



Kosmopolito Hotels International Limited

麗悦酒店集團有限公司

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 2266

中期報告
INTERIM
REPORT
2011-12



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. CHIU, Wing Kwan Winnie
Mr. LAI, Wai Keung

NON-EXECUTIVE DIRECTORS

Tan Sri Dato' CHIU, David (*Chairman*)
Mr. HOONG, Cheong Thard
Mr. CHAN, Chi Hing
Mr. MOK, Kwai Pui Bill

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SHEK, Lai Him Abraham
Mr. TO, Peter
Dr. LIU, Ngai Wing

AUDIT COMMITTEE

Dr. LIU, Ngai Wing (*Chairman*)
Mr. SHEK, Lai Him Abraham
Mr. TO, Peter

REMUNERATION COMMITTEE

Mr. TO, Peter (*Chairman*)
Tan Sri Dato' CHIU, David
Ms. CHIU, Wing Kwan Winnie
Mr. SHEK, Lai Him Abraham
Dr. LIU, Ngai Wing

NOMINATION COMMITTEE

Tan Sri Dato' CHIU, David (*Chairman*)
Mr. CHAN, Chi Hing
Mr. SHEK, Lai Him Abraham
Mr. TO, Peter
Dr. LIU, Ngai Wing

COMPANY SECRETARY

Ms. CHUA, Suk Yan Joey

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6th Floor, Unicorn Trade Centre
127-131 Des Voeux Road Central
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wan Chai
Hong Kong

LISTING INFORMATION

Ordinary Shares (Code: 2266)
The Stock Exchange of Hong Kong Limited

WEBSITE

<http://www.kosmohotels.com>

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

SOLICITORS

Hong Kong

Woo, Kwan, Lee & Lo
Reed Smith Richards Butler

Cayman Islands

Maples and Calder

Malaysia

Syed Alwi, Ng & Co.

PRINCIPAL BANKERS

Hong Kong

Cathay United Bank Company, Limited
Citic Ka Wah Bank Limited
Dah Sing Bank, Limited
DBS Bank (Hong Kong) Limited
Hang Seng Bank Limited
Nanyang Commercial Bank Limited
Public Bank (Hong Kong) Limited
The Hongkong and Shanghai
Banking Corporation Limited
Wing Hang Bank Limited

Malaysia

Affin Islamic Bank Berhad
Affin Bank Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad

PRINCIPAL BANKERS

Singapore

The Hongkong and Shanghai
Banking Corporation Limited

China

Agricultural Bank of China Limited
DBS Bank (China) Limited
HSBC Bank (China) Company Limited

Note: This interim report 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 interim report shall prevail over the Chinese text.

PROFILE OF DIRECTORS

Ms. CHIU, Wing Kwan Winnie, aged 31, has been an executive Director since 8 June 2010 and the President of the Company since 1 November 2011. Ms. Chiu is a member of the Remuneration Committee and has been the Chief Strategy Officer since 1 September 2010. Ms. Chiu is also a director of various subsidiaries of the Company. Ms. Chiu graduated from King's College, University of London in the United Kingdom in 2002 with a Bachelor of Science degree in Business Management. She has accumulated ten years of experience in the property development business covering various aspects of project development and retail management. Since 2002, Ms. Chiu has been a director of Malaysia Land Properties Sdn. Bhd. ("Mayland") and continues to serve on its board, she is responsible for the overall project development and retail management of Mayland. Ms. Chiu led all stages of development for Plaza Damas, an iconic mixed used development of Mayland in Kuala Lumpur, Malaysia. Since 2005 and up to the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 October 2010, Ms. Chiu was director of property development for Far East Consortium International Limited ("FECIL") where she had responsibility for overall project development and oversaw FECIL's hotels development in Hong Kong, PRC, Malaysia and Singapore. Prior to joining Mayland and FECIL, she worked for a few major international banks where she gained financial management experience. Since 17 July 2008, Ms. Chiu has been appointed as a non-independent and non-executive director of Land & General Berhad, a company listed on the main market of Bursa Malaysia and is principally engaged in property development and investment in plantation, education and leisure sectors. Ms. Chiu is the founder of Freshness Burger Hong Kong, a chain of fast food shops established in Hong Kong since 2007. She is also a member of the board of governors of the Hong Kong Philharmonic Society Limited. Ms. Chiu is the daughter of Tan Sri Dato' David Chiu, a non-executive Director, Chairman, and the Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.

Mr. LAI, Wai Keung, aged 47, has been an executive Director since 8 June 2010 and the Chief Operating Officer, China since 1 June 2010 and is responsible for the hotel operations of the Group in Hong Kong and China. He is also a director of various subsidiaries of the Company. Mr. Lai graduated from the Bolton Institute of Higher Education (presently known as the University of Bolton) in the United Kingdom in 1999 with a Bachelor of Arts degree in Business Administration. He has more than 10 years' experience in the hotel industry. In 1989, he joined FECIL's finance and accounting department as an accountant and internal auditor. In 2002, he was appointed as the financial controller of Kosmopolito Hotels International Services Limited and was responsible for the overall finance and accounting matters of the company. In 2006, he became the director of hotel operations of the Dorsett Hotel group, where major duties included managing the group's operation, administration works and developing the business strategy with the general managers of the group's hotels. He was also responsible for the assessment and overall project management of hotel development and redevelopment projects of the group.

Tan Sri Dato' CHIU, David, aged 57, non-executive Director, Chairman, the Chairman of the Nomination Committee and a member of the Remuneration Committee. Tan Sri Dato' David Chiu was appointed as a Director on 23 January 2007 and is a director of certain subsidiaries of the Company. He graduated from the University of Sophia in Japan with a double degree of Bachelor of Science in Business Administration and Economics in 1975. He has over 30 years of experience in property development and extensive experience in hotel development. In his business career, he established a number of highly successful business operation through organic growth and acquisitions, covering mainland China, Hong Kong, Japan, Malaysia, Singapore and Australia. He is the chief executive officer, an executive director and the chairman of FECIL. Tan Sri Dato' David Chiu has also been the chairman of the board of directors of Tokai Kanko Co., Ltd., a company listed on the first section of the Tokyo Stock Exchange, since September 1997.

With regard to Tan Sri Dato' David Chiu's devotion to the community services, he is a trustee member of "The Better Hong Kong Foundation" and the former chairman of "the Festival Celebration for the Chinese People's Liberation Army Force" in Hong Kong. He is also a member of the "Concerted Efforts Resource Centre", a member of "Hong Kong General Chamber of Commerce", a member of the "Constitutional Reform Synergy" and a member of "The Real Estate Developers Association of Hong Kong". In Malaysia, Tan Sri Dato' David Chiu was conferred an honorary award which carried the title "Dato" and subsequently a more senior honorary title of "Tan Sri" by His Majesty, the King of Malaysia, in 1997 and 2005, respectively.

Tan Sri Dato' David Chiu is the father of Ms. CHIU, Wing Kwan Winnie, an executive Director, the President and a member of the Remuneration Committee of the Company. He is a director of Sumptuous Assets Limited and Ample Bonus Limited, the substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO").

Mr. HOONG, Cheong Thard, aged 42, has been a non-executive Director since 8 June 2010. Mr. Hoong has over 12 years of experience in the corporate finance and investment banking industry in Asia. He graduated from Imperial College of Science, Technology and Medicine, University of London in the United Kingdom in 1989 with a Bachelor of Engineering degree in Mechanical Engineering. In 1997, he joined UBS AG, Hong Kong Branch as an associate director in the corporate finance department and was subsequently promoted to director and executive director in 2000 and 2002, respectively. From 2003 to 2006, Mr. Hoong worked for Deutsche Bank AG, Hong Kong Branch as a director. From 2006 to 2008, Mr. Hoong was the chief executive officer and an executive director of China LotSynergy Holdings Limited, a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Hoong remains as a non-executive director of China LotSynergy Holdings Limited. He joined FECIL as the managing director in September 2008. Mr. Hoong is the president and director of Tokai Kanko Co., Ltd., a company listed on the first section of the Tokyo Stock Exchange, since 27 March 2009, and a non-independent and non-executive director of Land & General Berhad, a company listed on the main market of Bursa Malaysia, since 1 June 2010. Mr. Hoong is a member of the Institute of Chartered Accountants in England and Wales.

