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 31 MARCH 2012

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 31 March 2012 (the "Year") as follows:

OPERATIONAL AND FINANCIAL HIGHLIGHTS

		2012	2011	Change
		HK$'000	*HK$'000*	
Revenue		**1,096,097**	867,100	26.4%
Profit for the year		**605,092**	208,404	190.3%
Earnings per share – basic and diluted	HK$	**0.3025**	0.1122	169.6%
Adjusted EBITDA (1)		**509,419**	362,456	40.5%
Adjusted EBITDA margin (2)		**46.5%**	41.8%	4.7pp(3)
After adjustment for revaluation surplus (4)				
Net assets attributable to shareholders		**11,169,716**	8,875,496	25.8%
Net debt to equity		**24.6%**	30.0%	(5.4pp)(3)
Net assets attributable to shareholders per share	HK$	**5.58**	4.44	25.8%
Proposed final dividend	HK$	**0.10**	0.04	150.0%

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, one-off gains/(losses) 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 Group has elected the cost model instead of revaluation model as its accounting policy

HIGHLIGHTS OF THE FINAL RESULTS

- Revenue for the Year was HK$1,096.1 million, up 26.4% from last year, mainly driven by 38.3% year-on-year increase in Hong Kong room revenue.

- During the Year, the Group recorded one-off gain of HK$380.3 million on disposal of Central Park Hotel, situated at Hollywood Road, Hong Kong.

- With significant growth in operating profit and one-off gain on disposal of Central Park Hotel, the Group for the Year recorded net profit of HK$605.1 million, which represents a 190.3% increase from last year.

- Adjusted EBITDA, management's primary measure of operating performance of the member hotels, reached HK$509.4 million for the Year. This represents 40.5% year-on-year increase driven by 23.9% growth in revenue per available room ("RevPAR") and 11.5% growth in number of available room nights and compounded by 4.7% point increase in adjusted EBITDA margin.

- Hotel revaluation surplus as of 31 March 2012 of HK$7,749.9 million was not reflected in the Group's consolidated financial statements. This compared to HK$5,978.8 million revaluation surplus at the end of the last financial year. The significant increase in revaluation surplus is predominantly attributable to the appreciation of the Hong Kong assets.

- Adjusting for revaluation surplus, net assets attributable to shareholders per share increased by 25.8% to HK$5.58 as at 31 March 2012.

- The Board proposes a final dividend of HK10 cents per share, together with the interim dividend of HK2 cents per share, bringing the total dividend payout for the Year to HK12 cents per share. This represents 39.7% of total distributable profit, which compares with 38.5% last year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	NOTES	**2012** **HK$'000**	2011 *HK$'000*
Revenue	*4*	**1,096,097**	867,100
Operating costs		**(326,826)**	(296,648)
Depreciation and amortisation		**(118,545)**	(98,166)
Gross profit		**650,726**	472,286
Other income		**3,955**	3,036
Administrative expenses		**(263,738)**	(208,626)
Pre-opening expenses		**(8,651)**	(1,403)
Gain on disposal of property, plant and equipment		**379,465**	25
Gain on disposal of a subsidiary		**–**	81,385
Other gains and losses	*5*	**2,313**	(43)
Listing expenses	*6*	**–**	(22,506)
Finance costs		**(90,703)**	(88,430)
Profit before taxation		**673,367**	235,724
Income tax expense	*7*	**(68,275)**	(27,320)
Profit for the year	*8*	**605,092**	208,404
Other comprehensive income for the year			
Exchange differences on translation of foreign operations		**33,073**	71,651
Gain on revaluation of prepaid lease payments on transfer to investment properties		**–**	3,176
Deferred tax on revaluation gain		**–**	(794)
		33,073	74,033
Total comprehensive income for the year		**638,165**	282,437
Earnings per share – basic and diluted (HK cents)	*9*	**30.25**	11.22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2012

	NOTES	**2012** **HK$'000**	2011 *HK$'000*
Non-current assets			
Property, plant and equipment		**5,074,698**	4,552,964
Prepaid lease payments		**591,333**	579,918
Investment properties		**405,900**	390,915
Deposits for acquisition of property, plant and equipment		**149,315**	121,357
Interest in an associate		**76,533**	–
Utility and other deposits paid		**7,990**	7,269
Pledged deposits		**5,252**	5,158
		6,311,021	5,657,581
Current assets			
Properties for sale			
– for/under development		**255,677**	217,816
Other inventories		**8,129**	5,480
Debtors, deposits and prepayments	*10*	**105,561**	104,046
Investment held-for-trading		**–**	2,365
Derivative financial instruments		**–**	377
Prepaid lease payments		**14,629**	12,443
Tax recoverable		**37**	391
Pledged deposits		**335,665**	171,300
Bank balances and cash		**533,647**	720,506
		1,253,345	1,234,724
Current liabilities			
Creditors and accruals	*11*	**231,720**	179,662
Secured bank borrowings		**858,877**	464,136
Sales deposits received		**148,578**	145,716
Derivative financial instruments		**1,198**	680
Tax payable		**34,277**	17,187
		1,274,650	807,381
Net current (liabilities) assets		**(21,305)**	427,343
Total assets less current liabilities		**6,289,716**	6,084,924

