depreciation of property, plant and equipment	(6,296,756)	(6,368,671)
Employee benefit expenses	(3,482,436)	(4,039,804)
Utilities	(1,330,644)	(1,429,882)
Other operating expenses	<u>(3,322,780)</u>	<u>(4,380,740)</u>
<b>Operating (loss)/profit</b>	<u>(3,307,288)</u>	<u>13,606,109</u>
Finance income	50,425	52,402
Finance cost	<u>(128,476)</u>	<u>(135,844)</u>
Finance cost — net	<u>(78,051)</u>	<u>(83,442)</u>
<b>(Loss)/profit before income tax</b>	(3,385,339)	13,522,667
Income tax expense	<u>(91,480)</u>	<u>(3,973,136)</u>
<b>(Loss)/profit for the year</b>	(3,476,819)	9,549,531
Other comprehensive income:		
Currency translation differences	<u>97,079</u>	<u>548,765</u>
<b>Total comprehensive (loss)/income for the year</b>	<u>(3,379,740)</u>	<u>10,098,296</u>
<b>(Loss)/profit attributable to:</b>		
Equity holders of the Company	(3,187,896)	9,185,202
Non-controlling interest	<u>(288,923)</u>	<u>364,329</u>
	<u>(3,476,819)</u>	<u>9,549,531</u>
<b>Total comprehensive (loss)/income attributable to:</b>		
Equity holders of the Company	(3,087,951)	9,680,370
Non-controlling interest	<u>(291,789)</u>	<u>417,926</u>
	<u>(3,379,740)</u>	<u>10,098,296</u>
Earnings per Share	<u>N/A</u>	<u>N/A</u>
Dividends	<u>—</u>	<u>—</u>



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**Combined Statements of Financial Position**

	<b>As at 31 December</b>	
	<b>2009</b>	<b>2010</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	29,552,774	24,212,636
Rental deposit	851,076	934,358
Prepaid operating lease	349,028	295,577
Deferred income tax assets	1,535,976	1,529,620
	<u>32,288,854</u>	<u>26,972,191</u>
<b>Current assets</b>		
Trade debtors, prepayments and deposits	372,176	4,362,218
Cash and cash equivalents	212,110	263,590
	<u>584,286</u>	<u>4,625,808</u>
<b>Total assets</b>	<u>32,873,140</u>	<u>31,597,999</u>
<b>(DEFICIT)/EQUITY</b>		
<b>Capital and reserves attributable to the equity holders of the Company</b>		
Issued equity	10,000	10,000
Reserves	(14,567,729)	15,275,116
	(14,557,729)	15,285,116
<b>Non-controlling interest</b>	<u>2,393,525</u>	<u>—</u>
<b>Total (deficit)/equity</b>	<u>(12,164,204)</u>	<u>15,285,116</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Provision for asset retirement	2,774,655	3,010,390
	<u>2,774,655</u>	<u>3,010,390</u>
<b>Current liabilities</b>		
Trade and other payables	9,790,040	7,650,611
Amount due to a director	32,171,180	1,338,103
Current income tax liabilities	301,469	4,313,779
	<u>42,262,689</u>	<u>13,302,493</u>
<b>Total liabilities</b>	<u>45,037,344</u>	<u>16,312,883</u>
<b>Total equity and liabilities</b>	<u>32,873,140</u>	<u>31,597,999</u>
<b>Net current liabilities</b>	<u>(41,678,403)</u>	<u>(8,676,685)</u>
<b>Total assets less current liabilities</b>	<u>(9,389,549)</u>	<u>18,295,506</u>

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**Combined Statements of Cash Flows**

