Kosmopolito Hotels International Limited

麗悅酒店集團有限公司

(Incorporated in Cayman Islands with limited liability)

Website: http://www.kosmohotels.com

(Stock Code: 2266)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST MARCH, 2011

FINAL RESULTS

The board of directors (the "Board") of Kosmopolito Hotels International Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st March, 2011 (the "Year") as follows:

OPERATIONAL AND FINANCIAL HIGHLIGHTS

		2011	2010	Change
Revenue	HK$'000	**867,100**	616,253	40.7%
Profit for the year	HK$'000	**208,404**	45,813	354.9%
Earnings per share – Basic and diluted	HK cents	**11.22**	2.65	323.4%
Adjusted EBIDTA (1)	HK$'000	**362,456**	238,105	52.2%
Adjusted EBIDTA margin (2)		**41.8%**	38.6%	3.2pp(3)
After revaluation surplus (4)				
Net assets attributable to shareholders	HK$'000	**8,875,496**	5,093,415	74.3%
Net debt to equity		**30.0%**	67.4%	n.m.(5)
Net assets attributable to shareholders per share	HK$	**4.44**	2.55	74.1%
Proposed final dividend	HK cents	**4.00**	–	n.m.(5)

Notes:

(1) Adjusted EBITDA = profit before taxation, interest income, finance costs, depreciation and amortisation, pre-opening expenses, management fees, change in fair value of investment properties, change in fair value of derivative financial instruments and other non-recurring items

(2) Adjusted EBITDA margin = Adjusted EBITDA/revenue

(3) pp – percentage points

(4) Revaluation surplus for its property, plant and equipment was not recognised in the financial statements as the Company has elected the cost model instead of revaluation model as its accounting policy

(5) n/m – non meaningful

- Revenue was HK$867.1 million for the Year, up 40.7% from the year ended 31st March, 2010 ("2010"), boosted by improvements of average room rate and occupancy.

- Net profit was HK$208.4 million, a 354.9% rise above last year's HK$45.8 million driven by the strong growth in revenue and net gains from non-recurring items, in particular the gain from the Group's sale of its interest in the hotel "The Mercer by Kosmopolito".

- Adjusted EBITDA, management's primary measure of operating performance of the Group, reached HK$362.5 million for the year, marking a 52.2% year-on-year improvement, with adjusted EBITDA margin rising to 41.8% from 38.6% in 2010.

- The revaluation surplus of the Group's hotel portfolio as at 31st March, 2011 was HK$5,978.8 million. The total capital value of its hotel portfolio was HK$11,694.7 million, while the carrying value was HK$5,715.9 million.

- The Board proposed a final dividend per ordinary share at HK 4.00 cents, representing a dividend payout ratio of approximately 38.5% of distributable profit for the year.

- The Company achieved good progress with the implementation of its branding strategy to refresh and streamline its brands to better appeal to its target market segments and to serve as a platform for its expansion into the hotel management business.

- The six owned and under development hotels are largely progressing as planned with slight delays mainly with the two hotels in mainland China.

- The Group is in a very solid financial position and is presently considering a number of capital proposals while at the same time, continuing to pursue asset-light and cost-effective business models with a view to grow its brand distribution and revenues to create value for the shareholders.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST MARCH, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	4	**867,100**	616,253
Depreciation and amortisation		**(98,166)**	(68,325)
Management fee		**–**	(2,239)
Operating costs		**(296,648)**	(213,944)
Gross profit		**472,286**	331,745
Other income		**3,036**	3,162
Administrative expenses		**(208,626)**	(166,886)
Management fee		**–**	(28,169)
Pre-opening expenses		**(1,403)**	(6,517)
Other gains and losses	5	**(18)**	(1,104)
Gain on disposal of a subsidiary		**81,385**	–
Listing expenses	6	**(22,506)**	–
Finance costs		**(88,430)**	(76,612)
Profit before taxation		**235,724**	55,619
Income tax expense	7	**(27,320)**	(9,806)
Profit for the year	8	**208,404**	45,813
Other comprehensive income for the year			
Exchange differences on translation of foreign operations		**71,651**	32,760
Gain on revaluation of prepaid lease payments on transfer to investment properties		**3,176**	8,843
Deferred tax on revaluation gain		**(794)**	(2,211)
		74,033	39,392
Total comprehensive income for the year		**282,437**	85,205
Earnings per share – Basic and diluted (HK cents)	9	**11.22**	2.65

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31ST MARCH, 2011

	NOTES	**31.3.2011** **HK$'000**	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment				
Hotels		**3,031,803**	2,765,302	2,464,870
Hotels under development		**1,361,657**	1,570,741	1,324,665
		4,393,460	4,336,043	3,789,535
Leasehold improvement, furniture, fixtures and equipment		**159,504**	78,165	56,022
		4,552,964	4,414,208	3,845,557
Prepaid lease payments		**579,918**	716,328	329,266
Investment properties		**390,915**	363,954	358,276
Deposits for acquisition of property, plant and equipment		**121,357**	110,079	73,450
Utility and other deposits paid		**7,269**	4,234	4,127
Pledged deposits		**5,158**	4,647	4,028
		5,657,581	5,613,450	4,614,704
Current assets				
Properties for sale				
– under development		**217,816**	–	–
Other inventories		**5,480**	3,898	3,448
Debtors, deposits and prepayments	*10*	**104,046**	51,693	45,971
Amounts due from Parent Entities		**–**	556,487	538,112
Amount due from a related company		**–**	180	–
Investment held-for-trading		**2,365**	2,280	2,260
Derivative financial instruments		**377**	1,678	8,255
Prepaid lease payments		**12,443**	13,108	8,463
Tax recoverable		**391**	3,918	433
Pledged deposits		**171,300**	430	430
Bank balances and cash		**720,506**	93,637	66,784
		1,234,724	727,309	674,156