	NOTES	2012 HK$'000	2011 HK$'000
Non-current liabilities			
Secured bank borrowings		**2,768,504**	3,097,534
Rental deposits received		**6,851**	6,094
Deferred tax liabilities		**94,564**	84,562
		2,869,919	3,188,190
NET ASSETS		**3,419,797**	2,896,734
Capital and Reserves			
Share capital		**200,000**	200,000
Share premium		**2,237,153**	2,237,153
Reserves		**982,644**	459,581
TOTAL EQUITY		**3,419,797**	2,896,734

NOTES

1. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities position of HK$21,305,000 as at 31 March 2012. Taking into account the internally generated funds and the available banking facilities, the directors of the Company are of the view that the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

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

In the current year, 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").

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements for the current or prior accounting periods.

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.

Historical cost is generally based on fair value of the consideration given in exchange of goods.

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 of Hong Kong Limited and by the Hong Kong Companies Ordinance.

4. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker, who are the executive directors of the Company, for the purposes of resource allocation and performance assessment is focused on revenue and operating results from each of the five geographical locations of operations namely, Hong Kong, Malaysia, the People's Republic of China other than Hong Kong ("PRC"), Singapore, and United Kingdom ("UK"). This is also the basis upon which the Group is organised and managed.

Hong Kong	–	Hotel development, hotel operation and management
Malaysia	–	Hotel operation and management, and residential property development
PRC	–	Hotel development, hotel operation and leasing of investment properties
Singapore	–	Hotel development and residential property development
UK	–	Hotel development

The accounting policies adopted in preparing the segment information are the same as the accounting policies described in the consolidated financial statements. Segment profit represents the profit before tax earned by each segment.

(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 and reportable segments.

	Segment revenue		Segment profit (loss)	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**707,866**	517,073	**660,284**	230,761
Malaysia	**294,162**	266,323	**48,149**	43,481
PRC	**94,069**	83,704	**(28,120)**	(28,378)
Singapore	**–**	–	**(6,229)**	(10,140)
UK	**–**	–	**(717)**	–
Consolidated revenue/profit before taxation	**1,096,097**	867,100	**673,367**	235,724

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 and non-current assets (excluding pledged deposits) by geographical location at the end of the reporting period:

	Non-current assets		Segment assets	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**2,902,105**	2,803,375	**3,592,814**	3,629,833
Malaysia	**974,622**	1,013,531	**1,071,588**	1,078,213
PRC	**1,780,319**	1,535,392	**1,944,076**	1,587,593
Singapore	**431,959**	300,125	**694,845**	596,666
UK	**216,764**	–	**261,043**	–
Consolidated non-current assets/total assets	**6,305,769**	5,652,423	**7,564,366**	6,892,305

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

All assets and liabilities are allocated to operating segments and no assets or liabilities are used or incurred jointly by reportable segments.

This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

5. OTHER GAINS AND LOSSES

	2012	2011
	HK$'000	*HK$'000*
Increase in fair value of investment properties	**1,818**	2,612
Decrease in fair value of derivative financial instruments	**(1,911)**	(1,949)
Net foreign exchange gain (loss)	**2,423**	(131)
Allowance for bad and doubtful debts	**(17)**	(575)
	2,313	(43)

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

	2012	2011
	HK$'000	*HK$'000*
Current year income tax		
Hong Kong	**49,706**	20,513
Other jurisdictions	**8,567**	1,233
	58,273	21,746
Deferred taxation	**10,002**	5,574
	68,275	27,320

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

8. PROFIT FOR THE YEAR

	2012 *HK$'000*	2011 *HK$'000*
Profit for the year is arrived at after charging:		
Auditor's remuneration	**4,909**	4,180
Staff costs		
Directors' emoluments	**8,594**	8,330
Other staff		
Salaries and other benefits	**236,776**	204,761
Retirement benefit scheme contributions	**14,393**	14,144
Share-based payment expenses	**2,032**	1,138
	261,795	228,373
Operating lease payments	**1,483**	1,007
Depreciation	**110,102**	97,115
Amortisation of prepaid lease payments	**9,537**	9,167
Less: amount capitalised to hotels under development and properties for sale under development	**(1,094)**	(8,116)
	8,443	1,051
and crediting:		
Rental income	**44,871**	41,567
Less: Direct outgoings	**(4,021)**	(3,848)
	40,850	37,719
Interest income from ultimate holding company	**–**	1,518
Bank interest income	**1,652**	207
Gain (loss) on disposal of property, plant and equipment		
– Hotel property	**380,288**	–
– Others	**(823)**	25
	379,465	25