	<b>Year ended 31 December</b>	
	<b>2009</b>	<b>2010</b>
	<i>HK\$</i>	<i>HK\$</i>
<b>Cash flows from operating activities</b>		
Cash generated from operations	7,580,732	15,055,682
Income tax paid	<u>—</u>	<u>—</u>
Net cash generated from operating activities	<u><u>7,580,732</u></u>	<u><u>15,055,682</u></u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(564,433)	(171,694)
Interest received	<u>—</u>	<u>49</u>
Net cash used in investing activities	<u><u>(564,433)</u></u>	<u><u>(171,645)</u></u>
<b>Cash flows from financing activities</b>		
Decrease in amount due to a director	(6,889,056)	(12,438,859)
Consideration paid for acquiring the equity of a subsidiary from a non-controlling shareholder	<u>—</u>	<u>(2,400,000)</u>
Net cash used in financing activities	<u><u>(6,889,056)</u></u>	<u><u>(14,838,859)</u></u>
Net increase in cash and cash equivalents	127,243	45,178
Cash and cash equivalents at beginning of the year	84,132	212,110
Exchange gains on cash and cash equivalents	<u>735</u>	<u>6,302</u>
Cash and cash equivalents at end of the year	<u><u>212,110</u></u>	<u><u>263,590</u></u>

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The table below illustrates the breakdown of the Group's revenue during the Track Record Period:

	<i>Note</i>	<b>Year ended 31 December</b>	
		<b>2009</b>	<b>2010</b>
		<i>HK\$</i>	<i>HK\$</i>
<b>Hotel operations</b>			
— Provision of hotel accommodation services to corporate customers with contractual arrangements			
— Guests under commercial sales agreements	(a)	2,751,745	3,975,643
— Guests under intermediaries sales agreements	(b)	349,401	1,658,509
— Guests under long term sales agreement	(c)	620,656	1,216,581
— Provision of hotel accommodation services to customers who have joined the loyalty programme	(b)	2,889,486	3,614,002
— Provision of hotel accommodation services to individual guests	(b)	12,226,915	16,206,090
— Conference room rental	(b)	549,011	652,896
— Sale of hotel membership cards	(d)	158,749	361,726
<b>Hotel consultancy services</b>	(e)	—	9,632,486
<b>Total</b>		<b><u>19,545,963</u></b>	<b><u>37,317,933</u></b>

*Notes:*

- (a) The sales to these customers are on credit terms of 30 days.
- (b) The sales to these customers are due immediately upon check-out.
- (c) These customers have to pay deposits equivalent to one month rental in advance. If the deposit is insufficient to cover the respective hotel room rental and other fees, the customer has to pay for the difference at the end of the month or upon check-out, whichever is earlier.
- (d) The sales to these customers are due immediately upon the application of membership cards. The hotel membership is to be renewed every three years.
- (e) The sales to these customers are settled by instalments in accordance with the repayment schedule listed in the sub-section headed "Principal terms of the hotel consultancy agreements" under the section headed "Business" of this prospectus except for one customer which the settlement date for an amount of HK\$564,454 was extended to on or before 30 June 2011 pursuant to the supplementary agreement dated 25 October 2010.

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### **The financial performance of the Group during the Track Record Period**

The Group experienced significant fluctuation in its net profit during the Track Record Period. The Group incurred a net loss of approximately HK\$3.5 million for the year ended 31 December 2009 and a net profit of approximately HK\$9.5 million for the year ended 31 December 2010. The net loss for the year ended 31 December 2009 was mainly due to under-utilisation of the Group's hotel and the high fixed costs in hotel operations. In 2009, occupancy of the Group's hotels remained low, ranging from approximately 40.6% to approximately 78.8%, since three out of four of its hotels, namely Welcome Inn Baoan, Welcome Inn Nanshan and Welcome Inn Luohu were established in 2008 and their customer base and goodwill required time to build up. The Group's financial results improved for the year ended 31 December 2010 mainly due to the new source of revenue generated from the hotel consultancy business and increased profit margin from the hotel operations as occupancy improved. The risk relating to the fluctuation of the Group's financial results is set out in the paragraph headed "The Group experienced significant fluctuation in its net profit during the Track Record Period and the four months ended 30 April 2011" under the section headed "Risk factors" of this prospectus.