Mr. CHAN, Chi Hing, aged 48, a non-executive Director and a member of the Nomination Committee. He was appointed as a Director on 23 January 2007 and is a director of certain subsidiaries of the Company. He is a director of Ample Bonus Limited, a substantial shareholder of the Company within the meaning of Part XV of the SFO. He has over 10 years' experience in the hotel industry. Mr. Chan joined FECIL in 1990 as its chief accountant and was promoted as the group's financial controller and later chief operating officer in 2002 and 2004, respectively. He is responsible for the Hong Kong, Macau and China based activities of FECIL with emphasis on commercial management, property development and investment, and project development. He is also responsible for the industrial and infrastructure businesses of FECIL in the PRC. He has been an independent non-executive director of Hidili Industry International Development Limited, a company listed on the Main Board of the Stock Exchange, since 21 June 2007. Before joining FECIL, he was an audit supervisor of Kwan Wong Tan & Fong (presently known as Deloitte Touche Tohmatsu). Mr. Chan has over 10 years of audit experience. He is a member of the Hong Kong Institute of Project Management.

Mr. MOK, Kwai Pui Bill, aged 50, non-executive Director of the Company. Mr. Mok has been appointed as a Director since 23 January 2007 and was re-designated from an executive Director to a non-executive Director of the Company on 1 November 2011. Mr. Mok graduated from the University of Washington in the United States with a Bachelor of Arts degree in Business Administration in 1984 and from Seattle University in the United States with a Master of Business Administration degree in 1987. From 1988 to 1993 he worked for Price Waterhouse Company (presently known as PriceWaterhouseCoopers) as a staff accountant and was later promoted to deputy manager. From 1993 to 1995, he worked for Jade Dynasty Publications Limited as its finance manager. From 1995 to 1996 he worked for The Hong Kong and China Gas Company Limited as finance manager of its PRC projects. In 1996, Mr. Mok joined the investment industry where he worked for Nava SC Securities Limited until 1997, when it was taken over by Prudential-Bache, where he continued to work until 1999 before moving to ING Securities

Limited in 1999 where he stayed until 2003. Mr. Mok joined FECIL in 2004 as chief financial officer and prior to the listing of the shares of the Company on the Main Board of the Stock Exchange on 11 October 2010, he was a member of FECIL's senior management where he helped develop the strategies of FECIL's hotel operations. Since 1 November 2011, Mr. Mok joined Fortune Oil PLC as chief financial officer. Mr. Mok is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. SHEK, Lai Him Abraham, aged 66, has been an independent non-executive Director since 10 September 2010 and is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Shek graduated from the University of Sydney, in Australia in 1969 with a Bachelor of Arts degree and in 1970 with a Diploma in Education. Mr. Shek was appointed as a Justice of Peace in 1995. He currently is a member of Legislative Council for the Hong Kong Special Administrative Region, the Court of The University of Hong Kong and the Court of The Hong Kong University of Science & Technology, and the vice chairman of Independent Police Complaints Council.

Mr. Shek is currently a non-executive director of The Hong Kong Mortgage Corporation Limited. He is also an independent non-executive director of Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, NWS Holdings Limited, Hop Hing Group Holdings Limited, Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust), Titan Petrochemicals Group Limited, Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust), ITC Corporation Limited, Country Garden Holdings Company Limited, MTR Corporation Limited, SJM Holdings Limited, Hsin Chong Construction Group Limited, Chuang's China Investments Limited, ITC Properties Group Limited and China Resources Cement Holdings Limited, all of which are companies listed on the Main Board of the Stock Exchange.

Mr. TO, Peter, aged 63, has been an independent non-executive Director since 10 September 2010 and is the Chairman of the Remuneration Committee, and a member of each of the Audit Committee and Nomination Committee. He obtained a Certificate of Housing from The University of Hong Kong in 1972 and later became a professional member of The Hong Kong Institute of Housing and The Chartered Institute of Housing, United Kingdom, formerly known as the Institute of Housing, United Kingdom. Mr. To was an executive director of PCCW Limited, a company listed on the Main Board of the Stock Exchange, from 3 August 1999 to 30 June 2002, its deputy chairman from 3 August 1999 to 10 June 2001 and served as its consultant from 11 June 2001 to 31 October 2003. He was the chief executive officer and executive director of Pacific Century Regional Developments Limited, a company listed on the Singapore Stock Exchange, from 1997 to 2002. Mr. To has been active in the property development and investment industry for more than 30 years and is currently a member of the board of the Urban Renewal Authority.

Dr. LIU, Ngai Wing, aged 60, has been an independent non-executive Director since 10 September 2010 and is the Chairman of the Audit Committee, and a member of each of the Remuneration Committee and Nomination Committee. Dr. Liu holds a PhD Degree in Hotel and Tourism Management from the School of Hotel and Tourism Management of the Hong Kong Polytechnic University in Hong Kong, a Master of Science Degree in Global Business from The Chinese University of Hong Kong, a Master of Science Degree in Hotel and Tourism Management from the Hong Kong Polytechnic University and a Master Degree in Business Administration from The Open University of Hong Kong. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Dr. Liu was an executive director of eSun Holdings Limited (formerly known as Lai Sun Hotels International Limited) from 1 November 1998 to 22 May 2008 and chief executive officer from 1 November 1998 to 9 March 2000. Dr. Liu has been an independent non-executive director of Daiwa Associate Holdings Limited, a company listed on the Main Board of the Stock Exchange, since 17 September 2004.

INTERIM RESULTS HIGHLIGHTS

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Kosmopolito Hotels International Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2011.

FINANCIAL HIGHLIGHTS

- Revenue reached HK\$499.0 million for the first six months, up 29.9% as compared to the same period of last financial year.
- Overall RevPAR rose 23.6% to HK\$591.9, driven by a 5.1% improvement in occupancy rate and an 18.0% increase in average room rate.
- Gross profit was reported at HK\$289.4 million, up 36.3%, with gross profit margin improving to 58.0% from 55.3%.
- Net profit for the first six months was HK\$94.2 million vs. net profit of HK\$35.6 million for the same period of last financial year.
- Earnings per share for the period was HK4.71 cents vs. HK2.06 cents for the same period of last financial year.
- Adjusted EBITDA for the period reached HK\$222.3 million, showing a 42.8% year-on-year improvement, with adjusted EBITDA margin rising to 44.6% from 40.5%.
- The expected gain of approximately HK\$370.0 million from the disposal of Central Park Hotel, as announced on 7 September 2011, will be recognized in the second half of the financial year upon completion.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION AND FINANCIAL REVIEWS

Results for the first half of the financial year ending 31 March 2012 ("FY2012") continue to show positive growth from the same period of the financial year ended 31 March 2011 ("FY2011"). The Group's total revenue per available room ("RevPAR") was up 23.6% with both occupancy rate and average room rate increase by 5.1% and 18.0% respectively.

The key revenue indicators for the period are as follows:

	Six months ended 30 September		
	2011	2010	% change
Hong Kong			
Occupancy rate*	95%	89%	6.7%
Average room rate (HK\$)*	857	709	20.9%
RevPAR (HK\$)*	813	630	29.0%
Revenue (HK\$m)	309	211	46.4%
Malaysia			
Occupancy rate	73%	73%	0%
Average room rate (HK\$)	505	464	8.8%
RevPAR (HK\$)	371	340	9.1%
Revenue (HK\$m)	143	128	11.7%
China			
Occupancy rate	50%	53%	-5.7%
Average room rate (HK\$)	587	604	-2.8%
RevPAR (HK\$)	294	320	-8.1%
Revenue (HK\$m)	47	45	4.4%
Group Total			
Occupancy rate	82%	78%	5.1%
Average room rate (HK\$)	726	615	18.0%
RevPAR (HK\$)	592	479	23.6%
Revenue (HK\$m)	499	384	29.9%

* Included only hotels owned by the Group

The Group's overall revenue reached HK\$499.0 million during the six months ended 30 September 2011, up 29.9% as compared to the same period of FY2011. The Group continued to benefit from the economic growth in Asia, as seen mainly in our Hong Kong and Malaysia operations. Especially worth mentioning is the performance of the nine owned hotels in Hong Kong, which recorded a RevPAR growth of 29.0% on the back of a 20.9% jump in average room rate and a 6.7% rise in occupancy rate. China's overall revenue has a slight increase of 4.4% compared to the same period of FY2011. There was a slight decrease in occupancy rate of 5.7% which was due to renovation work being performed at Dorsett Regency Hotel Wuhan. The renovation work was completed prior to the end of September 2011. In addition, the average room rate has a slight decrease of 2.8% compared to the same period of FY2011 due to the general recovery was slower than anticipated as a result of post-Expo over-supply of rooms in Shanghai which has a slight negative impact on our average room rate. However, our total revenue in China has slightly increased due to favourable currency exchange gain in RMB and increase in other non-room related revenue. We expect a steady recovery of occupancy and average room rate in the second half of this financial year.