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 March 2012 is based on the consolidated profit for the year of HK$605,092,000 (2011: HK$208,404,000) and the weighted average number of 2,000,000,000 (2011: 1,857,232,877) shares in issue during the 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 of the Company's shares for both years.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	2012	2011
	HK$'000	*HK$'000*
Trade debtors	**50,645**	45,150
Advance to contractors	**7,525**	17,679
Prepayments and other receivables	**47,391**	41,217
	105,561	104,046

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

	2012	2011
	HK$'000	*HK$'000*
0–60 days	**46,736**	40,546
61–90 days	**1,383**	1,199
Over 90 days	**2,526**	3,405
	50,645	45,150

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

Rentals are payable upon representation of demand notes. Hotel room revenue is normally settled by cash or credit cards. The Group allows an average credit period of 14 to 60 days to its corporate customers and travel agents.

In determining the recoverability of trade debtors, the Group considers the subsequent settlement and any change in the credit quality of the debtors from the date credit was initially granted up to the end of each reporting period. There is no concentration of credit risk due to the customer base being large and unrelated. The management believes that there is no further credit provision required in excess of the allowance already made. The Group does not hold any collateral over these balances.

11. CREDITORS AND ACCRUALS

	2012	2011
	HK$'000	*HK$'000*
Trade creditors	**28,698**	37,869
Construction cost and retention payable	**91,651**	62,217
Reservation deposits and receipts in advance	**31,751**	16,471
Other payable and accrued charges	**79,620**	63,105
	231,720	179,662

The following is an aged analysis of the trade creditors:

	2012	2011
	HK$'000	*HK$'000*
0–60 days	**21,517**	28,972
61–90 days	**4,828**	6,983
Over 90 days	**2,353**	1,914
	28,698	37,869

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operational Review

Despite the slowing global economy especially in Europe and the US, the Group recorded encouraging financial performance for the financial year ended 31 March 2012 across all regions, amongst which Hong Kong remained the key driver.

In addition to recording strong operational performance for the existing hotels, the Group has completed the following significant transactions during the year:

Acquisitions and Disposals

In September 2011, the Group acquired the Shepherd's Bush Pavilion, London at a consideration of £16 million (equivalent to HK$198.9 million). The landmark building is being converted into Dorsett Regency London (322 rooms).

In November 2011, the Group disposed of Central Park Hotel to an independent third party at a consideration of HK$515 million, resulting in a gain of approximately HK$380 million.

In December 2011, the Group acquired the entire equity interest in Capital Fortune Investment Limited, which holds 25% of the equity interest in Cosmopolitan Resort (Zhuji) Limited, together with the assignment of shareholder's loan, from a wholly-owned subsidiary of Far East Consortium International Limited ("FEC"), (the controlling shareholder of the Company) at a consideration of approximately HK$76 million. The Company holds a property, which is being developed into Grand Dorsett Zhuji (200 rooms).

In April 2012, the Group completed the acquisition of the BIG ORANGE industrial building located at Kwai Chung, Hong Kong from an independent third party at a consideration of HK$210 million. The property is being converted into Silka Tsuen Wan (420 rooms).

Business & Project Development

On the existing portfolio, in June 2011, the Group commenced operations of Dorsett Regency Hong Kong (209 rooms), which achieved occupancy rate ("OCC") of 90.5% for the year ended 31 March 2012.

Moreover, construction has been actively underway for Grand Dorsett Chengdu (556 rooms) and Dorsett Regency Singapore (285 rooms). For Dorsett Regency Tsuen Wan (548 rooms), superstructure works have been completed and fitting out works commenced in April 2012. Importantly, Dorsett Regency Kwun Tong (361 rooms) is now scheduled to operate in July 2012.

As disclosed in the announcement and circular of the Company dated 11 October 2011 and 14 October 2011 respectively published by the Company, in October 2011, Subang Jaya Hotel Development Sdn Bhd ("Subang Jaya"), a wholly-owned subsidiary of the Company, entered into an agreement with Mayland Valiant Sdn Bhd ("Mayland Valiant"), a company related to certain directors of the Company, to jointly develop certain portion of the land plot where the Group's Grand Dorsett Subang Hotel is situated at. Mayland Valiant is responsible for the development activities and the subsequent sales of the 1,989 units. Subang Jaya will be entitled to or share of 50% of the profit or loss from the development. As of 11 June 2012, the related company has received booking deposits for approximately 1,250 units, of which the eventual sale will contribute approximately RM500 million in aggregate revenue on completion of the units which is expected to be in 2015.