	NOTES	**31.3.2011**	31.3.2010	1.4.2009
		HK$'000	*HK$'000*	*HK$'000*
			(restated)	(restated)
Current liabilities				
Creditors and accruals	*11*	**179,662**	123,558	86,678
Amounts due to Parent Entities		**–**	2,416,299	2,090,004
Amounts due to related companies		**–**	–	3,943
Secured bank borrowings		**464,136**	528,629	198,032
Sales deposits received		**145,716**	–	–
Derivative financial instruments		**680**	–	–
Tax payable		**17,187**	151	4,335
		807,381	3,068,637	2,382,992
Net current assets (liabilities)		**427,343**	(2,341,328)	(1,708,836)
Total assets less current liabilities		**6,084,924**	3,272,122	2,905,868
Non-current liabilities				
Secured bank borrowings		**3,097,534**	3,005,054	2,728,372
Rental and other deposits received		**6,094**	4,869	3,904
Deferred tax liabilities		**84,562**	78,194	74,792
		3,188,190	3,088,117	2,807,068
NET ASSETS		**2,896,734**	184,005	98,800
Share capital		**200,000**	10,160	10,160
Share premium		**2,237,153**	–	–
Reserves		**459,581**	173,845	88,640
TOTAL EQUITY		**2,896,734**	184,005	98,800

NOTES

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the corporate reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the The Stock Exchange of Hong Kong Limited ("Stock Exchange"), the Company acquired from the Parent Entities (defined as Far East Consortium International Limited ("FECIL") group excluding the Group) certain companies (the "Combined Entities") and became the holding company of the companies comprising the Group on 17th September, 2010. The Company and the Combined Entities are controlled by FECIL before and after the acquisition and therefore, the consolidated financial statements have been prepared on a merger basis in accordance with Accounting Guidance 5 "Merger Accounting for Common Control Combinations". Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows have been prepared to include the results, changes in equity and cash flows of the companies comprising the Group as at the date of the group reorganisation as if the group structure then had been in existence since 1st April, 2009 or since the respective date of incorporation of the relevant entities, where this is a shorter period. The consolidated statements of financial position present the assets and liabilities of the companies comprising the Group as if the group structure as at the date of the group reorganisation had been in existence at the end of the financial reporting periods. Details of the group reorganisation were set out in section headed "History, Reorganisation and Corporate structure" of the prospectus dated 28th September, 2010 issued by the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for the financial year beginning on 1st April, 2010.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Amendment to HKAS 17

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 amendment to HKAS 17, leasehold lands were required to be classified as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires 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.

In accordance with the transitional provisions of HKAS 17 Leases, the Group reassessed the classification of land elements of unexpired leases at 1st April, 2010 based on information which existed at the inception of these leases. Leasehold lands which met finance lease classification have been reclassified from prepaid lease payments to property, plant, and equipment retrospectively. As a result of the reclassification of prepaid lease payments with carrying amounts of HK$1,025,318,000 and HK$1,199,210,000 as at 1st April, 2009 and 31st March, 2010 respectively to property, plant and equipment, the carrying amounts of property, plant and equipment are increased from HK$2,820,239,000 and HK$3,214,998,000 to HK$3,845,557,000 and HK4,414,208,000, and the prepaid lease payments are decreased from HK$1,363,047,000 and HK$1,928,646,000 to HK$337,729,000 and HK$729,436,000 as at 1st April, 2009 and 31st March, 2010 respectively. The carrying amount of HK$1,047,600,000 of the leasehold land at 31st March, 2011 that qualifies for finance lease classification has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

Hong Kong Interpretation 5

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK Int 5") clarifies that term loans that include a clause giving the lender the unconditional right to call for repayment of the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause.

The Group did not, as at the end of the reporting period, have any non-current bank loans that could be demanded for immediate repayment and therefore reclassification of non-current bank loans to current liabilities is not required. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Amendments to HKAS 12

Amendments to HKAS 12 "Income Taxes" titled Deferred Tax: Recovery of Underlying Assets have been applied in advance of their mandatory effective date (which is the annual periods beginning on or after 1st January, 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The Group has rebutted such presumption and its investment properties are held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Accordingly, the measurement of the deferred tax liabilities reflect the tax consequences of recovering the carrying amount of the investment properties through use. The adoption of the amendments have no impact on the results and the financial position of the Group.

3. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair value.

The consolidated financial statements are prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

4. SEGMENT INFORMATION

For the management purpose, the Group is currently organised into four operating segments. Operating segments represent the components of the Group whose operating results are regularly reviewed by the chief operating decision maker, who are the executive directors of the Company.

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment is focused on revenue and operating results from each of the four geographical locations of operations, Hong Kong, Malaysia, other regions in People's Republic of China ("PRC"), and Singapore.

Hong Kong	–	Hotel operation and management
Malaysia	–	Hotel operation and management, and property development
Other regions in PRC	–	Hotel operation and leasing of investment properties
Singapore	–	Hotel development and property development

(a) Segment revenue and results

The following is an analysis of the Group's revenue from external customers and profit (loss) before tax by operating segments.

	Segment revenue		**Segment profit (loss)**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**517,073**	339,913	**230,761**	33,717
Malaysia	**266,323**	241,782	**43,481**	40,938
Other regions in the PRC	**83,704**	34,558	**(28,378)**	(18,862)
Singapore	**–**	–	**(10,140)**	(174)
	867,100	616,253	**235,724**	55,619

None of the segments derived any revenue from transactions with other segments.

No revenue from any single customer contributed over 10% of the total revenue of the Group.

(b) Segment assets

The following is an analysis of the Group's segment assets at the end of the reporting period:

	31.3.2011	31.3.2010
	HK$'000	*HK$'000*
Hong Kong	**3,629,833**	3,405,803
Malaysia	**1,078,213**	1,011,459
Other regions in the PRC	**1,587,593**	1,457,332
Singapore	**596,666**	466,165
Total assets	**6,892,305**	6,340,759

Information about segment liabilities are not regularly reviewed by the chief operating decision maker. Accordingly, no such segment information is presented.

The accounting policies adopted in preparing the segment information are the same as the accounting policies in the consolidated financial statements.

