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## **Kosmopolito Hotels International Limited**

**麗悦酒店集團有限公司**

*(Incorporated in Cayman Islands with limited liability)*

*Website: <http://www.kosmohotels.com>*

**(Stock Code: 2266)**

### **ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2010**

#### **INTERIM 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 six months ended 30 September, 2010 as follows:

#### **FINANCIAL HIGHLIGHTS**

- Revenue reached HK\$384.2 million for the first six months, up 45.5% from the same period of last financial year.
- Overall RevPAR rose 32.3% to HK\$479, driven by a 7.4 percentage point improvement in occupancy rate and a 19.9% increase in average room rate.
- Gross profit was reported at HK\$212.4 million, up 57.7%, with margin improving to 55.3% from 51.0%.
- Net profit for the first six months was HK\$35.6 million versus net loss of HK\$6.7 million for the same period of last financial year.
- Earnings per share for the period was HK2.06 cents.
- Adjusted EBITDA for the period reached HK\$155.6 million, marking a 63.7% year-on-year improvement, with adjusted EBITDA margin rising to 40.5% from 36.0%.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010**

		<b>1.4.2010</b>	1.4.2009
		<b>to</b>	to
		<b>30.9.2010</b>	30.9.2009
	<i>NOTES</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
			(Unaudited)
Revenue	4	<b>384,162</b>	264,080
Depreciation and amortisation		<b>(49,502)</b>	(31,225)
Management fee		–	(2,160)
Operating costs		<b>(122,299)</b>	(96,016)
		<hr/>	<hr/>
Gross profit		<b>212,361</b>	134,679
Other income		<b>1,512</b>	1,367
Administrative expenses		<b>(105,876)</b>	(74,314)
Management fee		–	(14,049)
Pre-opening expenses		<b>(560)</b>	(314)
Other gains and losses	5	<b>(68)</b>	(19,805)
Listing expenses	6	<b>(19,000)</b>	–
Finance costs		<b>(43,962)</b>	(39,991)
		<hr/>	<hr/>
Profit (loss) before taxation		<b>44,407</b>	(12,427)
Income tax (expense) credit	7	<b>(8,762)</b>	5,755
		<hr/>	<hr/>
<b>Profit (loss) for the period</b>	8	<b>35,645</b>	(6,672)
		<hr/>	<hr/>
<b>Other comprehensive income for the period</b>			
Exchange differences on translation of foreign operations		<b>34,299</b>	1,825
		<hr/>	<hr/>
<b>Total comprehensive income (expense) for the period</b>		<b>69,944</b>	(4,847)
		<hr/>	<hr/>
Earnings (loss) per share – Basic (HK cents)	9	<b>2.06</b>	(0.39)
		<hr/>	<hr/>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 SEPTEMBER 2010*

	<i>NOTES</i>	<b>30.9.2010</b> <b>HK\$'000</b>	31.3.2010 <i>HK\$'000</i> (restated)	1.4.2009 <i>HK\$'000</i> (restated)
<b>Non-current assets</b>				
Property, plant and equipment				
Hotels		<b>3,054,381</b>	2,765,302	2,464,870
Hotels under development		<b>1,401,903</b>	1,570,741	1,324,665
		<b>4,456,284</b>	4,336,043	3,789,535
Furniture, fixture and equipment		<b>123,092</b>	78,165	56,022
		<b>4,579,376</b>	4,414,208	3,845,557
Prepaid lease payments		<b>570,414</b>	716,328	329,266
Investment properties		<b>376,155</b>	363,954	358,276
Deposits for acquisition of property, plant and equipment		<b>113,304</b>	110,079	73,450
Utility and other deposits paid		<b>6,964</b>	4,234	4,127
Pledged deposits		<b>4,982</b>	4,647	4,028
		<b>5,651,195</b>	5,613,450	4,614,704
<b>Current assets</b>				
Properties under development for sale		<b>200,828</b>	–	–
Other inventories		<b>5,378</b>	3,898	3,448
Debtors, deposits and prepayments	<i>10</i>	<b>54,953</b>	51,693	45,971
Amounts due from Parent Entities		–	556,487	538,112
Amounts due from related companies		–	180	–
Investment held-for-trading		<b>2,340</b>	2,280	2,260
Derivative financial instruments		<b>172</b>	1,678	8,255
Prepaid lease payments		<b>12,169</b>	13,108	8,463
Tax recoverable		<b>576</b>	3,918	433
Pledged deposits		<b>430</b>	430	430
Bank balances and cash		<b>116,194</b>	93,637	66,784
		<b>393,040</b>	727,309	674,156

	<i>NOTES</i>	<b>30.9.2010</b> <b>HK\$'000</b>	31.3.2010 <i>HK\$'000</i> (restated)	1.4.2009 <i>HK\$'000</i> (restated)
<b>Current liabilities</b>				
Creditors and accruals	<i>11</i>	<b>145,978</b>	123,558	86,678
Amounts due to Parent Entities		<b>1,907,588</b>	2,416,299	2,090,004
Amounts due to related companies		–	–	3,943
Secured bank borrowings		<b>587,059</b>	528,629	198,032
Sales deposits received		<b>23,687</b>	–	–
Derivative financial instruments		<b>602</b>	–	–
Tax payable		<b>3,100</b>	151	4,335
		<b><u>2,668,014</u></b>	<u>3,068,637</u>	<u>2,382,992</u>
Net current liabilities		<b><u>(2,274,974)</u></b>	<u>(2,341,328)</u>	<u>(1,708,836)</u>
Total assets less current liabilities		<b><u>3,376,221</u></b>	<u>3,272,122</u>	<u>2,905,868</u>
<b>Non-current liabilities</b>				
Secured bank borrowings		<b>3,049,918</b>	3,005,054	2,728,372
Rental and other deposits received		<b>5,584</b>	4,869	3,904
Deferred tax liabilities		<b>76,930</b>	78,194	74,792
		<b><u>3,132,432</u></b>	<u>3,088,117</u>	<u>2,807,068</u>
<b>NET ASSETS</b>		<b><u>243,789</u></b>	<u>184,005</u>	<u>98,800</u>
Capital		–	10,160	10,160
Reserves		<b>243,789</b>	173,845	88,640
<b>TOTAL EQUITY</b>		<b><u>243,789</u></b>	<u>184,005</u>	<u>98,800</u>