Review of Consolidated Statement of Comprehensive Income

(a) Revenue

The Group generates revenue primarily from operating income from hotel guest rooms, food & beverage outlets, meeting/conference rooms as well as rental income from leasing of various types of commercial space to hotel customers and lease tenants. All revenue is presented on an ex-business tax basis (where such taxes are levied in the countries at which the hotels are situated).

Revenue grew by HK$229.0 million (or 26.4%) to HK$1,096.1 million for the Year (2011: HK$867.1 million) primarily driven by continued revenue growth in Hong Kong.

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

	2012		2011		**Change**
	HK$'000	**% of Total**	*HK$'000*	% of Total	%
Hong Kong					
Room revenue	**656,512**		474,611		
Food and beverage revenue	**14,853**		16,670		
Leasing revenue	**12,627**		10,119		
Other revenue	**23,874**		15,673		
Total	**707,866**	**64.6%**	517,073	59.6%	36.9%
Malaysia					
Room revenue	**172,560**		151,838		
Food and beverage revenue	**104,484**		95,695		
Leasing revenue	**4,155**		3,976		
Other revenue	**12,963**		14,814		
Total	**294,162**	**26.8%**	266,323	30.7%	10.5%
PRC					
Room revenue	**51,498**		47,982		
Food and beverage revenue	**12,553**		6,768		
Leasing revenue	**28,089**		27,472		
Other revenue	**1,929**		1,482		
Total	**94,069**	**8.6%**	83,704	9.7%	12.4%
Group Total					
Room revenue	**880,570**	**80.4%**	674,431	77.8%	
Food and beverage revenue	**131,890**	**12.0%**	119,133	13.7%	
Leasing revenue	**44,871**	**4.1%**	41,567	4.8%	
Other revenue	**38,766**	**3.5%**	31,969	3.7%	
Total	**1,096,097**	**100.0%**	867,100	100.0%	26.4%

While Hong Kong's already high OCC edged up by 4.5% points to record breaking 96.0% for the Year, our eight owned hotels continued to benefit from the excessive demand for room nights resulting in 18.9% year-on-year growth in average room rate ("ARR"). The number of available rooms under operations has grown to 3,901, up 1.7% from last year. The increase was due to the commencement of operations of Dorsett Regency Hong Kong (209 rooms) in June 2011, which accounted for HK$47.1 million and the first-time full year contribution from Cosmo Hotel Mongkok during the Year, which led to a year-on-year increase of HK$50.2 million. The Group's revenue was also contributed by hotel management income from two managed hotels, namely The Mercer and Central Park Hotel. Total revenue from Hong Kong has grown by 36.9% during the year as a result.

In Mainland China, strong pick-up in business by Dorsett Regency Wuhan after its completion of renovation work in September 2011 augmented the already recovering Yue Shanghai resulting in moderate growth of 2.5% on RevPAR for the full year. With lower rates contributed by Dorsett Regency Wuhan bringing down the yearly ARR by 10.4%, the healthy increase in business volume boosted OCC for the region by 6.9% points.

In Malaysia, our five hotels have exhibited moderate growth in both ARR and OCC contributing to the overall RevPAR growth of 10.8% for the year concerned. In particular, three out of the five Malaysia hotels (2011: one) achieved over 80% OCC for the year.

The breakdown of the room revenue is as follows:

	2012	2011	Change
Owned			
Hong Kong			
Available Room Nights	**705,512**	637,457	10.7%
Occupied Room Nights	**677,103**	583,287	16.1%
Occupancy rate	**96.0%**	91.5%	4.5pp(1)
Average room rate (HK$)	**969**	815	18.9%
RevPAR (HK$)	**930**	746	24.7%
Malaysia			
Available Room Nights	**468,759**	448,950	4.4%
Occupied Room Nights	**349,523**	326,327	7.1%
Occupancy rate	**74.6%**	72.7%	1.9pp(1)
Average room rate (HK$)	**494**	457	8.1%
RevPAR (HK$)	**368**	332	10.8%
PRC			
Available Room Nights	**192,500**	173,020	11.3%
Occupied Room Nights	**103,714**	81,244	27.7%
Occupancy rate	**53.9%**	47.0%	6.9pp(1)
Average room rate (HK$)	**541**	604	(10.4%)
RevPAR (HK$)	**291**	284	2.5%

	2012	2011	Change
Managed			
Hong Kong			
Available Room Nights	**37,454**	–	n/m[(2)]
Occupied Room Nights	**29,854**	–	n/m[(2)]
Occupancy rate	**79.7%**	–	n/m[(2)]
Average room rate (HK$)	**1,534**	–	n/m[(2)]
RevPAR (HK$)	**1,223**	–	n/m[(2)]
Group Total			
Available Room Nights	**1,404,225**	1,259,427	11.5%
Occupied Room Nights	**1,160,194**	990,858	17.1%
Occupancy rate	**82.6%**	78.7%	3.9pp[(1)]
Average room rate (HK$)	**802**	680	17.9%
RevPAR (HK$)	**663**	535	23.9%

Note:

(1) pp – percentage points

(2) n/m – not meaningful

(b) *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$30.2 million, or 10.2%, to HK$326.8 million for the Year (2011: HK$296.6 million), of which the increase is in line with the increase in number of occupied room nights.