(c) Geographical information

The following table sets out information about the geographical location of the Group's non-current assets (excluding pledged deposits).

	31.3.2011	31.3.2010
	HK$'000	*HK$'000*
		(restated)
Hong Kong	**2,803,375**	2,830,914
Malaysia	**1,013,531**	937,271
Other regions in the PRC	**1,535,392**	1,426,505
Singapore	**300,125**	414,113
	5,652,423	5,608,803

5. OTHER GAINS AND LOSSES

	2011	2010
	HK$'000	*HK$'000*
Change in fair value of investment properties	**2,612**	3,486
Gain (loss) on disposal of furniture, fixture and equipment	**25**	(52)
Change in fair value of derivative financial instruments	**(1,949)**	(6,577)
Net foreign exchange (loss) gain	**(131)**	717
(Allowance for) reversal of bad and doubtful debts	**(575)**	1,322
	(18)	(1,104)

6. LISTING EXPENSES

The amount represents professional fees and other expenses incurred in preparation for the listing of the Company's shares.

7. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Current year income tax		
Hong Kong	**20,513**	8,516
Other jurisdictions	**1,233**	99
	21,746	8,615
Deferred taxation	**5,574**	1,191
	27,320	9,806

Taxation arising in each region is calculated at the rates prevailing in the relevant jurisdiction.

8. PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000 (restated)
Profit for the year is arrived at after charging:		
Auditor's remuneration	**4,180**	2,329
Staff costs		
Directors' emoluments	**8,330**	–
Other staff		
Salaries and other benefits	**204,761**	157,390
Retirement benefit scheme contributions	**14,144**	9,869
Share-based payment expenses	**1,138**	–
	228,373	167,259
Depreciation	**97,115**	66,582
Amortisation of prepaid lease payments	**9,167**	9,106
Less: amount capitalised to hotels under development and properties for sale under development	**(8,116)**	(7,363)
	1,051	1,743
and after crediting:		
Rental income	**41,567**	36,203
Less: Direct operating cost	**(3,848)**	(3,508)
	37,719	32,695
Interest income from ultimate holding company	**1,518**	2,429
Bank interest income	**207**	38

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31st March, 2011 is based on the consolidated profit for the year of HK$208,404,000 and the weighted average number of shares of 1,857,232,877 in issue during the year.

The calculation of basic earnings per share for the year ended 31st March, 2010 is based on the consolidated profit for that year of HK$45,813,000 and on 1,730,000,000 shares, which were issued pursuant to the capitalisation of the amounts due to Parent Entities and deemed to have been issued since the beginning of the preceding year.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares since the listing of the Company's shares.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	31.3.2011 HK$'000	31.3.2010 HK$'000
Trade debtors	**45,150**	37,688
Advance to contractors	**17,679**	2,298
Prepayments and other receivables	**41,217**	11,707
	104,046	51,693

The following is an aged analysis of trade debtors based on the invoice date:

	31.3.2011	31.3.2010
	HK$'000	*HK$'000*
0–60 days	**40,546**	30,722
61–90 days	**1,199**	2,084
Over 90 days	**3,405**	4,882
	45,150	37,688

The trade debtors aged over 60 days are past due but are not impaired.

Hotel room revenue is normally settled by cash or credit card. The Group allows an average credit period of 14 to 60 days to its corporate customers and travel agents.

11. CREDITORS AND ACCRUALS

	31.3.2011	31.3.2010
	HK$'000	*HK$'000*
Trade creditors	**37,869**	24,393
Construction cost and retention payable	**62,217**	19,452
Reservation deposit and receipt in advance	**16,471**	18,803
Other payable and accrued charges	**63,105**	60,910
	179,662	123,558

The following is an aged analysis of the trade creditors:

	31.3.2011	31.3.2010
	HK$'000	*HK$'000*
0–60 days	**28,972**	14,170
61–90 days	**6,983**	8,795
Over 90 days	**1,914**	1,428
	37,869	24,393

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operational Review

Asia generally had a good economic run during the Year, with the PRC establishing itself as the economic engine for the region.

In Hong Kong, the further relaxation of overseas travel restriction in the PRC, recovery from the H1N1 epidemic and the region's overall growth had resulted in a sharp recovery of the real estate, retail and tourism industries. The Hong Kong Tourism Board announced that visitor arrivals in 2010 had reached a total of 36 million, an increase of 21.8% compared to 2009. Arrivals from the PRC rose 26.3% year-on-year to 22.7 million, with the PRC remaining the top tourist source market for the special administrative region.

In Malaysia, the Malaysia Tourism Promotion Board announced that visitor arrivals in 2010 reached 24.6 million, a 4.2% year-on-year growth, with inbound travel from China increasing 10.8% to 1.1 million.

In the PRC, 57.4 million Chinese travelled abroad in 2010, which according to Pacific Asia Travel Association, made the PRC the world's fourth largest source market for outbound tourism. During that same period, China became the third largest inbound tourism destination in the world and Chinese domestic travellers surged to 2.1 billion, driven by the increasing disposable income of the country's middle class. The Chinese consumers, in particular the affluent and wealthy, are travelling more frequently and are spending more on experiences and are getting acquainted with brands [1].

According to data from STR Global, an international provider of hospitality market data, hotels in the Asia Pacific enjoyed a 21.3% revenue per available room ("RevPAR") growth in calendar year 2010 while North America and Europe recorded a more modest growth of 6.1% and 9.9%, respectively.

Being a developer, owner and operator of value to upscale and boutique hotels in Asia, the Group was in a favourable position to benefit from the buoyant market.

In July 2010, the Group opened Cosmo Hotel Mongkok (previously referred to as Cosmo Hotel Kowloon). The hotel subsequently achieved an average occupancy rate of 79.3% up to the end of the Year. With the opening of the hotel, the Group had eight hotels in operation in Hong Kong at the end of the Year, making the Group one of the largest hotel operators in Hong Kong.