### **The financial performance of the Group for the four months ended 30 April 2011**

Based on the unaudited management accounts of the Group, the revenue generated from the Group's hotel operation for the four months ended 30 April 2011 represented a slight increase compared to the same period last year. The Group has not recognised any revenue from the provision of hotel consultancy services for the four months ended 30 April 2011. Comparatively, for the same period last year, the Group recorded revenue generated from the provision of services under the hotel consultancy agreement for Da Mei Sha Hotel. The Group recorded non-recurring expenses in relation to the Listing of approximately HK\$2.1 million for the four months ended 30 April 2011. Otherwise, the total expenses of the Group for the four months ended 30 April 2011 is comparable to the same period last year. Given no revenue from the hotel consultancy business was recognised and the Group incurring expenses in relation to the Listing, the Group was in a loss position for the four months ended 30 April 2011. Excluding the non-recurring expenses in relation to the Listing, the Group recorded an immaterial loss for the four months ended 30 April 2011.

The overall Total Available Room Nights for the four leased-and-operated hotels of the Group remained stable at 50,160 and 49,353 for the four months ended 30 April 2010 and 2011 respectively. The overall occupancy for the four leased-and-operated hotels of the Group was approximately 86.7% and approximately 80.6% for the four months ended 30 April 2010 and 2011 respectively. The slight decrease in occupancy for the four months ended 30 April 2011 was mainly due to competition from a new budget hotel nearby Nanshan Hotel which opened in late 2010. The overall ARR for the four leased-and-operated hotels of the Group was approximately RMB167.4 and approximately RMB181.3 for the four months ended 30 April 2010 and 2011 respectively. The increase of the ARR for the four months ended 30 April 2011 was mainly due to the increase in ARR of Luohu Hotel as a result of its increased popularity benefited from its prominent location. The

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overall RevPAR for the four leased-and-operated hotels of the Group remained stable at approximately RMB145.2 and approximately RMB146.1 for the four months ended 30 April 2010 and 2011 respectively.

The Group has completed providing services under four hotel consultancy agreements in the year ended 31 December 2010 which contributed total revenue of HK\$9,632,486 for the year, representing approximately 25.8% of the total revenue of the Group. The Group has entered into only one hotel consultancy agreement (i.e. South China Hotel) in 2011 which has yet to contribute any revenue to the Group up to 30 April 2011. The Group is in the process of site selection for South China Hotel. The Group targets to enter into four new hotel consultancy agreements and two new hotel management agreements during the period from the Latest Practicable Date to 31 December 2011. The Company is currently identifying potential target customers and is in discussion with some potential hotel investors for the Group's hotel consultancy and management businesses. However, no specific term has been agreed and the Directors cannot guarantee that the Group will be able to enter into new hotel consultancy agreements or hotel management agreements with hotel investors in the future. The revenue generated from the hotel consultancy business may be subject to fluctuation depending on the success of the Group in entering into new hotel consultancy agreements. Further, since the Group has no experience in engaging in the hotel management business, the Directors cannot guarantee that it will be successful in generating sufficient revenue to make this business profitable. As such, the financial results of the Group for the second half of 2011 may or may not improve depending on, among other things, whether the Group will be able to enter into the new hotel consultancy agreements and hotel management agreements. Further details of the risks relating to the Group's hotel consultancy and hotel management businesses are set out in the paragraphs headed "The Group has a limited operating history in hotel consultancy business and consultancy fee is paid on a project basis" and "The Group lacks experience in engaging in the hotel management business" under the section headed "Risk factors" of this prospectus.

The financial results of the Group for the year ending 31 December 2011 will also be affected by the non-recurring expenses in relation to the Listing. The estimated expenses in relation to the Listing are approximately HK\$17.8 million (based on the maximum Placing Price of HK\$1.20 per Placing Share), of which approximately HK\$15.5 million is directly attributable to the issue of new Shares to the public and is to be accounted for as a deduction from equity. The remaining estimated listing expenses of approximately HK\$2.3 million are charged to profit or loss of the Group for the year ending 31 December 2011, of which approximately HK\$2.1 million has been recognised during the four months ended 30 April 2011. Such expenses in relation to the Listing have not been incurred during the Track Record Period. The Directors would like to emphasise that such cost is a current estimate for reference only and the final amount to be recognised to the profit or loss of the Group for the year ending 31 December 2011 is subject to adjustment based on audit and the then changes in variables and assumptions.