(c) *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$20.4 million or 20.8% to HK$118.5 million for the Year (2011: HK$98.2 million) primarily due to the increase in capital expenditure incurred for the refurbishment and other capital improvement as compared with last year in view of the full year operation of Cosmo Hotel Mongkok and the completion of Dorsett Regency Hong Kong in June 2011.

(d) Gross profit

Gross profit for the Year was up 37.8% to HK$650.7 million (2011: HK$472.3 million) and gross profit margin improved to 59.4% (2011: 54.5%), primarily driven by the strong revenue growth in Hong Kong and moderate improvement in operating margins.

The breakdown of gross profit margin is as follows:

	2012 Gross profit margin	2011 Gross profit margin	Change
Hong Kong	**67%**	63%	4pp[1]
Malaysia	**54%**	41%	13pp[1]
PRC	**25%**	25%	–
Group	**59%**	55%	4pp[1]

Note:

[1] pp – percentage points

(e) Administrative expenses

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

Administrative expenses increased by HK$55.1 million from the last financial year. During the Year, the Company has had a net increase of 202 employees due to the opening of Dorsett Regency Hong Kong in June 2011 and in anticipation of opening of Dorsett Regency Kwun Tung and Dorsett Regency Chengdu in the second half of calender 2012. Average staff cost per person also increased by 3.4% during the Year. In addition, the Company recorded HK$9.2 million as legal and professional fees while the fees were mostly capitalized in the last financial year wherein the listing of the Company took place.

(f) Pre-opening expenses

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

Pre-opening expenses of HK$8.7 million were recorded during the Year, as opposed to HK$1.4 million last year. The increase was mainly owing to the significant first-time staff cost incurred before Dorsett Regency Hong Kong commenced operations in June 2011 and incurred from September 2011 to March 2012 in anticipation of the opening of Dorsett Regency Kwun Tong in the second half of calendar 2012.

(g) *Gain on disposal*

During the last financial year ended 31 March 2011, the Group disposed of a subsidiary (which owns The Mercer by Kosmopolito) resulting in gain on disposal of a subsidiary of HK$81.4 million. The Group in November 2011 disposed of Central Park Hotel resulting in gain of HK$380.3 million. The Group recorded year-on-year net increase of HK$298.9 million from disposal gain.

These disposals are consistent with the Group's strategy to recycle its capital by disposing assets of smaller size and reinvesting into bigger properties with higher efficiency.

(h) *Finance costs*

During the Year, total finance costs increased by HK$2.3 million as the Group ceased to capitalize interest expenses from Dorsett Regency Hong Kong after the commencement of operations in June 2011. Effective cost of borrowing during the Year increased from 3.0% to 3.3% reflecting the gradually rising cost of new borrowing.

(i) *Income tax expense*

Income tax expense increased by HK$41.0 million, mainly owing to the increase in Hong Kong by HK$32.8 million and in Malaysia by HK$8.3 million. The increase in chargeable income in Hong Kong was mainly attributable to the increase in operating profit and the reversal of capital allowance as balancing charge on the disposal of Central Park Hotel. The income tax expense of Malaysia also increased with decreased extent of utilisation of tax losses for the Year.

(j) *Adjusted EBITDA*

Management of the Group believes that using Adjusted EBITDA as a metric can enhance an understanding of the Group's financial performance from operations and allows comparison of the performance with those of the competitors.

The Adjusted EBITDA margin on the operating earnings stood at 46.5% for the Year, up 4.7% points from last year.

The following table sets forth the reconciliation of Adjusted EBITDA from profit before taxation:

	2012	2011	Change
	HK$'000	*HK$'000*	
Profit before taxation	**673,367**	235,724	185.7%
Interest income	**(1,652)**	(1,725)	(4.2%)
Finance costs	**90,703**	88,430	2.6%
Depreciation and amortisation	**118,545**	98,166	20.8%
EBITDA	**880,963**	420,595	109.5%

	2012	2011	Change
	HK$'000	*HK$'000*	
Pre-opening expenses	**8,651**	1,403	516.6%
Change in fair value of investment properties	**(1,818)**	(2,612)	(30.4%)
Change in fair value of derivative financial instruments	**1,911**	1,949	(1.9%)
Other non-recurring items [(1)]	**(380,288)**	(58,879)	545.9%
Adjusted EBITDA	**509,419**	362,456	40.5%
Adjusted EBITDA margin [(2)]	**46.5%**	41.8%	4.7pp[(3)]

Notes:

(1) Other non-recurring items consist of listing expenses and gain from the disposal of the Group's interest in the hotel "The Mercer by Kosmopolito" in 2011 and gain from disposal of Central Park Hotel in 2012.