[1] Source: McKinsey Insight China

Some of the characteristics of the Group's hotel properties are that they are design-led with modern and distinctive interior designs tailored to customer preferences, and they provide personalised and attentive service. These put the hotels in a good position to tap on the burgeoning Chinese travellers and helped the Group to an outperformance RevPAR growth of 28% year-on-year.

The Group also demonstrated its ability to create value for its shareholders with a revaluation surplus of its hotel portfolio up to 31st March, 2011 of HK$6.0 billion. The Group realised the revaluation surplus on "The Mercer by Kosmopolito" when it completed its sale of its interest in the hotel to an independent third party for an aggregate consideration of HK$290.0 million minus the mortgage loan of the project and subject to adjustments.

In Singapore, as explained in the prospectus dated 28th September, 2010 issued by the Company, the Group's development plan for Dorsett Regency "On New Bridge", Singapore includes both residential and hotel components. The hotel will comprise a total of 285 hotel rooms, while the residential component will comprise of 68 hotel residence units ranging from 484 square feet to 1,206 square feet. During the Year, the Group successfully pre-sold all 68 hotel residence units with an average selling price of approximately S$1,750 per square foot, locking in total sales proceeds of approximately S$80.3 million (approximately HK$494.5 million). The Company expects to recognise the project's profit in financial year 2014 when the development of the project is completed.

During the Year, Grand Dorsett Subang Hotel completed its first phase of renovation and successfully launched 40 new guestrooms and a club lounge. The hotel has commenced the next phase of renovation, with the full renovation expected to be completed in the next 12 months. The Group also decided to pursue the development of the excess land at Grand Dorsett Subang Hotel into hotel residence for sale to end users. The site is presently vacant. A development order has been granted by the relevant authority. The Group is presently in initial discussion with various parties and is considering available options.

The Company is currently implementing a branding strategy to refresh and streamline its brands to better appeal to its target market segments and to serve as a platform for its expansion into the hotel management business. Having already launched the "Boutique Series by Kosmopolito" to the trade and the media on 17th November, 2010, the Company is on track to launch the "Silka Hotel" brand by rebranding the Group's four value segment hotels as "Silka Hotels" in July 2011.

The Group is actively seeking investment and other asset-light and cost-effective business opportunities with a view to grow its brand distribution and revenues to create value for the shareholders. The management believes that the two-prong growth engine will help grow the Company's brand distribution and revenues without requiring substantial capital expenditures or incurring significant costs.

Review of Consolidated Statement of Comprehensive Income

(a) Revenue

The Group generates revenue primarily from room revenue which is stated after business tax, the sale of food and beverages at the Group's hotels, rental income from the rental of space at the hotels to third parties for retail and other uses and from the Group's investment properties, and 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.

Revenue grew by HK$250.8 million, or 40.7%, to HK$867.1 million for the Year (2010: HK$616.3 million) primarily as a result of a strong recovery of the Group's RevPAR. The commencement of business of Yue Shanghai @ Century Park in February 2010 and Cosmo Hotel Mongkok in July 2010 further enhanced the Company's performance.

The following table sets out the Group's revenue in Hong Kong, Malaysia and the PRC for the years indicated:

	2011		2010	
	HK$'000	**% of Total**	*HK$'000*	% of Total
Hong Kong				
Room revenue	**474,611**	**91.8%**	308,689	90.8%
Food and beverage revenue	**16,670**	**3.2%**	10,679	3.1%
Rental revenue	**10,119**	**2.0%**	8,473	2.5%
Other revenue	**15,673**	**3.0%**	12,072	3.6%
Total	**517,073**	**100.0%**	339,913	100.0%
Malaysia				
Room revenue	**151,838**	**57.0%**	136,364	56.4%
Food and beverage revenue	**95,695**	**35.9%**	94,246	39.0%
Rental revenue	**3,976**	**1.5%**	5,042	2.1%
Other revenue	**14,814**	**5.6%**	6,130	2.5%
Total	**266,323**	**100.0%**	241,782	100.0%
PRC				
Room revenue	**47,982**	**57.3%**	8,615	24.9%
Food and beverage revenue	**6,768**	**8.1%**	2,008	5.8%
Rental revenue	**27,472**	**32.8%**	22,688	65.7%
Other revenue	**1,482**	**1.8%**	1,247	3.6%
Total	**83,704**	**100.0%**	34,558	100.0%
Group Total				
Room revenue	**674,431**	**77.8%**	453,668	73.6%
Food and beverage revenue	**119,133**	**13.7%**	106,933	17.4%
Rental revenue	**41,567**	**4.8%**	36,203	5.9%
Other revenue	**31,969**	**3.7%**	19,449	3.2%
Total	**867,100**	**100.0%**	616,253	100.0%

RevPAR improved across all regions, driven by the continuous economic growth in Asia, particularly the PRC, and the recovery from the H1N1 epidemic, leading to a 3.7 percentage point improvement in occupancy rate and a 21.9% increase in average room rate. Outbound PRC travellers staying at the Group's hotels in Hong Kong and Malaysia grew by approximately 20.0% and 17.7%, respectively.

The breakdown of the room revenue is as follows:

	2011	2010	Change
Hong Kong			
Available Room Nights	**637,457**	551,045	15.7%
Occupied Room Nights	**583,287**	459,192	27.0%
Occupancy rate	**91.5%**	83.3%	8.2pp[1]
Average room rate (HK$)	**815**	672	21.3%
RevPAR (HK$)	**746**	560	33.2%
Malaysia			
Available Room Nights	**448,950**	467,565	(4.0%)
Occupied Room Nights	**326,327**	321,721	1.4%
Occupancy rate	**72.7%**	68.8%	3.9pp[1]
Average room rate (HK$)	**457**	424	7.8%
RevPAR (HK$)	**332**	292	13.8%
PRC			
Available Room Nights	**173,020**	66,242	161.2%
Occupied Room Nights	**81,244**	32,301	151.5%
Occupancy rate	**47.0%**	48.8%	(1.8)pp[1]
Average room rate (HK$)	**604**	267	126.2%
RevPAR (HK$)	**284**	130	118.5%
Group Total			
Available Room Nights	**1,259,427**	1,084,852	16.1%
Occupied Room Nights	**990,858**	813,214	21.8%
Occupancy rate	**78.7%**	75.0%	3.7pp[1]
Average room rate (HK$)	**680**	558	21.9%
RevPAR (HK$)	**535**	418	28.0%

Our hotels in the PRC recorded weak occupancy rates due to a combination of the post World Expo effect, on-going refurbishment at Wuhan Cosmopolitan Hotel and Yue @ Century Park Shanghai's strategy of driving rates. The management anticipates the operational performance of the Group's hotels in the PRC to gradually improve from the after effect of the Shanghai World Expo and as Wuhan's renovation is progressively completed.