Accordingly, the financial results of the Group for the year ending 31 December 2011 are expected to be materially and adversely affected by the estimated expenses in relation to the Listing.

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It should be noted that the above unaudited financial results for the four months ended 30 April 2011 may not be indicative of the full year results for 2011. As set out in the section headed “Risk factors” of this prospectus, the Group’s business and financial performance may be affected by a number of factors, including, among other things, the risk factors headed “The Group may experience an increase in labour costs”, “The Group’s financial position and operating results could be materially and adversely affected by its concentration of suppliers”, “The Group has an increasing concentration of and reliance on major customers and the loss of any of such customers could materially and adversely affect the Group’s business and financial position”, “The seasonality of the hotel industry could have a material adverse effect on the Group’s revenue and financial condition” and “The financial results of the Group are expected to be affected by the expenses in relation to the Listing” under the section headed “Risk factors” of this prospectus.

### **No material adverse change**

The Directors confirm that, save as disclosed in the paragraph headed “The financial performance of the Group for the four months ended 30 April 2011” of this section, there has not been any material adverse change in the financial or trading position of the Group since 31 December 2010, being the date of the Group’s last audited accounts, up to the Latest Practicable Date.

### **DIVIDEND AND DIVIDEND POLICY**

The Group did not declare nor pay any dividends to shareholders of the Group during the Track Record Period.

The payment and the amount of any dividends, if paid, will depend on the results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by the Group, future prospects and other factors that the Directors may consider relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration of payment and amount of dividends will be subject to the Directors’ discretion.

Dividends may be paid only out of the Group’s distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be able to be reinvested in the Group’s operations. There can be no assurance that the Directors will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Group in the future.

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## SUMMARY

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### STATISTICS OF THE PLACING

	<b>Based on a Placing Price of HK\$0.80 per Placing Share</b>	<b>Based on a Placing Price of HK\$1.20 per Placing Share</b>
Market capitalisation of the Shares <i>(Note 1)</i>	HK\$144 million	HK\$216 million
Historical price/earnings multiple <i>(Note 2)</i>	15.7 times	23.5 times
Unaudited pro forma adjusted net tangible asset value per Share <i>(Note 3)</i>	HK\$0.19	HK\$0.29

*Notes:*

1. The calculation of the market capitalisation of the Shares is based on the respective Placing Price of HK\$0.80 and HK\$1.20 per Placing Share and 180,000,000 Shares in issue immediately after completion of the Placing but takes no account of any Share which may fall to be allotted and issued pursuant to the general mandate for the allotment and issue of Shares or any Shares which may be repurchased by the Company pursuant to the general mandate for repurchase of Shares referred to in the paragraph headed “Written resolutions of all the Shareholders passed on 22 June 2011” in Appendix V to this prospectus.
2. The calculation of the historical price/earnings multiple is based on the profit attributable to equity holders of the Company for the year ended 31 December 2010, the respective Placing Price of HK\$0.80 and HK\$1.20 per Placing Share and on the assumption that 180,000,000 Shares, comprising Shares in issue as at the date of this prospectus and Shares to be issued pursuant to the Placing, had been in issue throughout the year.
3. The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in the sub-section headed “Unaudited pro forma adjusted net tangible assets” under the section headed “Financial information” of this prospectus, and on the basis of the respective Placing Price of HK\$0.80 and HK\$1.20 per Placing Share and 180,000,000 Shares in issue immediately following completion of the Placing.