(2) Adjusted EBITDA margin = Adjusted EBITDA/revenue

(3) pp – percentage points

(k) 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 distributable profit attributable to the Group's shareholders for the Year is HK$605.2 million (2011: HK$207.7 million), an increase of 191.3%.

	2012	2011	Change
	HK$'000	*HK$'000*	
Profit for the year	**605,092**	208,404	190.3%
Adjusted for:			
Change in fair value of derivative financial instruments	**1,911**	1,949	(1.9%)
Change in fair value of investment properties	**(1,818)**	(2,612)	(30.4%)
Distributable profit	**605,185**	207,741	191.3%

Financial Resources and Liquidity

At 31 March 2012, the Group's total debt was HK$3,627.4 million (2011: HK$3,561.7 million) and comprised short-term and long-term loans from commercial banks. The net debt to equity after revaluation surplus was 24.6% (2011: 30.0%) and was represented by net debt of HK$2,752.8 million (2011: HK$2,664.7 million) against total equity plus revaluation surplus amounting to HK$11,169.7 million (2011: HK$8,875.5 million).

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

	2012	2011
	HK$'000	*HK$'000*
Bank loans	**3,646,443**	3,588,243
Less: front-end fee	**(19,062)**	(26,573)
	3,627,381	3,561,670
The loans are repayable:		
On demand or within one year	**659,199**	464,136
More than one year but not exceeding two years	**2,144,271**	253,356
More than two years but not exceeding five years	**619,481**	2,620,867
More than five years	**223,492**	249,884
	3,646,443	3,588,243

The Group's borrowings are secured over certain of the Group's properties. The Group's bank loans carry interest at floating rates, with a range of effective interest rates of 1.31% to 8.81% per annum (2011: 0.93% to 7.92% per annum).

The Group has entered into interest rate cap and interest rate swap contracts for the purpose of reducing its exposure to the risk of interest rate fluctuation of the bank borrowings outstanding at the end of the reporting period. These derivative financial instruments are not accounted for under hedge accounting. The Group recorded a decrease in fair value of derivative financial instruments of HK$1.9 million for the year (2011: HK$1.9 million).

The non-current secured bank borrowings primarily reflect a syndicated loan for the amount of HK$1.7 billion and is repayable in full on maturity in September 2013. The key financial ratio requirement the Group is required to meet for the syndicated loan is the loan-to-value ratio threshold of 47.0% on the charged properties. Based on the property valuation as of 31 March 2012, the corresponding loan-to-value ratio of the said properties was approximately 31.1% as at the end of the financial year, representing a buffer of approximately 15.9% points.

Capital Expenditure

The Group's capital expenditures consist primarily of expenditures for acquisition and development of hotel properties and property, plant and equipment.

For the Year, the Group's capital expenditures amounted to HK$744.8 million, an increase of HK$412.7 million, or 124.3% (2011: HK$332.1 million). These capital expenditures were funded by bank borrowings and internal resources. The increase in capital expenditure was mainly attributable to the acquisition of Dorsett Regency London during the Year. In addition, more capital expenditures were also incurred for Dorsett Regency Chengdu and Dorsett Regency Tsuen Wan as compared with last year.

As the Group continues to expend on the planned construction work and to seek new acquisitions, the Group plans to incur approximately HK$720 million in capital expenditures in the financial year 2013. The management expects to fund the planned capital expenditures by bank borrowings and internal resources.

Capital Commitments

The following table summarises the Group's capital commitments as at 31 March 2012 and 2011:

	2012	2011
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition, development and refurbishment of hotel properties and acquisition of other property, plant and equipment:		
– contracted but not provided in the financial statements	**585,760**	595,557
– authorised but not contracted for	**319,593**	28,177

Contingent Liabilities

During the year ended 31 March 2010, a subsidiary of the Company initiated a lawsuit against a contractor for the unsatisfactory performance in relation to the construction of a hotel for amount of HK$14,356,000. In response to the claims, the contractor has filed counterclaims against the subsidiary for an amount of HK$25,841,000. The trial will commence on 30 July 2012. In the opinion of the directors, there is a fair chance of winning the lawsuit after consulting with our attorneys. Accordingly, no provision for potential liability has been made in the consolidated financial statements.