Note:

(1) pp – percentage points

(b) *Depreciation and amortisation*

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

Depreciation and amortisation rose by HK$29.9 million, or 43.7%, to HK$98.2 million for the Year (2010: HK$68.3 million) primarily due to the full year operation of Yue @ Century Park and, to a lesser extent, the opening of Cosmo Hotel Mongkok in July 2010. Depreciation and amortisation also increased as the hotel properties have an ongoing need for refurbishment and other capital improvements such as the replacement of furniture, fixtures and equipment.

(c) *Management fee*

During the last financial year, the Group paid management fees amounting to HK$2.2 million to Sheraton Overseas Management Corporation to manage a 5-star hotel (currently known as Grand Dorsett Subang Hotel) under the "Sheraton" brand. Such management contract has expired and the payment has discontinued as of 30th September, 2009. As these fees were a direct operating cost, they were deducted when arriving at the gross profit.

The Company also paid HK$28.2 million as management fees to companies controlled by Far East Consortium International Limited ("FECIL") for their provision of corporate management services and office support. These services ceased and, accordingly, payments of such management fees were also ceased on 1st April, 2010. Since then, the management and office functions of the Company were separated from FECIL.

(d) *Operating Costs*

Operating costs mainly relate to staff costs for hotel operations, room costs (which include amenities, laundry costs and travel agent commissions), food and beverage costs for self-owned restaurants in the Group's hotels, utilities and others.

Operating costs increased by HK$82.7 million, or 38.7%, to HK$296.6 million for the Year (2010: HK$213.9 million) primarily because of the full year operation of Yue @ Century Park and, to a lesser extent, the opening of Cosmo Hotel Mongkok in July 2010. The increase is also in line with the improvement in the Group's revenue.

(e) *Gross profit*

Gross profit for the Year was up 42.4% to HK$472.3 million (2010: HK$331.7 million) and gross margin improved to 54.5% (2010: 53.8%), primarily due to the significant improvements in the performance of Hong Kong's operations.

(f) Other income

Other income, consisting primarily of interest income, decreased by HK$0.1 million, or 4.0%, to HK$3.0 million for the Year (2010: HK$3.2 million) primarily because of the decrease in deposit rates.

(g) Administrative expenses

Administrative expenses refer to selling and distribution expenses, staff costs for management and administrative personnel, repair and maintenance costs, insurance and government rent and rates.

Administrative expenses rose by HK$41.7 million, or 25.0%, to HK$208.6 million for the Year (2010: HK$166.9 million) primarily as a result of the full year operation of Yue @ Century Park and, to a lesser extent, the opening of Cosmo Hotel Mongkok in July 2010 as well as the recognition of HK$3.3 million share option expense. If expressed as a percentage of revenue, administrative expenses would have reduced from 27.1% in 2010 to 24.1% for the Year, reflecting the economies of scale as the Group grows its distribution.

(h) Pre-opening expenses

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

Pre-opening expenses decreased by HK$5.1 million, or 78.5%, to HK$1.4 million during the Year (2010: HK$6.5 million) primarily because the Group only had pre-opening expenses of Cosmo Hotel Mongkok, and to a much lesser extent, Dorsett Regency Hotel Hong Kong and Hotel Kosmopolito City Centre, Chengdu during the Year.

(i) Other gains and losses

Other gains and losses, which include the allowance for or reversal of bad and doubtful debts, as well as decreases in fair value of investment properties and derivative financial instruments dropped to a loss of HK$18 thousand, an improvement of HK$1.1 million for the Year (2010: other losses of HK$1.1 million).

(j) Gain on disposal of a subsidiary

Gain on disposal of a subsidiary refers to the sale of the Group's interest in the hotel "The Mercer by Kosmopolito". For further details, please refer to the section headed "Acquisitions, Disposals and Significant Investments".

(k) Listing expenses

In preparation of the Listing, the Group incurred professional fees and other non-recurring expenses totalling HK$22.5 million.

(l) Finance costs

For the Year, the Group recorded interest charges on its bank borrowings in the amount of HK$107.8 million, up HK$15.2 million, or 16.4% from the previous financial year (2010: HK$92.6 million). While total bank borrowings increase only slightly by 0.8% to HK$3.56 billion (2010: HK$3.53 billion), the Group's effective interest rates rose marginally from 2.9% to 3.0% (calculated on the basis of average bank borrowings during the respective years). Out of those interests totally paid, HK$19.4 million (2010: HK$15.9 million) was capitalised and HK$88.4 million (2010: HK$76.6 million) was charged to finance costs.

(m) Income tax expense

Income tax expense reflects income taxes the Group paid and any deferred income tax.

Our income tax expense increased by HK$17.5 million, or 178.6%, to HK$27.3 million for the Year (2010: HK$9.8 million) primarily as a result of the increase in the profit before taxation. The Group's effective tax rates were charged at 15.4% to profit before tax after adjusting for non-recurring items (2010: 17.6%).

(n) Adjusted EBITDA

Adjusted EBITDA is defined by the Company as 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.

Management believes that using Adjusted EBITDA as a metric can enhance an overall understanding of the Company's expected financial performance from ongoing operations, and Adjusted EBITDA is used by management as the primary measure of operating performance of the Group's properties and to compare the operating performance of the Group's properties with those of its competitors.