The key financial performance indicators for the period are as follows:

	Six months ended 30 September		% change
	2011 HK\$'000	2010 HK\$'000	
Revenue	498,990	384,162	29.9%
Gross profit	289,413	212,361	36.3%
Profit before tax	118,356	44,407	166.5%
Profit for the period	94,158	35,645	164.2%
Earnings per share			
– Basic (HK cents)	4.71	2.06	128.6%
EBITDA	220,069	136,544	61.2%
Adjusted EBITDA ⁽¹⁾	222,303	155,623	42.8%
Adjusted EBITDA Margin ⁽²⁾	45%	41%	9.8%

Notes:

⁽¹⁾ Adjusted EBITDA = profit before tax, 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

Gross profit for the first six months was up 36.3% to HK\$289.4 million, primarily due to the significant improvements in the performance of Hong Kong's operations.

Profit for the period was reported at HK\$94.2 million, a significant increase of 164.2% compared to HK\$35.6 million for the same period of last financial year. The prior period profit was HK\$54.6 million if the one-off charge of HK\$19.0 million listing expenses was excluded.

EBITDA rose to HK\$220.1 million from HK\$136.5 million, while adjusted EBITDA grew to HK\$222.3 million from HK\$155.6 million, with adjusted EBITDA margin improving to 44.6% from 40.5%.

Financial Resources and Liquidity

Borrowings and charge on Group assets

	30.9.2011	31.3.2011
	HK\$'000	HK\$'000
Secured bank borrowings	3,630,106	3,561,670
The above borrowings are repayable as follows:		
On demand or within one year	887,794	464,136
Amount due after one year	2,742,312	3,097,534
	3,630,106	3,561,670
Net debt	2,984,555	2,664,706
Total equity	2,917,461	2,896,734
Revaluation surplus of hotel properties **	5,978,762	5,978,762
Total equity after revaluation surplus	8,896,223	8,875,496
Net debt to equity (after revaluation surplus)	33.5%	30.0%

** as at 31 March 2011. No revaluation on hotel properties was performed for the interim period of FY2012.

We entered into various loan agreements with a number of banks where the Company is guarantor of these loans. The non-current secured bank borrowing primarily reflects 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. Interest is payable quarterly. The syndicated loan is repayable in full on maturity in September 2013.

Management has reviewed the cash flow forecast and cash position during the period as part of the Group's normal course of business and is comfortable with the Group's liquidity position. The Group will receive HK\$515.0 million of sale proceeds in December 2011 subject to the completion of disposal of Central Park Hotel. The Group anticipates the renewal of existing bank loans on or prior to maturity for our hotel developments in Hong Kong.

Exposure in exchange rate fluctuations

As the Group's foreign operations were mainly conducted in Malaysia and China and the majority of the sales and purchases were transacted in Malaysian Ringgit and Renminbi, the Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks and therefore no hedging arrangements were made. However, the Group will review and monitor the relevant foreign exchange exposure from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when appropriate.

Capital Expenditure

The Group's capital expenditure in relation to our hotel portfolio is expected to be approximately HK\$294.4 million for the second half of FY2012. The capital expenditure shall be financed with our existing financial resources, banking facilities and fund generated from our operating activities.

Contingent Liabilities

During the financial year ended 31 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\$14,735,000. In response to the claim, the contractor had filed counterclaims against the subsidiary for an amount of HK\$25,841,000. The trial will commence on 30 July 2012 with 10 days reserved. In the opinion of the Directors, there is a fair chance of winning the lawsuit after consulting with the lawyer. Accordingly, no provision for potential liability has been made in the condensed consolidated financial information.

Capital Commitments

	30.9.2011	31.3.2011
	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	599,955	595,557
– authorised but not contracted for	26,752	28,177

Other Financial and Operational Information

- The fair value of the Company's hotel portfolio exceeded its carrying amount by approximately HK\$5,978.8 million based on valuation on 31 March 2011. The Group did not revalue our hotel portfolio for the interim reporting period of FY2012. The revaluation surplus has not been accounted for in the financial statements.
- Following the sale in the last financial year, "The Mercer by Kosmopolito" commenced operation in April 2011, becoming the first third party hotel operated by the Group under a hotel management agreement.
- As part of its capital redeployment strategy of some of its hotel assets, the Group entered into an agreement to dispose the 142-room Central Park Hotel in Sheung Wan, Hong Kong for a consideration of HK\$515.0 million. The Group is expecting the disposal to be completed on or before 7 December 2011, at which time the Group expects to realise a gain of approximately HK\$370.0 million attributable to shareholders. The hotel is currently being managed by the Group and is in the process of negotiation to be appointed as the hotel manager for the new hotel owner for a period of up to 6 months starting from the date of completion of the disposal.
- The Group established its entry into Europe with the acquisition of the Shepherd's Bush Pavilion in West London, United Kingdom for a consideration of £16.0 million (approximately HK\$202.4 million). It is part of the overall "Chinese Wallet" strategy in following our customer base on outbound trips to destinations outside of Asia. A red brick landmark with a history dating back to 1923, the freehold property has been granted approval for redevelopment into a 242-room hotel. The Group is currently in the process of submitting applications to vary the planning permission with a view to maximising the financial returns and the property's strategic value to the Group. The proposed hotel is expected to open as a Dorsett Regency Hotel in 2014.
- The Group launched the "Dorsett Regency Hotels & Resorts" and "Silka Hotels" brands. The Dorsett Regency hotels are sleek 4-star business hotels providing executive travellers with efficient and prompt service supported by technology and well-trained associates to deliver an engaging experience. Trendy and interactive best describes the style of Dorsett Regency Hotels. All rooms are modern and tastefully furnished to ensure the comfort and ease of the guests. Dorsett Regency Hotel, Hong Kong, commenced operation in June 2011 and the Group anticipates six more hotels under this brand to commence operations within the next one to three years in Hong Kong, China, Singapore and United Kingdom.

- Silka Hotels is a value-led hotel chain providing a high level of comfort at great value and convenient services to the value-conscious guests. All hotels are strategically located for both corporate and leisure travellers. Apart from offering affordable yet innovatively designed accommodation; concierge services, internet corner, and mini-bar items at supermarket prices; Silka Hotels also rolled out a value-added programme “Stay, Shop & Save” which is a collaboration programme with major retailers to offer shopping privileges for Silka’s guests. The Group currently has three hotels in Hong Kong and one in Malaysia.

Employees and Remuneration Policies

The Group had approximately 1,924 employees as at 30 September 2011. In order to attract and retain talents to ensure efficient 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 comprise basic salary 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.

Total employee costs for the six months ended 30 September 2011 was approximately HK\$115,594,000.

SUBSEQUENT EVENTS

On 11 October 2011, Subang Jaya Hotel Development Sdn. Bhd., a wholly-owned subsidiary of the Company, entered into the joint venture agreement with Mayland Valiant Sdn. Bhd. whereby Subang Jaya and Mayland Valiant will develop hotel suite apartments (approximately 1,989 units) in two 17-storey high apartment blocks, with a car park providing approximately 1,329 parking spaces. The total net floor area for the project is approximately 91,000 square metres. The development site is on the outskirts of the Grand Dorsett Subang Hotel in Malaysia. The development will not affect the existing operation of the Grand Dorsett Subang Hotel and will provide an excellent opportunity to develop the vacant land which is anticipated to further enhance the value of the asset. The Group does not anticipate to further contribute any capital in this development project. Subang Jaya will provide the development land on which the project will be situated. The development land has been attributed with a value of RM65,000,000 (equivalent to approximately HK\$162,500,000) based on a valuation report dated 24 August 2011. Mayland Valiant as the developer shall pay for all premiums, contributions and other payments incurred on the development land, together with direct costs incurred for the development of the project and all costs now or thereafter chargeable or imposed by the relevant authorities of Malaysia in respect of the development of the project.