Human Resources

As at 31 March 2012, the Group had 2,039 employees representing a low staff-to-room ratio of approximately 0.46 (2011: 0.52). Total employee cost for the Year was HK$261.8 million (2011: HK$228.4 million), which represents 23.9% of the Group's total revenue (2011: 26.3%). In order to attract and retain talents to ensure smooth operations 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 consist of basic salary plus discretionary, performance related annual 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 Group recognises a fair value of HK$18.0 million on these options, of which HK$4.9 million is charged as share option expense for the Year.

PROPERTIES

As at 31 March 2012, the Group owned 23 hotels in operation and under development across the world: 11 in Hong Kong, 5 in the PRC, 5 in Malaysia, 1 in Singapore and 1 in the United Kingdom.

For the purpose of financial statement presentation, the management has selected the cost model instead of revaluation model under the HKFRS to account for its hotel properties. Under the cost model, hotel properties, completed and under development 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 changes in the value of the properties which are considered irrelevant for the measurement of the underlying economic performance of the Group's principal business activities.

Together with the residential complex of Dorsett Regency Singapore, which is classified as "Properties for Sale" in the Statement of Financial Position are stated at the lower of cost and net realizable value under the HKFRS, our property portfolio and investment properties were carried at HK$6,268.0 million (2011: HK$5,715.9 million) in the consolidated financial statements.

While the fair value increase has not been recognised in the financial statements, in order to provide users of the financial statements about the fair value of the Group's net assets, the management has commissioned the independent property valuers to perform a valuation on the Group's properties. In this regard, the Group's property portfolio was valued at HK$14,017.9 million (2011: HK$11,694.7 million), representing a hotel revaluation surplus of HK$7,749.9 million as at 31 March 2012 (2011: HK$5,978.8 million), or an increase of 29.6% in hotel revaluation surplus as compared with last year.

Hotels in Operation

As at the end of the Year, the Group was operating 15 hotels representing 3,901 rooms across Hong Kong, Malaysia and the PRC:

Company Owned Hotel Properties	Location	Total rooms	Commencement
Dorsett			
Cosmopolitan Hotel Hong Kong	Hong Kong	454*1	January 2005
Cosmo Hotel Mongkok	Hong Kong	285*2	July 2010
Dorsett Regency Hong Kong	Hong Kong	209	June 2011
Dorsett Regency Kuala Lumpur	Malaysia	320	April 1998
Grand Dorsett Subang	Malaysia	478#	February 2007
Grand Dorsett Labuan	Malaysia	178	September 2007
Dorsett Regency Wuhan	PRC	329	June 2008
Yue Shanghai Hotel	PRC	264*3	February 2010
Boutique			
Cosmo Hotel Hong Kong	Hong Kong	142	October 2005
Lan Kwai Fong Hotel @ Kau U Fong	Hong Kong	162	March 2006
Silka			
Silka Seaview	Hong Kong	268	January 2001
Silka West Kowloon	Hong Kong	141	May 2005
Silka Far East	Hong Kong	240	October 2006
Silka Maytower Hotel & Serviced Residences	Malaysia	179	October 2008
Silka Johor Bahru	Malaysia	252	October 2008
		3,901	

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

*1 *To be re-branded as Dorsett Regency Causeway Bay*

*2 *To be re-branded as Dorsett Regency Mongkok*

*3 *To be re-branded as Dorsett Regency Shanghai*

Hotels Under Development

The eight owned hotels that are under development are largely progressing as planned as follows:

Company Owned Hotels Under Development	Location	Total rooms	Expected Commencement
Dorsett			
Dorsett Regency Kwun Tong	Hong Kong	361	July 2012
Dorsett Regency Tsuen Wan	Hong Kong	548	September 2013
Grand Dorsett Chengdu	PRC	556	July 2012
Grand Dorsett Zhuji#	PRC	200	April 2013
Dorsett Regency Zhongshan	PRC	416	December 2013
Dorsett Regency Singapore	Singapore	285	December 2012
Dorsett Regency London	United Kingdom	322	January 2014
Silka			
Silka Tsuen Wan	Hong Kong	420	August 2014
		3,108	

\# *The group owns 25% interest of the hotel*

While the Group is still in the process of obtaining the title certificates for Dorsett Regency 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 2012.

EVENT AFTER REPORTING PERIOD

As disclosed in the announcement of the Company dated 25 May 2012, the Group entered into an agreement with an independent third party for the disposal at an aggregate consideration of approximately HK$800.0 million of the Group's entire equity interest in Hong Kong (SAR) Hotel Limited ("HKSAR Hotel"), together with the shareholder's loan advanced by the Group to HKSAR Hotel. HKSAR Hotel is the owner and operator of Dorsett Regency Hong Kong. The Group is expected to record a gain from the disposal of approximately HK$450.0 million upon completion.