The Company's approach to hotel site acquisition and development, combined with a focus on cost-minimisation and efficient operations, has enabled the Group to enjoy high Adjusted EBITDA margins.

Adjusted EBITDA grew to HK$362.5 million from HK$238.1 million, with adjusted EBITDA margin improving to 41.8% from 38.6%.

The following table sets forth the reconciliation of Adjusted EBITDA to profit before taxation.

	2011	2010	Change
	HK$'000	*HK$'000*	
Profit before taxation	**235,724**	55,619	323.8%
Interest income	**(1,725)**	(2,467)	(30.1%)
Finance costs	**88,430**	76,612	15.4%
Depreciation and amortisation	**98,166**	68,325	43.7%
EBITDA	**420,595**	198,089	112.3%
Pre-opening expenses	**1,403**	6,517	(78.5%)
Management fees	**–**	30,408	(100.0%)
Change in fair value of investment properties	**(2,612)**	(3,486)	(25.1%)
Change in fair value of derivative financial instruments	**1,949**	6,577	(70.4%)
Other non-recurring items [1]	**(58,879)**	–	n.m.[2]
Adjusted EBIDTA	**362,456**	238,105	52.2%
Adjusted EBIDTA margin [3]	**41.8%**	38.6%	3.2pp[4]

Notes:

(1) Other non-recurring items consist of listing expenses and gain from the Group's sale of its interest in the hotel "The Mercer by Kosmopolito"

(2) n/m – non meaningful

(3) Adjusted EBITDA margin = Adjusted EBITDA/revenue

(4) pp – percentage points

(o) *Distributable profit*

Before the change in fair value of the Group's derivative financial instruments and gain on revaluation of investment properties and its related deferred taxation, the operating profit attributable to the Company's shareholders for the Year is HK$207.7 million (2010: HK$48.9 million), an increase of 324.8%.

	2011	2010	Change
	HK$'000	*HK$'000*	
Profit for the year	**208,404**	45,813	354.9%
Adjusted for:			
Change in fair value of derivative financial instruments	**1,949**	6,577	(70.4%)
Change in fair value of investment properties	**(2,612)**	(3,486)	(25.1%)
Distributable profit	**207,741**	48,904	324.8%

(p) *Exchange differences on translation of foreign operations*

The exchange differences on translation of foreign operations for the year ended 31st March, 2011 relates primarily to the non-monetary gain through translation of the financial statement items of the Company's foreign subsidiaries.

Financial Resources and Liquidity

At 31st March, 2011, the Group's overall debt was represented in the form of HK$3,561.7 million of short-term and long-term loans from commercial banks (2010: HK$3,533.7 million). The net debt to equity after revaluation surplus was 30.0% (2010: 67.4%) in terms of net debt of HK$2,664.7 million (2010: HK$3,435.0 million) against total equity after revaluation surplus of HK$8,875.5 million (2010: HK$5,093.4 million).

The overall borrowings and charges on the Group are analysed as follows:

	31.3.2011	31.3.2010
	HK$'000	*HK$'000*
Secured bank borrowings	**3,561,670**	3,533,683
The above borrowings are repayable as follows:		
On demand or within one year	**464,136**	528,629
Amount due after one year	**3,097,534**	3,005,054
	3,561,670	3,533,683
Less: pledged deposits, bank balances and cash	**896,964**	98,714
Net debt	**2,664,706**	3,434,969
Total equity	**2,896,734**	184,005
Revaluation surplus*	**5,978,762**	4,909,410
Total equity after revaluation	**8,875,496**	5,093,415
Net debt to equity (after revaluation surplus)	**30.0%**	67.4%

* *Revaluation surplus based on the fair value at 31st March, 2011 of the hotel properties over their carrying value was not recognised in the financial statements.*

The Group entered into various loan agreements with a number of banks, secured over certain of the Group's properties. Most of the Group's bank loans are subject to floating interest rates, with a range of effective interest rates of 0.93% to 7.92% per annum (2010: 1.01% to 7.13% per annum).

The aforesaid bank borrowings are denominated in local currencies of Hong Kong dollars, Malaysia Ringgit, Renminbi and Singapore dollars. Accordingly, there is a natural exchange rate hedge to the extent that the Group's hotels derive their revenues and most of the related expenses in local currencies, thereby keeping exchange risk of the Group to the minimal. Therefore, the Group had not applied any hedge instruments for currency hedging purposes upon consideration of the currency risks involved and the cost of obtaining such cover.

The non-current secured bank borrowings primarily reflect a syndicated loan (comprising three loan facilities) for the amount of HK$1.9 billion. The principal amounts outstanding under the syndicated loan bear interest at HIBOR plus a margin of 1.5% per annum. The syndicated loan is secured by certain of the Group's Hong Kong hotel properties and is repayable in full on maturity in September 2013. The key financial ratio requirement the Group is subject to is the loan-to-value ratio threshold of 47.0% on the charged properties. Based on the property valuation as of 31st March, 2011, the corresponding loan-to-value ratio of the said properties was approximately 39.4% as at the end of the financial year, representing a buffer of approximately 7.6 percentage points.

Capital Expenditure

The Group's 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 Year, the Group's capital expenditures amounted to HK$332.1 million, a decrease of HK$612.6 million, or 64.8% (2010: HK$944.7 million). These capital expenditures were funded by bank borrowings and funds generated from the Group's operating activities. The Group's capital expenditures slowed down considerably primarily as a result of a delay in the development progress in Chengdu and Zhongshan.

As the Group continues to actively seek opportunities to grow its brand distribution, the Company plan to incur in the range of HK$650.0 million in capital expenditures in financial year 2012 as the Company progresses the owned hotels under development. The management expects to fund the planned capital expenditures from bank and other borrowings, funds generated from its operating activities, and with regards to refurbishment/rebranding costs of the appointed showcase properties, proceeds received by the Company from its Listing.