HOTELS FOR/UNDER DEVELOPMENT

The six owned hotels that are under development are largely progressing as planned with slight delays. Dorsett Regency Hotel, Kwun Tong in Hong Kong and Dorsett Regency Hotel, Zhongshan in PRC are anticipated to experience some delay in their respective development schedules due to delay in the processing by their respective regulatory agencies. The details are proceeding as follows:

Company Owned Hotels For/Under Development*	Location	Target market segment*	Total rooms*	Commencement*
Dorsett Regency Hotel, Kwun Tong, Hong Kong	Hong Kong	mid-scale	371	4th quarter of FY2012
Dorsett Regency Hotel, Chengdu	PRC	mid-scale	547	1st quarter of FY2013
Dorsett Regency Hotel, Tsuen Wan, Hong Kong**	Hong Kong	mid-scale	506	2nd quarter of FY2013
Dorsett Regency Hotel, Zhongshan	PRC	mid-scale	416	3rd quarter of FY2013
Dorsett Regency Hotel "On New Bridge", Singapore	Singapore	mid-scale	285	1st quarter of FY2014
Dorsett Regency Hotel, London	UK	mid-scale	242	4th quarter of FY2014

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

** Previously known as Dorsett Regency Hotel, Kwai Chung, Hong Kong.

OUTLOOK

We expect a steady upward trend in the second half of FY2012 to continue in the major markets we operate in. Overall, the Group is cautiously optimistic with the tourism industry, the operational performance of our hotels and the Group's performance.

We have commenced our rebranding strategy during the first half of FY2012 to streamline and strengthen our brand awareness. The team's priority is to put in place key marketing strategies to ensure the Group's continued growth and also to continue to create "top of the mind" awareness for the Group via continuous disseminating of newsworthy releases and maximising the potential of social media marketing.

With the increase in travelling and spending patterns of the Asian population, we will continue to seek hotel investment opportunities in Asia Pacific and Europe, in particular United Kingdom where we continue to pursue the "Chinese Wallet" strategy.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has declared an interim dividend (the "Interim Dividend") of HK2 cents per ordinary share (Interim FY2011: Nil) for the six months ended 30 September 2011. The Interim Dividend represents a dividend payout ratio of approximately 42.6% based on the Group's distributable profit of HK\$93.9 million.

CLOSURE OF REGISTER OF MEMBERS

The Interim Dividend will be distributed on or about 29 December 2011 to the shareholders whose names appear on the Register of Members of the Company on 14 December 2011.

For the purpose of determining the entitlement of the shareholders to the Interim Dividend, the Register of Members of the Company will be closed from 13 December 2011 to 14 December 2011, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the Interim Dividend, 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 at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 12 December 2011.

REVIEW OF INTERIM FINANCIAL INFORMATION

The condensed consolidated financial information of the Group for the six months ended 30 September 2011 has not been audited but has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA by Deloitte Touche Tohmatsu, whose report on review is contained in this interim report. The unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2011 has also been reviewed by the Audit Committee of the Company.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The Company has adopted the code provisions in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance. The Board considers that the Company has complied with all the code provisions of the CG Code throughout the six months ended 30 September 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "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 throughout the six months ended 30 September 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 September 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2011, the interests and short positions of the Directors and/or chief executives of the Company in any shares of the Company (the "Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Directors' interests in Shares and underlying Shares

Name of Director	Shares in the Company				Options granted by the Company ^(v)		Approximate % of Issued Share Capital of the Company
	Personal Interests	Corporate Interests	Family Interests	Other Interests	Personal Interests	Total	
CHIU, Wing Kwan Winnie	–	–	–	–	2,272,727	2,272,727	0.11%
LAI, Wai Keung	–	–	–	–	1,590,909	1,590,909	0.08%
Tan Sri Dato' CHIU, David	–	1,469,773,254 ⁽ⁱⁱ⁾	8,355	–	–	1,469,781,609	73.49%
HOONG, Cheong Thard	–	–	–	4,000 ⁽ⁱⁱⁱ⁾	2,836,363	2,840,363	0.14%
CHAN, Chi Hing	3,000	–	–	–	3,545,454	3,548,454	0.18%
MOK, Kwai Pui Bill	–	–	–	–	3,545,454	3,545,454	0.18%
CHU, Chee Seng ^(iv)	–	–	–	–	3,522,727	3,522,727	0.18%

Notes:

- (i) All interests of the Directors in the Shares or underlying Shares were long positions.
- (ii) 7,773,254 Shares were directly held by Sumptuous Assets Limited ("Sumptuous"), a company fully controlled by Tan Sri Dato' David Chiu, and 1,462,000,000 Shares were directly held by Ample Bonus Limited, a wholly-owned subsidiary of FECIL. By virtue of the shares in FECIL held by Sumptuous and Modest Secretarial Services Limited ("Modest"), a company fully controlled by Tan Sri Dato' David Chiu, Tan Sri Dato' David Chiu is deemed to be interested in the Shares directly owned by Sumptuous and Ample Bonus Limited.
- (iii) 4,000 Shares were jointly held by Mr. HOONG, Cheong Thard and Ms. TENG, Pei Chun.
- (iv) Mr. CHU, Chee Seng resigned as an executive Director with effect from 19 October 2011.
- (v) Further information on the options granted by the Company to the Directors is set out in the below section headed "Share Option Scheme of the Company".

Directors' interest in shares, underlying shares and debentures of FECIL, an associated corporation (within the meaning of Part XV of the SFO) of the Company

Shares and underlying shares of FECIL

Name of Director	Shares in FECIL				Options granted by FECIL ^(v)		Underlying shares in FECIL	Total	Approximate % of Issued Share Capital of FECIL
	Personal Interests	Corporate Interests	Family Interests	Other Interests	Personal Interests				
LAI, Wai Keung	–	–	–	–	1,300,000	–	1,300,000	0.07%	
Tan Sri Dato' CHIU, David	13,034,698	657,003,028 ⁽ⁱⁱ⁾	557,000	–	–	–	670,594,726	34.96%	
HOONG, Cheong Thard	261	–	–	369,756 ⁽ⁱⁱⁱ⁾	7,400,000	606,060 ^(iv)	8,376,077	0.44%	
CHAN, Chi Hing	208,586	–	–	–	4,300,000	–	4,508,586	0.24%	
MOK, Kwai Pui Bill	–	–	–	–	5,000,000	–	5,000,000	0.26%	
LIU, Ngai Wing	4,490	–	–	–	–	–	4,490	0.00%	

Notes:

- (i) All interests of the Directors in the shares or underlying shares of FECIL were long positions.
- (ii) 656,991,225 shares in FECIL were held by Sumptuous and 11,803 shares in FECIL were held by Modest.
- (iii) 369,756 shares in FECIL were jointly held by Mr. HOONG, Cheong Thard and Ms. TENG, Pei Chun.
- (iv) 606,060 shares in FECIL would fall to be issued upon conversion of the convertible bonds held beneficially by Mr. Hoong in the principal sum of HK\$2,000,000 issued by FECIL and based on the adjusted conversion price of HK\$3.30.
- (v) Further information on the options granted by FECIL to the Directors is set out in the below section headed "Share Option Scheme of FECIL".

Debentures of FECIL

As disclosed above, Mr. HOONG, Cheong Thard beneficially owned convertible bonds in the principal sum of HK\$2,000,000 issued by FECIL.