### RISK FACTORS

#### Risks relating to the Group’s business

- If the Group’s future expansion is unsuccessful, the business of the Group may be adversely affected
- The Group may not be able to successfully identify, secure or operate additional hotel properties
- The Group’s success is dependent on the retention of certain key personnel
- The Group has a limited operating history in hotel consultancy business and consultancy fee is paid on a project basis
- The Group may experience an increase in labour costs
- Majority of the Group’s revenue comes from the Shenzhen operations

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## SUMMARY

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- The development of new hotels is subject to a number of risks beyond the Group's control, including insufficient growth in demand for hotel rooms
- The Group may not be able to obtain sufficient funding for its capital expenditure and other funding requirements in a timely manner or on acceptable terms, which could limit its capacity for future business development
- The Group has recorded net current liabilities
- The Group experienced significant fluctuation in its net profit during the Track Record Period and the four months ended 30 April 2011
- The Group's historical financial condition may not be treated as an indication of its future profitability
- The Group lacks experience in engaging in the hotel management business
- The Group's financial position and operating results could be materially and adversely affected by its concentration of suppliers
- The Group has an increasing concentration of and reliance on major customers and the loss of any of such customers could materially and adversely affect the Group's business and financial position
- The financial results of the Group are expected to be affected by the expenses in relation to the Listing
- The Group intends to refurbish or further develop the existing leased hotel properties which could result in cost overruns or disruptions of the leased-and-operated hotel operations
- The Group may not be able to register the existing brand names
- The Group's insurance coverage may be insufficient to protect the Group against potential liabilities arising during the course of the operations
- Prohibited activities, accidents or injuries in the Group's hotels may adversely affect the Group's reputation and hold the Group liable
- The Group may not be able to renew the leases with the hotel property owners and the rent for the leased hotel properties may increase
- Certain property owners are not able to produce certain title documents
- A few lease agreements have not been registered according to relevant PRC rules and regulations
- The Group may be subject to fine due to delay in full payment of registered capital



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## SUMMARY

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- The Group may be required to pay up any outstanding social insurance, or subject to penalties for any irregularities arising from the contribution to the social insurance.

### **Risks relating to the hotel industry**

- The hotel industry is subject to intense and growing competition
- The Group's business may be adversely affected by a reduction in travel or discretionary consumer spending as a result of a downturn in the PRC or the global economy
- The Group's financial and operating performance may be adversely affected by adverse weather conditions, epidemics, natural disasters and other catastrophes, wars, the threat of terrorist attacks and the occurrence of international or political crises
- The seasonality of the hotel industry could have a material adverse effect on the Group's revenue and financial condition
- The Group's co-operation with third-party websites and other hotel reservation intermediaries may adversely affect the Group's margins and profitability
- The Group is subject to renewal of various licences and various hotel industry, health and safety, and environmental laws and regulations that may subject the Group to liability
- Fluctuations in the price of disposable amenities, cleansing products and laundry services

### **Risks relating to the PRC**

- Adverse changes in economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of the PRC, which could adversely affect business of the Group
- Governmental control of currency conversion and fluctuations in the value of the RMB may affect the value of investment, the Group's ability to remit the dividend to the shareholders and the ability of the Group's PRC subsidiaries to obtain financing
- PRC regulations on loans and direct investments by offshore holding companies to PRC entities may delay or prevent the Group from using proceeds received from the Placing to make loans or additional capital contributions to the PRC subsidiaries of the Group
- PRC legal system embodies uncertainties that could limit the legal protection available to Shareholders and the Group
- The Group may be classified as a "resident enterprise" of the PRC which could result in unfavourable tax consequences to the Group and the non-PRC Shareholders

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## SUMMARY

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- The Group may experience difficulties in effecting services of legal process, enforcing foreign judgment or bringing original actions in the PRC

### **Risks relating to the Placing**

- The Placing is not underwritten
- There has been no prior public market for the Shares and an active trading market may not develop
- The trading volume and market price of the Shares following the Placing may be volatile
- Shareholders and investors may face difficulties in protecting their interests because the Company is incorporated under the laws of the Cayman Islands and these laws may provide different protections to minority Shareholders than the laws of Hong Kong
- The interests of the Controlling Shareholder may be inconsistent with those of the minority Shareholders
- Statistics in this prospectus are derived from different official sources and may not be reliable
- Future sales of substantial amount of the Shares in the public market could adversely affect the prevailing market price of the Shares