Capital Commitments

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

	31.3.2011	31.3.2010
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition, development and refurbishment of hotel properties and property, plant and equipment:		
– contracted but not provided in the financial statements	**595,557**	315,527
– authorised but not contracted for	**28,177**	271,948

Contingent Liabilities

During the year ended 31st March, 2010, a subsidiary of the Company initiated a lawsuit against a contractor for unsatisfactory performance in relation to the construction of a hotel in the amount of HK$14,356,000. In response to the claim, the contractor has filed counterclaims against the subsidiary for an amount of HK$25,841,000. The lawyer of the Company considers that there is a fair chance of winning the lawsuit and accordingly, no provision for potential liability has been made in the consolidated financial statements.

Human Resources

As at 31st March, 2011, the Group had 1,837 employees, representing a low staff-to-room ratio of approximately 0.52 (2010: 0.55). Total employee cost for the Year was HK$228.4 million (2010: HK$167.3 million), representing 26.3% of the Group's total revenue (2010: 27.1%). In order to attract and retain talents to ensure smooth operation and to cater for the Group's expected growth, the Group offers competitive employee remuneration packages with reference to market conditions and individual qualifications, experience and job scope. Such remuneration packages may comprise one or more of the following elements: basic salary, annual performance-related bonus and annual discretionary bonus.

Some of the Board members and full-time employees were granted share options under the Company's share option scheme. The employee share option scheme has been put in place to incentivise employees, and to encourage them to work towards enhancing shareholders' value and promoting the long-term growth of the Group. The Company recognises a fair value of HK$18.0 million on these options, of which HK$3.3 million is charged as share option expense for the Year.

PROPERTIES

Property, Plant and Equipment

As at 31st March, 2011, the Group owned 20 hotels in operation and under development across Asia: 11 in Hong Kong, three in the PRC, five in Malaysia, and one in Singapore. In addition, the Group is in the process of obtaining the title certificates for Dorsett Regency CBD, Zhongshan.

For the purpose of financial statement presentation, the management has selected the cost model instead of revaluation model under the HKFRS as its accounting policy to account for its property, plant and equipment. Under the cost model, hotel properties, hotels under development and furniture, fixture and equipment held for the Group's operation are stated at cost less accumulated depreciation and accumulated impairment loss, if any. The revaluation model has not been selected to avoid the inclusion of unnecessary short-term fair value movements in respect of the property, plant and equipment in the Consolidated Statement of Comprehensive Income which are considered irrelevant to the underlying economic performance of the Group's principal business activities.

Accordingly, the aggregate carrying value of our property portfolio was HK$5,715.9 million (2010: HK$5,539.5 million).

While it will not be recognised in the financial statements, in order to provide users of the financial statements with additional information on the value of the Group's net assets, the management have commissioned valuation reports by independent third party property valuers of the Group's property, plant and equipment as at 31st March, 2011. In this regard, the Group's property, plant and equipment was valued at HK$11,694.7 million (2010: HK$10,448.9 million), representing that the Group's hotel portfolio has a revaluation surplus of HK$5,978.8 million as at 31st March, 2011 (2010: HK$4,909.4 million).

Hotels in Operation

As at the end of the Year, the Group was operating 15 hotels, representing 3,834 rooms across Hong Kong, Malaysia and the PRC:

Company Owned Hotel Properties	Location	Target market Segment*	Total rooms*	Commencement
Cosmopolitan Hotel	Hong Kong	mid-scale	454	January 2005
Central Park Hotel	Hong Kong	boutique	142	April 2005
Dorsett Kowloon Hotel	Hong Kong	value	141	May 2005
Cosmo Hotel	Hong Kong	boutique	142	October 2005
Lan Kwai Fong Hotel @ Kau U Fong	Hong Kong	boutique	162	March 2006
Dorsett Seaview Hotel	Hong Kong	value	268	October 2006
Dorsett Far East Hotel	Hong Kong	value	240	January 2007
Cosmo Hotel Mongkok	Hong Kong	boutique	285	July 2010
Dorsett Regency Hotel Kuala Lumpur	Malaysia	mid-scale	320	April 1998
Grand Dorsett Subang Hotel	Malaysia	upscale	478#	February 2007
Grand Dorsett Labuan Hotel	Malaysia	upscale	178	September 2007
Maytower Hotel	Malaysia	boutique	179	October 2008
Dorsett Johor Hotel	Malaysia	value	252	October 2008
Wuhan Cosmopolitan Hotel	PRC	mid-scale	329	June 2008
Yue Shanghai Hotel	PRC	boutique	264	February 2010
			3,834	

* *The hotel names, target market segments and total rooms may change.*

\# *On the assumption that the proposed 125 additional rooms located on 13/F to 17/F of Grand Dorsett Subang are fully completed.*

Hotels Under Development

The six owned hotels that are under development are largely progressing as planned with slight delays mainly with the two hotels in the PRC. The details are as follows:

Company Owned Hotels Under Development*	Location	Target market Segment*	Total rooms*	Commencement*
Dorsett Regency Hotel, Hong Kong	Hong Kong	mid-scale	209	June, 2011
Dorsett Regency Kwun Tong, Hong Kong	Hong Kong	mid-scale	380	December, 2011
Dorsett Regency Kwai Chung, Hong Kong	Hong Kong	mid-scale	506	March, 2012
Hotel Kosmopolito City Centre, Chengdu	PRC	Upscale	547	June, 2012
Dorsett Regency CBD, Zhongshan	PRC	mid-scale	416	July, 2012
Dorsett Regency "On New Bridge", Singapore	Singapore	mid-scale	285	June, 2013
			2,343	

* *The hotel names, target market segments, total rooms and commencement may change.*

While the Group is still in the process of obtaining the title certificates for Dorsett Regency CBD, Zhongshan, 中山市人民政府西區辦事處 has formed a committee for assisting the reinstatement and refurbishment work of the distressed property. Based on the existing progress, the management believes that the likelihood of non-completion of the agreement is low and expects the acquisition to be completed within the calendar year of 2011.