Save as disclosed above, none of the Directors or chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 30 September 2011.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2011, the interests or short positions of every person in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange were as follows:

Name of substantial shareholders	Capacity	Nature of interests ⁽ⁱ⁾	Shares in the Company	Approximate % of Issued Share Capital of the Company
Tan Sri Dato' CHIU, David	Interests in controlled corporations ⁽ⁱⁱ⁾ Interests of spouse	Long	1,469,773,254	
		Long	8,355	
			1,469,781,609	73.49%
Nancy NG	Personal interests Interests of spouse ⁽ⁱⁱⁱ⁾	Long	8,355	
		Long	1,469,773,254	
			1,469,781,609	73.49%
Sumptuous Assets Limited	Beneficial owner ⁽ⁱⁱ⁾ Interests in controlled corporation ⁽ⁱⁱ⁾	Long	7,773,254	
		Long	1,462,000,000	
			1,469,773,254	73.49%
FECIL	Interests in controlled corporation ⁽ⁱⁱ⁾	Long	1,462,000,000	73.10%
Ample Bonus Limited	Beneficial owner ⁽ⁱⁱ⁾	Long	1,462,000,000	73.10%
Credit Suisse AG	Interests in controlled corporation ^(iv)	Long	162,000,000	8.10%
		Short	81,000,000	4.05%
Credit Suisse (Hong Kong) Limited ("Credit Suisse HK")	Interests held jointly with another entity ^(v)	Long	162,000,000	8.10%
		Short	81,000,000	4.05%
Penta Investment Advisers Limited	Investment manager ^(vi)	Long	139,965,543	7.00%

Notes:

- (i) "Long" refers to the long position in the Shares or underlying Shares held by such person/entity, while "Short" refers to short position in the Shares or underlying Shares held by such person/entity.
- (ii) Ample Bonus Limited directly owned 1,462,000,000 Shares. Ample Bonus Limited is a wholly-owned subsidiary of FECIL and accordingly FECIL is deemed to be interested in the Shares held by Ample Bonus Limited.

Sumptuous directly owned 7,773,254 Shares. By virtue of the shares in FECIL owned by Sumptuous, Sumptuous is deemed to be interested in the Shares owned by Ample Bonus Limited. Sumptuous is fully controlled by Tan Sri Dato' David Chiu and therefore Tan Sri Dato' David Chiu is deemed to be interested in the Shares directly owned by Ample Bonus Limited and Sumptuous.
- (iii) Ms. Nancy NG is the spouse of Tan Sri Dato' David Chiu and is deemed to be interested in the Shares in which Tan Sri Dato' David Chiu is interested.
- (iv) Credit Suisse HK is fully controlled by Credit Suisse AG and accordingly pursuant to SFO Credit Suisse AG is deemed to be interested in the Shares of which Credit Suisse HK is interested.
- (v) 81,000,000 Shares were jointly held by Credit Suisse HK and Morgan Stanley Asia Limited, and 81,000,000 Shares were jointly held by Credit Suisse HK and The Royal Bank of Scotland N.V., Hong Kong Branch. The long position of Credit Suisse HK in 81,000,000 Shares were in respect of unlisted physically settled derivatives.
- (vi) The long position of Penta Investment Advisers Limited in 39,594,910 Shares were in respect of unlisted cash settled derivatives.

Save as disclosed above, no other interest or short position in the Shares or underlying Shares of the Company were recorded in the register required to be kept under section 336 of the SFO as at 30 September 2011.

SHARE OPTION SCHEME OF THE COMPANY

The Company operates a share option scheme (the "Share Option Scheme"), which was adopted on 10 September 2010 (the "Adoption Date"), for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from the Adoption Date.

Eligible participants of the Share Option Scheme include Directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the FECIL and its subsidiaries (the "FECIL Group") and the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

Details of the movements of share options under the Option Scheme during the Period were as follows:

	Option type	Number of share options ⁽ⁱ⁾				Outstanding at 30.9.2011
		Outstanding at 1.4.2011	Granted during the Period	Exercised during the Period	Lapsed during the Period	
Directors						
CHIU, Wing Kwan Winnie	Tranche 1	454,545	–	–	–	454,545
	Tranche 2	454,545	–	–	–	454,545
	Tranche 3	454,545	–	–	–	454,545
	Tranche 4	454,545	–	–	–	454,545
	Tranche 5	454,547	–	–	–	454,547
		2,272,727	–	–	–	2,272,727
LAI, Wai Keung	Tranche 1	318,181	–	–	–	318,181
	Tranche 2	318,181	–	–	–	318,181
	Tranche 3	318,181	–	–	–	318,181
	Tranche 4	318,181	–	–	–	318,181
	Tranche 5	318,185	–	–	–	318,185
		1,590,909	–	–	–	1,590,909
HOONG, Cheong Thard	Tranche 1	567,272	–	–	–	567,272
	Tranche 2	567,272	–	–	–	567,272
	Tranche 3	567,272	–	–	–	567,272
	Tranche 4	567,272	–	–	–	567,272
	Tranche 5	567,275	–	–	–	567,275
		2,836,363	–	–	–	2,836,363
CHAN, Chi Hing	Tranche 1	709,090	–	–	–	709,090
	Tranche 2	709,090	–	–	–	709,090
	Tranche 3	709,090	–	–	–	709,090
	Tranche 4	709,090	–	–	–	709,090
	Tranche 5	709,094	–	–	–	709,094
		3,545,454	–	–	–	3,545,454

	Option type	Number of share options ⁽ⁱ⁾				Outstanding at 30.9.2011
		Outstanding at 1.4.2011	Granted during the Period	Exercised during the Period	Lapsed during the Period	
MOK, Kwai Pui Bill	Tranche 1	709,090	–	–	–	709,090
	Tranche 2	709,090	–	–	–	709,090
	Tranche 3	709,090	–	–	–	709,090
	Tranche 4	709,090	–	–	–	709,090
	Tranche 5	709,094	–	–	–	709,094
		3,545,454	–	–	–	3,545,454
CHU, Chee Seng ⁽ⁱⁱⁱ⁾	Tranche 1	1,056,818	–	–	–	1,056,818
	Tranche 2	1,056,818	–	–	–	1,056,818
	Tranche 3	1,409,091	–	–	–	1,409,091
		3,522,727	–	–	–	3,522,727
Employees (in aggregate)	Tranche 1	2,829,539	–	–	(1,056,818)	1,772,721
	Tranche 2	2,829,539	–	–	(1,056,818)	1,772,721
	Tranche 3	3,181,812	–	–	(1,409,091)	1,772,721
	Tranche 4	1,772,721	–	–	–	1,772,721
	Tranche 5	1,772,745	–	–	–	1,772,745
		12,386,356	–	–	(3,522,727)	8,863,629
Total		29,699,990	–	–	(3,522,727)	26,177,263

No share options were cancelled during the Period.

Notes:

- (i) The share options were granted on 11 October 2010 at an initial exercise price of HK\$2.20 per share.
- (ii) The exercise periods of the share options are as follows:

Option type	Exercise period
Tranche 1	11.10.2011 to 10.10.2014
Tranche 2	11.10.2012 to 10.10.2015
Tranche 3	11.10.2013 to 10.10.2016
Tranche 4	11.10.2014 to 10.10.2017
Tranche 5	11.10.2015 to 10.10.2018

- (iii) Mr. CHU, Chee Seng resigned as an executive Director with effect from 19 October 2011.

SHARE OPTION SCHEME OF FECIL

FECIL's share option scheme was adopted pursuant to a resolution passed on 28 August 2002 (the "FECIL Scheme") for the purpose of providing incentives and rewards to employees or executive or officers (including executive and non-executive directors) of FECIL or any of its subsidiaries and business consultants, agents and legal or financial advisers who will contribute or have contributed to FECIL or any of its subsidiaries. Under FECIL Scheme, the board of directors of FECIL may grant options to eligible employees, including directors of FECIL and its subsidiaries, to subscribe for shares in FECIL.