The disposal is subject to the approval of the respective shareholders of the Company and FEC. Pursuant to Rule 14.44 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), written approval in lieu of approval by shareholders at a shareholders' meeting of the Company has been obtained from Ample Bonus Limited, which directly owns 73.1% of the issued share capital of the Company and is a wholly-owned subsidiary of FEC. A circular containing relevant details of the disposal will be despatched to the shareholders of the Company in due course as required under the Listing Rules.

OUTLOOK

The global economic conditions are expected to become more challenging in the coming year in view of the European economic crisis and the expected slowdown of economic growth in China. According to the latest Pacific Asia Travel Association's (PATA) forecasts, it is projected that there will be additional 8.7 million arrivals from Europe to Pacific Asia by 2013, increasing from 34.5 million in 2009 to over 43 million arrivals. Overall, arrivals growth in the Asia Pacific region is expected to be close to double that of the world average. As over 60% of the Group's customers are from Asia, we are in a relatively good position to capture this continually growing Asia travel market. The Group will continue with its "Chinese Wallet Strategy" driving further growth.

With the newly acquired Silka Tsuen Wan (420 rooms) and Dorsett Regency London (322 rooms), the Group is scheduled to grow its hotel room numbers from 3,901 to exceed 7,000 in the upcoming years. The expansion of its portfolio of operating hotels is expected to generate significantly larger cashflow stream for the Group. In addition, the sale of HKSAR Hotel (the owner of Dorsett Regency Hong Kong), will bring in a gain of approximately HK$450 million. The Group's profitability will be further enhanced as the 68 hotel residence units in the Dorsett Regency Singapore project are delivered upon expected completion in 2012. Longer term, the joint venture project of Subang Jaya to develop 1,989 residential units is expected to generate approximately RM500 million in aggregate revenue on completion of units starting from 2015. The Group will be entitled to or share 50% of the profit and loss from the development.

The Group believes that with the investment it has made in the past several years, it has laid a strong foundation for growth and will continue our growth strategy through development, acquisition and management contracts.

DIVIDEND

The Board recommends the payment of a final dividend (the "Final Dividend") of HK10 cents per ordinary share for the Year which, together with the interim dividend of HK 2 cents per ordinary share already paid, represents a dividend payout ratio for the whole year of approximately 39.7% based on the Company's distributable profit. The total amount of the Final Dividend, based on the current number of issued ordinary shares of the Company, will therefore be approximately HK$200 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") of the Company to be held on 31 August 2012. Notice of the Annual General Meeting will be published and despatched to the shareholders of the Company in the manner as required under the Listing Rules in due course.

CLOSURES OF REGISTER OF MEMBERS

For the purpose of determining the entitlement of the shareholders to attend the Annual General Meeting to be held on 31 August 2012, the register of members of the Company will be closed from 30 August 2012 to 31 August 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited (the "Branch Registrar") at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 29 August 2012.

Subject to the approval of the shareholders at the Annual General Meeting, the proposed Final Dividend will be distributed on or about 3 October 2012 to the shareholders whose names appear on the register of members of the Company on 19 September 2012. For the purpose of determining the entitlement of the shareholders to the proposed Final Dividend, the register of members of the Company will be closed from 18 September 2012 to 19 September 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Branch Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 17 September 2012.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize on professionalism, transparency and accountability to all shareholders. Save as disclosed hereunder, throughout the Year the Company has applied the principles of and complied with the code provisions and, where applicable, the recommended best practices of the Code on Corporate Governance Practices[note] ("CG Code") as set out in Appendix 14 of the Listing Rules.

Pursuant to code provisions A.1.1 and A.1.3 of the CG Code, meetings of the Board should be held at least four times a year at approximately quarterly intervals and notice of at least 14 days should be given of a regular board meeting. During the Year, the Board held five Board meetings of which three Board meetings were regular Board meetings held at quarterly intervals. Other Board meetings were not qualified as regular Board meetings as notice of less than 14 days had been given in view of the items on the agenda of the Board meetings required prompt discussions and decisions of the Board.

The compliance with corporate governance practice of the Company is from time to time reviewed by the Board. In view of the deviation from code provisions A.1.1 and A.1.3 of the CG Code during the Year, the dates for holding of four regular Board meetings at approximately quarterly intervals during the financial year ending 31 March 2013 have been scheduled and such practice would be implemented for each of the financial year.

Note: The Code on Corporate Governance Practices has been amended by the Stock Exchange and now known as Corporate Governance Code with effect from 1 April 2012.

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 code of conduct governing securities transactions by Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2012.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three members, all of whom 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 principal duties of the Audit Committee include reviewing and supervising the Group's financial reporting system, internal control procedures, financial information and the relationship with the external auditors of the Company. The Audit Committee has reviewed the annual results of the Group for the year ended 31 March 2012.

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 31 March 2012 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2012.

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 dispatched 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
CHIU, Wing Kwan Winnie
President and Executive Director

Hong Kong, 19 June 2012

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

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.