The projects in Chengdu have also met with unexpectedly long processing time with regards to obtaining the grants for various permits and certificates from the relevant authorities, causing delay in the hotel's development and consequently, the expected opening of the hotel.

Investment Properties

Investment properties relate to properties held by the Group to earn rentals and/or capital appreciation, which predominantly relate to the commercial space within our hotel properties in Wuhan and in Shanghai.

During the year, the Group changed the use of certain areas within Wuhan Cosmopolitan Hotel into rental space. In line with the change of intention, these areas were reclassified to investment properties with a fair value of RMB7.0 million (approximately HK$8.2 million) as at 31st March, 2011.

Properties for Sale

As explained in the Company's Listing prospectus, the Group's development plan for Dorsett Regency "On New Bridge", Singapore includes a hotel which will comprise 285 hotel rooms, and a residential component which will comprise 68 hotel residence units.

Properties for sale refer to the 68 hotel residence units which the Group is developing with the intention of sale after completion of development and include costs of land, development expenditure, borrowing costs capitalised and other direct costs attributable to such properties.

Acquisitions, Disposals and Significant Investments

As part of its capital churning strategy, the Group had completed the disposal of its interest in the hotel "The Mercer by Kosmopolito" through the sale of its entire shareholding in and loans to a subsidiary, Excel Chinese International Limited ("Excel Chinese") to an independent third party for an aggregate consideration of HK$290.0 million minus the mortgage loan of the project and subject to adjustments. The consideration was determined with reference to the valuation made by DTZ Debenham Tie Leung Limited, the external valuer on the underlying assets, as at 30th June, 2010.

In its continued pursuit of the asset-light and cost-effective nature of the hotel management business, the Group concurrently entered into a hotel management agreement for "The Mercer by Kosmopolito" with the purchaser pursuant to which the Group was appointed the operator of the hotel.

SUBSEQUENT EVENT

Subsequent to the financial year end, the Company saw the opening of "The Mercer by Kosmopolito", bringing its number of hotels in Hong Kong to nine and group-wide, to 16. While the Group completed its sale of "The Mercer by Kosmopolito", the hotel remains a member of the Group as a managed hotel in accordance to the hotel management agreement entered into with the purchaser.

OUTLOOK

The region's tourism has recovered substantially since mid 2009, and present economic trends and consumer sentiment in the region is cause for optimism.

The Hong Kong Tourism Board forecasted this calendar year's tourist arrivals to rise 10% from 2010 to 39.7 million, with Mainland arrivals rising by 12%, while the China Tourism Academy forecasted that Chinese international travellers would spend a record US$55 billion in 2011, an increase of 15% compared to the US$48 billion spent by Chinese overseas travellers in 2010.

In Malaysia, the hospitality sector is also expected to continue to improve steadily in the foreseeable future. With its Gross Domestic Productivity projected to expand at between 6.0% and 6.5% in 2011, domestic tourism is correspondingly expected to rise. The increased efforts by the local government to attract more foreign visitors will further help the local tourism industry.

However, the Company is mindful that the region's economic and tourism growth may be derailed by inherent risks associated with the slow economic recovery in the traditional global economic powers, the potential complication set off by the devastating catastrophe on 11th March, 2011 in Japan, as well as potential turbulence in the lead up to the impending elections and leadership successions across the major markets that the Group operates in. Accordingly, the Company will be monitoring the situation closely.

All considered, the Company remains cautiously optimistic about the tourism industry, the operational performance of our hotels and the Company's performance in the Company's financial year 2012.

OTHER INFORMATION

Dividend

The Board recommends the payment of a final dividend (the "Final Dividend") of HK 4.00 cents per ordinary share for the Year which represents a dividend payout ratio of approximately 38.5% based on the Company's distributable profit. The total amount of the Final Dividend will therefore be HK$80.0 million.

The payment of the Final Dividend is subject to the approval of the shareholders at the forthcoming annual general meeting (the "Annual General Meeting") to be convened as soon as possible.

Further announcement will be made on details of the Annual General Meeting, the closure period of the Register of Members of the Company for determining the entitlement of the shareholders to attend the Annual General Meeting and the proposed Final Dividend, and the day for the payment of the Final Dividend.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Company has adopted the code provisions in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange as its own code of corporate governance. The Board considers that since the listing of the shares of the Company on the main board of the Stock Exchange on 11th October, 2010 (the "Listing Date") and up to the date of this annual results announcement, in the opinion of the Board, the Company has complied with all the code provisions of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code since the Listing Date and up to the date of this annual results announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three members, all of them are Independent Non-executive Directors, namely Dr. LIU, Ngai Wing, Mr. SHEK, Lai Him Abraham and Mr. TO, Peter. The chairman of the Audit Committee is Dr. LIU, Ngai Wing. The Audit Committee has reviewed the annual results of the Group for the year ended 31st March, 2011.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st March, 2011 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the Preliminary Announcement.

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES

The shares of the Company were listed on the Stock Exchange on 11th October, 2010 and neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31st March, 2011.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.kosmohotels.com). The annual report will be despatched to the shareholders of the Company and will be published on the websites of the Stock Exchange and the Company in due course.

By Order of the Board
Kosmopolito Hotels International Limited
MOK Kwai Pui Bill
President and Executive Director

Hong Kong, 23rd June, 2011

As at the date of this announcement, the executive Directors are Mr. MOK, Kwai Pui Bill, Mr. CHU, Chee Seng, Mr. LAI, Wai Keung and Ms. CHIU, Wing Kwan Winnie. The non-executive Directors are Tan Sri Dato' CHIU, David, Mr. HOONG, Cheong Thard and Mr. CHAN, Chi Hing. The independent non-executive Directors are Mr. SHEK, Lai Him Abraham, Mr. TO, Peter and Dr. LIU, Ngai Wing.

This announcement was originally prepared in English and was subsequently translated into Chinese. In the event of any inconsistency between the two texts, the English text of this announcement shall prevail over the Chinese text.