The movements in the share options granted under the FECIL Scheme to the Directors of the Company during the Period are as follows:

Grantee	Date of grant	Option type	Number of share options ⁽¹⁾				At 30.9.2011
			At 1.4.2011	Granted during the Period	Exercised during the Period	Lapsed during the Period	
LAI, Wai Keung	21.10.2004	Tranche 3	300,000	–	–	–	300,000
		Tranche 4	475,000	–	–	–	475,000
		Tranche 5	525,000	–	–	–	525,000
			1,300,000	–	–	–	1,300,000
HOONG, Cheong Thard	8.5.2009	Tranche 1	1,850,000	–	–	–	1,850,000
		Tranche 2	1,850,000	–	–	–	1,850,000
		Tranche 3	1,850,000	–	–	–	1,850,000
		Tranche 4	1,850,000	–	–	–	1,850,000
	7,400,000	–	–	–	7,400,000		
CHAN, Chi Hing	21.10.2004	Tranche 3	500,000	–	–	–	500,000
		Tranche 4	1,800,000	–	–	–	1,800,000
		Tranche 5	2,000,000	–	–	–	2,000,000
			4,300,000	–	–	–	4,300,000
MOK, Kwai Pui Bill	21.10.2004	Tranche 3	1,200,000	–	–	–	1,200,000
		Tranche 4	1,800,000	–	–	–	1,800,000
		Tranche 5	2,000,000	–	–	–	2,000,000
			5,000,000	–	–	–	5,000,000

Notes:

- (i) The share options were granted on 21 October 2004 and 8 May 2009 at an initial exercise price of HK\$2.075 per share and HK\$1.500 per share respectively.
- (ii) The exercise periods of the share options are as follows:

Options granted on 21 October 2004

Option type	Exercise period
Tranche 3	1.1.2007 to 31.12.2014
Tranche 4	1.1.2008 to 31.12.2014
Tranche 5	1.1.2009 to 31.12.2014

Options granted on 8 May 2009

Option type	Exercise period
Tranche 1	16.09.2009 to 15.09.2019
Tranche 2	16.09.2010 to 15.09.2019
Tranche 3	16.09.2011 to 15.09.2019
Tranche 4	16.09.2012 to 15.09.2019

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors of the Company since the date of the Company's 2010 – 11 Annual Report are set out below:

1. Ms. CHIU, Wing Kwan Winnie

Ms. Chiu has been appointed as the President of the Company since 1 November 2011. She has also been appointed as a member of the Remuneration Committee and the authorised representative for accepting service of process and notices on behalf of the Company in Hong Kong with effect from 1 October 2011.

The annual emolument (excluding bonus or other benefits payable at the discretion of the Company) of Ms. Chiu was increased from HK\$480,000 to HK\$504,000 with retrospective effect from 1 March 2011. Following her appointment as the President of the Company, her annual emolument (excluding bonus or other benefits payable at the discretion of the Company) has been increased to HK\$1 million with effect from 1 November 2011.

2. Mr. LAI, Wai Keung

Mr. Lai's annual emolument (excluding bonus or other benefits payable at the discretion of the Company) has been increased from HK\$720,000 to HK\$780,000 with retrospective effect from 1 March 2011.

3. Tan Sri Dato' CHIU, David

Tan Sri Dato' CHIU, David, the chief executive officer, an executive director and previously the deputy chairman of FECIL, has been appointed as the chairman of the board of FECIL with effect from 8 September 2011. He resigned as a non-executive director of Far East Hotels And Entertainment Limited, a company listed on the Main Board of the Stock Exchange, on 12 August 2011.

Tan Sri Dato' CHIU, David resigned as the Chairman of the Remuneration Committee on 22 November 2011 and he remains a member of the Remuneration Committee.

4. Mr. MOK, Kwai Pui Bill

Mr. Mok was re-designated from executive Director to non-executive Director of the Company and ceased to hold the office of the President of the Company on 1 November 2011. Mr. Mok also resigned as a member of the Remuneration Committee, Company Secretary and authorised representative for accepting service of process and notices on behalf of the Company in Hong Kong with effect from 1 October 2011.

The annual emolument (excluding bonus or other benefits payable at the discretion of the Company) of Mr. Mok was increased from HK\$2,015,000 to HK\$2,115,750 with retrospective effect from 1 March 2011. Following his re-designation as a non-executive Director of the Company with effect from 1 November 2011, he shall only receive an annual Director's fee of HK\$150,000.

Mr. Mok has also entered into an appointment letter with the Company for a fixed term of one year commencing from 1 November 2011 and, unless terminated by not less than three months' notice in writing served by either party to the other, is renewable automatically for successive terms of one year commencing from the day immediately after expiry of the then current term.

5. Mr. TO, Peter

Mr. To, a member of the Remuneration Committee, has been appointed as the Chairman of the Remuneration Committee with effect from 22 November 2011.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



TO THE BOARD OF DIRECTORS OF KOSMOPOLITO HOTELS INTERNATIONAL LIMITED 麗悦酒店集團有限公司

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 40, which comprises the condensed consolidated statement of financial position of Kosmopolito Hotels International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

22 November 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2011

	NOTES	Six months ended	
		30.9.2011 HK\$'000 (unaudited)	30.9.2010 HK\$'000 (audited)
Revenue	4	498,990	384,162
Operating costs		(153,444)	(122,299)
Depreciation and amortisation		(56,133)	(49,502)
Gross profit		289,413	212,361
Other income		2,689	1,512
Administrative expenses		(123,187)	(105,876)
Pre-opening expenses		(2,507)	(560)
Other gains and losses	5	(1,405)	(68)
Listing expenses		–	(19,000)
Finance costs	6	(46,647)	(43,962)
Profit before tax		118,356	44,407
Income tax expense	7	(24,198)	(8,762)
Profit for the period, attributable to the owners of the Company	8	94,158	35,645
Other comprehensive income for the period			
Exchange differences on translation of foreign operations		4,407	34,299
Total comprehensive income for the period		98,565	69,944
Earnings per share	10		
– Basic (HK cents)		4.71	2.06
– Diluted (HK cents)		4.71	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2011

	NOTES	30.9.2011 HK\$'000 (unaudited)	31.3.2011 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11		
Hotels		3,166,924	3,031,803
Hotels for/under development		1,461,223	1,361,657
		4,628,147	4,393,460
Leasehold improvements, furniture, fixtures and equipment		189,284	159,504
		4,817,431	4,552,964
Prepaid lease payments	11	566,968	579,918
Investment properties	11	402,234	390,915
Deposits for acquisition of property, plant and equipment		115,900	121,357
Utility and other deposits paid		10,358	7,269
Pledged deposits		4,970	5,158
		5,917,861	5,657,581
Current assets			
Properties for sale			
– under development		221,192	217,816
Other inventories		4,505	5,480
Debtors, deposits and prepayments	12	216,818	104,046
Investment held-for-trading		–	2,365
Derivative financial instruments	13	7	377
Prepaid lease payments	11	12,590	12,443
Tax recoverable		437	391
Pledged deposits		281,412	171,300
Bank balances and cash		359,169	720,506
		1,096,130	1,234,724
Assets classified as held for sale	14	126,716	–
		1,222,846	1,234,724

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2011

	NOTES	30.9.2011 HK\$'000 (unaudited)	31.3.2011 HK\$'000 (audited)
Current liabilities			
Creditors and accruals	15	184,041	179,662
Secured bank borrowings	16	887,794	464,136
Dividends payable		80,000	–
Sales deposits received		144,485	145,716
Deposit for disposal of hotel property	14	51,500	–
Derivative financial instruments	13	1,454	680
Tax payable		34,384	17,187
		1,383,658	807,381
Liabilities associated with assets classified as held for sale	14	95	–
		1,383,753	807,381
Net current (liabilities) assets		(160,907)	427,343
Total assets less current liabilities		5,756,954	6,084,924
Non-current liabilities			
Secured bank borrowings	16	2,742,312	3,097,534
Rental and other deposits received		7,788	6,094
Deferred tax liabilities	17	89,393	84,562
		2,839,493	3,188,190
NET ASSETS		2,917,461	2,896,734
Share capital		200,000	200,000
Share premium		2,237,153	2,237,153
Reserves		480,308	459,581
TOTAL EQUITY		2,917,461	2,896,734

