
FUTURE PLANS AND USE OF PROCEEDS

Please refer to the sub-section headed “Strategies and business objectives” in the section headed “Business” of this prospectus for a detailed description of the Group’s business objectives and strategies.

IMPLEMENTATION PLAN

Investors should note that the implementation plan is drawn up based on the current economic status and the assumptions as set out in the paragraph headed “Bases and assumptions” below which are inherently subject to uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed “Risk factors” of this prospectus. Therefore, there is no assurance that the Group’s business will materialise in accordance with the estimated time frame and that the Group’s future plans will be accomplished at all.

For the period from the Latest Practicable Date to 31 December 2011

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 enhance the awareness of the brand name
Identifying location for Heyuan Hotel	Entering into four hotel consultancy agreements	Entering into two hotel management agreements	Promoting the membership programme
Refurbishing Fujian Hotel	Recruiting a designer and a technical staff for the provision of hotel consultancy services	Opening a management office	Improving design quality
Recruiting a development director to oversee the Group’s hotel development	Participating in tradeshow, exhibitions and special public relation activities to identify potential hotel investors		
Recruiting an operation director to oversee day-to-day hotel operation, staff recruitment, training and team building			

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For the period from 1 January 2012 to 30 June 2012

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 enhance the awareness of the brand name
Commencing conversion of the Heyuan Hotel	Entering into two hotel consultancy agreements	Entering into two hotel management agreements	<p>Launching marketing campaign</p> <p>Upgrading the internet booking system and the front desk booking system</p> <p>Promoting the membership programme</p> <p>Improving design quality</p>
Commencing operation of the Fujian Hotel	Participating in tradeshows, exhibitions and special public relation activities to identify potential hotel investors		

For the period from 1 July 2012 to 31 December 2012

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 enhance the awareness of the brand name
Commencing operation of Heyuan Hotel	<p>Entering into two hotel consultancy agreements</p> <p>Participating in tradeshows, exhibitions and special public relation activities to identify potential hotel investors</p>	—	<p>Launching marketing campaign</p> <p>Upgrading the internet booking system and the front desk booking system</p> <p>Promoting the membership programme</p> <p>Improving design quality</p>

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For the period from 1 January 2013 to 30 June 2013

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 enhance the awareness of the brand name
—	Entering into two hotel consultancy agreements	Entering into two management hotel agreements	Launching marketing campaign
	Participating in tradeshow, exhibitions and special public relation activities to identify potential hotel investors		Promoting the membership programme
			Improving design quality

For the period from 1 July 2013 to 31 December 2013

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 enhance the awareness of the brand name
—	Entering into two hotel consultancy agreements	—	Launching marketing campaign
	Participating in tradeshow, exhibitions and special public relation activities to identify potential hotel investors		Promoting the membership programme
			Improving design quality

BASES AND ASSUMPTIONS

The business objectives set out by the Directors are based on the following bases and assumptions:

- (i) there will be no material changes in the existing political, legal, fiscal, market or economic conditions in the PRC, Hong Kong or any other countries or territories in which the Group currently operates or which are otherwise material to the Group's business;

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- (ii) there will be no changes in legislation, regulations or rules in the PRC, Hong Kong or any other countries or territories in which the Group operates or with which the Group has arrangements or agreements, which may materially and adversely affect the Group's business or operations;
- (iii) there will be no material changes in the landscape of the industries in which the Company and the Group operate in and the conditions of the markets in which the Company and the Group provide its services;
- (iv) there will be no material delay to the operation plans of the Company and the Group as set out in this prospectus;
- (v) operating activities of the Company and the Group will not be adversely affected by critical shortage in labour and disputes, or any other factors outside the control of its management such as government act;
- (vi) there will be no material changes in inflation rates, interest rates, or foreign exchange rates from those currently prevailing in the context of the Group's operations;
- (vii) there will be no material changes in the taxation system and relevant tax bases or tax rates or duties applied to the Company and the Group in the PRC, Hong Kong or any of the countries or territories in which the Company and the Group operate;
- (viii) there will be no change in the effectiveness of the licences and permits obtained by the Group;
- (ix) the operations of the Company and the Group will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors;
- (x) it is assumed that the forecasts have been prepared taking into account of the Directors' and key senior management's continued involvement in the operations of the Group. In addition, it is assumed that the Group will be able to retain its key management and personnel during the period covered by the forecasts; and
- (xi) the Group will not be materially and adversely affected by the risk factors as set out under the section headed "Risk factors" of this prospectus.

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

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 2013 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 is 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

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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.

The Directors consider that the net proceeds from the Placing together with the Group's internal resources will be sufficient to finance the implementation of the Group's business plans as set forth in the paragraphs under "Implementation plan" in this section. Investors should be aware that any part of the Group's business plans may not proceed according to the time frame as described under the above due to various factors. Under such circumstances, the Directors will evaluate carefully the situations and will hold the funds as short-term deposits until the relevant business plan materialises.