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2011

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Property revaluation reserve HK\$'000	Merger reserve HK\$'000 (Note a)	Share options reserve HK\$'000	Other reserve HK\$'000 (Note b)	Retained profits HK\$'000	Total HK\$'000
As at 1 April 2010 (audited)	10,160	–	41,535	6,632	(201,048)	–	207,440	119,286	184,005
Elimination of share capital of Combined Entities upon group reorganisation	(10,160)	–	–	–	–	–	–	–	(10,160)
Profit for the period	–	–	–	–	–	–	–	35,645	35,645
Other comprehensive income for the period	–	–	34,299	–	–	–	–	–	34,299
Total comprehensive income for the period	–	–	34,299	–	–	–	–	35,645	69,944
As at 30 September 2010 (audited)	–	–	75,834	6,632	(201,048)	–	207,440	154,931	243,789
Profit for the period	–	–	–	–	–	–	–	172,759	172,759
Other comprehensive income for the period	–	–	37,352	2,382	–	–	–	–	39,734
Total comprehensive income for the period	–	–	37,352	2,382	–	–	–	172,759	212,493
Capitalisation of amounts due to Parent Entities	173,000	1,686,812	–	–	–	–	–	–	1,859,812
Issue of shares for cash	27,000	567,000	–	–	–	–	–	–	594,000
Share issue expenses	–	(16,659)	–	–	–	–	–	–	(16,659)
Recognition of equity-settled share based payments	–	–	–	–	–	3,299	–	–	3,299
As at 31 March 2011 (audited)	200,000	2,237,153	113,186	9,014	(201,048)	3,299	207,440	327,690	2,896,734
Profit for the period	–	–	–	–	–	–	–	94,158	94,158
Other comprehensive income for the period	–	–	4,407	–	–	–	–	–	4,407
Total comprehensive income for the period	–	–	4,407	–	–	–	–	94,158	98,565
Dividends (note 9)	–	–	–	–	–	–	–	(80,000)	(80,000)
Recognition of equity-settled share based payments	–	–	–	–	–	2,162	–	–	2,162
As at 30 September 2011 (unaudited)	200,000	2,237,153	117,593	9,014	(201,048)	5,461	207,440	341,848	2,917,461

Notes:

- Merger reserve represents the excess of the consideration for the acquisition of Dorsett Far East Hotel and Dorsett Kowloon Hotel from Parent Entities and the carrying amounts of the assets and liabilities stated in the financial records of the previous respective hotel owners.
- Other reserve represents fair value adjustment of business acquired from Parent Entities and gain on disposal of a subsidiary to the Parent Entities deemed to be capital contributed by the Parent Entities.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2011

	Six months ended	
	30.9.2011 HK\$'000 (unaudited)	30.9.2010 HK\$'000 (audited)
Net cash from operating activities	142,684	136,848
Investing activities		
Acquisition of property for hotel development	(210,460)	–
Development expenditure on hotel properties	(173,600)	(97,025)
Acquisition of other property, plant and equipment	(32,759)	(22,072)
Placement of pledged bank deposits	(108,858)	–
Other investing activities	1,067	109
Net cash used in investing activities	(524,610)	(118,988)
Financing activities		
New bank borrowings raised	133,732	74,182
Repayments of bank borrowings	(54,430)	(23,976)
Interest paid	(53,034)	(49,336)
Other financing activities	–	554
Net cash from financing activities	26,268	1,424
(Decrease) increase in cash and cash equivalents	(355,658)	19,284
Cash and cash equivalents at beginning of the period	720,506	93,637
Effect of foreign exchange rate changes	(5,679)	3,273
Cash and cash equivalents at end of the period	359,169	116,194
Represented by		
Bank balances and cash	359,169	116,194

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2011

1. GENERAL

The Company's immediate holding company is Ample Bonus Limited, a limited liability company incorporated in the British Virgin Islands whereas the Company's ultimate holding company is Far East Consortium International Limited ("FECIL"), a limited liability company incorporated in the Cayman Islands and the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The companies comprising the FECIL group excluding the Group are hereinafter referred to as the "Parent Entities".

2. BASIS OF PREPARATION

The condensed consolidated financial information has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

In preparing the condensed consolidated financial information, 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\$160,907,000 at the end of the reporting period. Taking into account the internally generated funds, receipt of proceeds from the disposal of the hotel property subsequent to the end of the reporting period (as detailed in note 14) 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 condensed consolidated financial information has been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and method of computation used in the condensed consolidated financial information for the six months ended 30 September 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011 except for those due to the application of the new and revised Hong Kong Financial Reporting Standards as detailed below.

Application of new or revised Hong Kong Financial Reporting Standards

In the current interim period, the Company has applied, for the first time, the following new or revised standards 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 above new and revised HKFRSs has had no material effect on the amounts reported and/or disclosures set out in the condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective. The following new and revised Standards and Interpretations have been issued after the date the consolidated financial statements for the year ended 31 March 2011 were authorised for issuance:

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

The new and revised Standards on consolidation, joint arrangements and disclosures, namely HKAS 27, HKAS 28, HKFRS 10, HKFRS 11, HKFRS 12 are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted on condition that all of these new or revised standards are applied simultaneously and the potential impact is described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 will require additional judgement.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

The directors are in the process of assessing the financial impact of the application of above Standards and Interpretations on the results and financial position of the Group.

4. SEGMENT INFORMATION

Segment revenue and profit

The Group's revenue representing the aggregate income from hotel operations and gross rental from leasing of properties, net of business tax, are as follows:

	Six months ended	
	30.9.2011 HK\$'000 (unaudited)	30.9.2010 HK\$'000 (audited)
Hotel room revenue, food and beverage	475,512	363,937
Gross rental income from properties	23,478	20,225
	498,990	384,162

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)	
	Six months ended		Six months ended	
	30.9.2011 HK\$'000 (unaudited)	30.9.2010 HK\$'000 (audited)	30.9.2011 HK\$'000 (unaudited)	30.9.2010 HK\$'000 (audited)
Hong Kong	308,647	211,096	111,988	37,738
Malaysia	143,066	127,805	23,936	23,677
People's Republic of China ("PRC")	47,277	45,261	(13,635)	(7,397)
Singapore	–	–	(3,921)	(9,611)
United Kingdom ("UK")	–	–	(12)	–
	498,990	384,162	118,356	44,407

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

4. SEGMENT INFORMATION *(Continued)*

Segment assets

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

	30.9.2011	31.3.2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Hong Kong	3,596,591	3,629,833
Malaysia	1,056,385	1,078,213
PRC	1,651,288	1,587,593
Singapore	583,041	596,666
UK	253,402	–
Total assets	7,140,707	6,892,305

Information about segment liabilities is not regularly reviewed by the chief operating decision maker. Accordingly, segment liability information is not presented.

5. OTHER GAINS AND LOSSES

	Six months ended	
	30.9.2011	30.9.2010
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Change in fair value of investment properties	1,445	2,589
Change in fair value of derivative financial instruments	(1,171)	(2,108)
Net foreign exchange loss	(1,645)	(504)
Allowance for bad and doubtful debts	(34)	(45)
	(1,405)	(68)

6. FINANCE COSTS

	Six months ended	
	30.9.2011 HK\$'000 (unaudited)	30.9.2010 HK\$'000 (audited)
Interest on bank borrowings		
– wholly repayable within five years	28,732	27,792
– not wholly repayable within five years	21,390	19,988
Interest on amounts due to fellow subsidiaries		
– wholly repayable within five years	–	237
Amortisation of front-end fee	4,393	5,073
Others	392	695
	54,907	53,785
Less: amount capitalised to properties under development	(8,260)	(9,823)
	46,647	43,962

7. INCOME TAX EXPENSE

	Six months ended	
	30.9.2011 HK\$'000 (unaudited)	30.9.2010 HK\$'000 (audited)
Current period income tax		
– Hong Kong	20,085	8,156
– Other jurisdictions	238	1,870
	20,323	10,026
Deferred taxation	3,875	(1,264)
	24,198	8,762

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

8. PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2011	30.9.2010
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Profit for the period is arrived at after charging:		
Staff costs		
Directors' emoluments	2,504	1,954
Other staff		
Salaries and other benefits	106,827	88,958
Retirement benefit scheme contributions	6,623	6,167
	115,594	97,079
Amortisation of prepaid lease payments	6,255	7,992
Less: amount capitalised to hotel properties under development	(1,872)	(3,534)
	4,383	4,458
Depreciation	51,750	45,044
Share option expense	2,162	–
and after crediting:		
Gross rental income less direct outgoings*	9,232	8,660
Bank interest income	1,067	109

* Comprises gross rental income from investment properties of HK\$11,765,000 (six months ended 30.9.2010: HK\$10,655,000) less direct operating expenses of HK\$2,533,000 (six months ended 30.9.2010: HK\$1,995,000).

9. DIVIDENDS

A final dividend for the financial year ended 31 March 2011 of HK4 cents per share amounting to HK\$80,000,000 was declared and recognised as distribution during the period and was paid to shareholders subsequent to the end of the reporting period.

Subsequent to the end of the reporting period, the directors have declared an interim dividend of HK2 cents per share payable to the shareholders of the Company whose names appear in the register of members on 14 December 2011.

No dividend was declared or paid during the six months ended 30 September 2010.

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2011 is based on the consolidated profit for that period of HK\$94,158,000 and on 2,000,000,000 shares in issue during the period. The calculation of basic earnings per share for the six months ended 30 September 2010 is based on the consolidated profit for the period of HK\$35,645,000 and on 1,730,000,000 shares.

The computation of diluted earnings per share for the six months ended 30 September 2011 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 throughout the period.

Diluted earnings per share for the six months ended 30 September 2010 is not presented as there were no potential ordinary shares outstanding during that period.

11. INVESTMENT PROPERTIES/PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS

During the period, the Group acquired a property in the UK amounting to HK\$210,460,000 (six months ended 30.9.2010: Nil) and incurred development expenditure on development of certain properties amounting to HK\$218,836,000 (six months ended 30.9.2010: HK\$146,453,000).

During the period, the Group entered into an agreement to dispose of a hotel property as disclosed in note 14. Its carrying value of HK\$124,601,000 is reclassified to "assets classified as held for sale" under current assets.

The fair value of the investment properties, which are situated in the PRC, at 30 September 2011 and 31 March 2011 are based on the valuation carried out as at those dates by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group.

DTZ Debenham Tie Leung Limited is a member of the Hong Kong Institute of Surveyors. The valuation was arrived at by capitalisation of future rental which is estimated by reference to comparable rental as available in the relevant market.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

	30.9.2011	31.3.2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade debtors	50,011	45,150
Advance to contractors	–	17,679
Prepayments and other receivables	63,122	41,217
Account with stakeholder (<i>note 14</i>)	51,500	–
Value-added tax recoverables	52,185	–
	216,818	104,046

12. DEBTORS, DEPOSITS AND PREPAYMENTS *(Continued)*

Rentals are payable upon presentation of demand notes. 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.

The following is an aged analysis of trade debtors presented based on the invoice date at the end of the reporting period.

	30.9.2011 HK\$'000 (unaudited)	31.3.2011 HK\$'000 (audited)
0 – 60 days	46,433	40,546
61 – 90 days	1,997	1,199
Over 90 days	1,581	3,405
	50,011	45,150

13. DERIVATIVE FINANCIAL INSTRUMENTS

The carrying amount represents the fair value of interest rate cap and interest rate swap contracts entered into by the Group for the purpose of reducing its exposure to the risk of interest rate fluctuation of the bank borrowings. These derivatives are not accounted for under hedge accounting.

14. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES

On 7 September 2011, the Group entered into an agreement for the disposal of a hotel property and ancillary assets located in Hong Kong, at a consideration of HK\$515,000,000 of which deposit of HK\$51,500,000 has been received and placed with a stakeholder (see note 12). The disposal is scheduled to be completed on or before 7 December 2011. The property, together with the ancillary assets to be disposed of, are classified as assets held for sale.

The major classes of assets classified as held for sale and associated liabilities as at 30 September 2011 are as follows:

	HK\$'000
Hotel property	124,601
Property, plant and equipment	1,965
Other inventories	150
Total assets classified as held for sale	126,716
Liabilities associated with assets held for sale	
Rental deposit received	95

15. CREDITORS AND ACCRUALS

	30.9.2011	31.3.2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Trade creditors	41,412	37,869
Construction cost and retention payable	51,792	62,217
Reservation deposit and receipt in advance	24,138	16,471
Other payable and accrued charges	66,699	63,105
	184,041	179,662

The following is an aged analysis of the trade creditor at the end of reporting period.

	30.9.2011	31.3.2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
0 – 60 days	32,851	28,972
61 – 90 days	5,493	6,983
Over 90 days	3,068	1,914
	41,412	37,869

16. SECURED BANK BORROWINGS

	30.9.2011	31.3.2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Bank loans	3,654,682	3,588,243
Less: front-end fee	(24,576)	(26,573)
	3,630,106	3,561,670
Analysis for reporting purpose as		
Current liabilities	887,794	464,136
Non-current liabilities	2,742,312	3,097,534
	3,630,106	3,561,670
The loans are repayable:		
On demand or within one year	887,794	464,136
More than one year but not exceeding two years	1,791,131	253,356
More than two years but not exceeding five years	757,194	2,620,867
More than five years	218,563	249,884
	3,654,682	3,588,243

The range of effective interest rates of the bank loans is 1.34% to 8.46% (31.3.2011: 0.93% to 7.92%) per annum.

17. DEFERRED TAXATION

Deferred tax liabilities are mainly provided on the accelerated tax depreciation and fair value adjustment of hotel properties amounting to HK\$50,530,000 (31.3.2011: HK\$47,526,000) and HK\$39,642,000 (31.3.2011: HK\$40,131,000) respectively.

18. CHARGES ON ASSETS

Bank borrowings with aggregate gross carrying amount of HK\$3,654,682,000 (31.3.2011: HK\$3,588,243,000) outstanding at the end of the reporting period are secured by fixed charges over the Group's properties (presented under property, plant and equipment, investment properties, prepaid lease payments, properties for sale and asset classified as held for sale) and pledge of bank deposits with aggregate carrying values of HK\$5,721,613,000 (31.3.2011: HK\$5,452,693,000) together with a floating charge over other assets of the property owning subsidiaries and benefits accrued to these properties.

19. CONTINGENT LIABILITIES

During the year ended 31 March 2010, a subsidiary of the Company initiated a law suit against the contractor for the unsatisfactory performance in relation to the construction of a hotel in an amount of HK\$14,735,000. In response to the claim, the contractor has filed counterclaims against the subsidiary for an amount of HK\$25,841,000. The trial will be commenced on 30 July 2012 with 10 days reserved. In the opinion of the directors, there is a fair chance of winning the lawsuit after consulting with the lawyer. Accordingly, no provision for potential liability has been made in the condensed consolidated financial information.

20. CAPITAL COMMITMENTS

	30.9.2011	31.3.2011
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Capital expenditure in respect of acquisition, development and refurbishment of hotel properties and other property, plant and equipment:		
– contracted but not provided in the financial statements	599,955	595,557
– authorised but not contracted for	26,752	28,177

21. SHARE OPTION SCHEMES

The Company and FECIL each has a share option scheme under which the directors and full-time employees may be granted options to subscribe for shares in the Company and FECIL. Particulars of the share option schemes are set out in the 2010-11 Annual Report of the Company.

No share option was granted by the Company during the period. 30,609,080 share options were granted by the Company on 11 October 2010 at an initial exercise price of HK\$2.20 per share, with vesting periods and exercisable periods ranging from 11 October 2011 to 10 October 2015 and 11 October 2011 to 10 October 2018 respectively. The movement of the share options during the period are as follows:

	1.4.2011 to	1.4.2010 to
	30.9.2011	31.3.2011
	'000	'000
	(unaudited)	(audited)
At the beginning of the period	29,700	–
Granted during the period	–	30,609
Lapsed during the period	(3,523)	(909)
At the end of the period	26,177	29,700

No share options were granted by FECIL and no share options issued by FECIL were lapsed nor exercised during the period.

22. RELATED PARTY TRANSACTIONS

The remuneration paid and payable to directors and other members of key management personnel during the period is as follows:

	Six months ended	
	30.9.2011 HK\$'000 (unaudited)	30.9.2010 HK\$'000 (audited)
Short term benefits	4,288	4,109
Post employment benefits	73	75
Share based payments	1,694	–
	6,055	4,184

The remuneration of key executives who are the directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

In addition,

- (i) FECIL has provided guarantees for the Group's bank borrowings of which HK\$59,536,000 (31.3.2011: HK\$63,736,000) was outstanding at the end of the reporting period.
- (ii) A director has provided personal guarantee for the Group's bank loan of which HK\$27,133,000 (31.3.2011: HK\$33,522,000) was outstanding at the end of the reporting period.

Subsequent to the end of the reporting period, the Company entered into a joint development agreement with a related company as disclosed in note 23.

23. EVENTS AFTER THE END OF THE INTERIM PERIOD

Subsequent to the end of the reporting period, the Group has entered into an agreement with a related company to jointly develop certain portion of the Group's freehold land. The related company is a company controlled by certain directors of the Company, and one of them also has significant influence over the Group through his equity interest and directorship in FECIL. Details of the transaction are set out in the Company's announcement and circular to the shareholders dated 11 October 2011 and 14 October 2011 respectively.