## NOTES

### 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Pursuant to the corporate reorganisation to rationalise the structure of the Group in preparation for the listing of companies comprising the Company's shares on the Hong Kong Stock Exchange, the Company acquired from Far East Consortium International Limited ("FECIL") certain companies (the "Combined Entities") and became the holding company of the Group on 17 September, 2010. The Company and the Combined Entities are controlled by FECIL before and after the acquisition and therefore, the consolidated financial statements have been prepared by applying the merger accounting in accordance with Accounting Guidance 5 Merger Accounting for Common Control Combination. Accordingly, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows have been prepared to include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence since 1 April, 2009 or since the respective date of incorporation of the relevant entity, where this is a shorter period. The consolidated statement of financial position as at 31 March, 2010 presents the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence at the end of the financial report period. Details of the group reorganisation were set out in section headed "History, Reorganisation and Corporate structure" of the prospectus dated 28 September, 2010 issued by the Company.

As at 30 September, 2010, the Group's current liabilities exceeded its current assets by HK\$2,274,974,000. Taking into account the capitalisation of the net amount due to FECIL and its subsidiaries other than the Group (collectively referred to the "Parent Entities") amounting to HK\$1,859,812,000 pursuant to the corporate reorganisation, proceeds from the public offering of the Company's new shares of HK\$594,000,000, available banking facilities and cash generated from operations, the directors of the Company (the "Directors") are of the opinion that the Group will have sufficient resources to meet its present requirements. 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")

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

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

### 3. PRINCIPAL ACCOUNTING POLICIES

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

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

## Amendment to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

In accordance with the transitional provisions of HKAS 17 Leases, the Group reassessed the classification of land elements of unexpired leases at 1 April, 2010 based on information which existed at the inception of these leases. Leasehold lands which met finance lease classification have been reclassified from prepaid lease payment to property, plant, and equipment retrospectively, resulting in a reclassification of prepaid lease payment with previous carrying amount of HK\$1,025,318,000 at 1 April, 2009 to property, plant and equipment. The effect of the change on the financial position of the Group as at 1 April, 2009 is an increase in completed hotel properties from HK\$2,115,791,000 to HK\$2,464,870,000 and hotel properties under development from HK\$648,426,000 to HK\$1,324,665,000, and a decrease in prepaid lease payments from HK\$1,363,047,000 to HK\$337,729,000.

## 4. SEGMENT INFORMATION

The operating segments of the Group represent the components of the Group whose operating results are regularly reviewed by the chief operating decision maker for the purpose of making decisions about resources allocation and assessment of performance. The chief operating decision maker comprises the executive directors of the Group who are also the key management personnel of the Group during the period.

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

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

### (a) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segments for the period.

	Segment revenue		Segment profit (loss)	
	1.4.2010 to 30.9.2010 HK\$'000	1.4.2009 to 30.9.2009 HK\$'000 (unaudited)	1.4.2010 to 30.9.2010 HK\$'000	1.4.2009 to 30.9.2009 HK\$'000 (unaudited)
Hong Kong	211,096	132,912	37,738	(4,830)
Malaysia	127,805	115,969	23,677	21,314
Other regions in the PRC	45,261	15,199	(7,397)	(28,812)
Singapore	–	–	(9,611)	(99)
	<u>384,162</u>	<u>264,080</u>	<u>44,407</u>	<u>(12,427)</u>

The totals of the operating segments' revenue and profit (loss) are the same as the consolidated revenue and consolidated profit (loss) before taxation of the Group, respectively.

Segment profit (loss) represents pre-tax profit (loss) earned by each segment. Segment revenue represents revenue of each segment derived from external customers. None of the segments derived any revenue from transactions with other segments.

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

**(b) Segment assets**

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

	<b>30.9.2010</b> <i>HK\$'000</i>	31.3.2010 <i>HK\$'000</i>	1.4.2009 <i>HK\$'000</i>
Hong Kong	<b>2,965,683</b>	3,405,803	3,091,615
Malaysia	<b>1,043,786</b>	1,011,459	917,616
Other regions in the PRC	<b>1,536,940</b>	1,457,332	1,279,629
Singapore	<b>497,826</b>	466,165	–
Total assets	<b><u>6,044,235</u></b>	<u>6,340,759</u>	<u>5,288,860</u>

The totals of the operating segments' assets are the same as the consolidated total assets of the Group.

No information about segment liabilities are reviewed by, or otherwise regularly provided to, the chief operating decision maker. Accordingly, no such segment information is disclosed.

The accounting policies adopted in preparing the segment information are the same as the accounting policies described in note 3.

**(c) Geographical information**

The following table sets out information about the geographical location of the Group's non-current assets.

	<b>30.9.2010</b> <i>HK\$'000</i>	31.3.2010 <i>HK\$'000</i> (restated)	1.4.2009 <i>HK\$'000</i> (restated)
Hong Kong	<b>2,890,147</b>	2,830,914	2,506,799
Malaysia	<b>996,578</b>	937,271	852,311
Other regions in the PRC	<b>1,494,505</b>	1,431,152	1,255,594
Singapore	<b>269,965</b>	414,113	–
	<b><u>5,651,195</u></b>	<u>5,613,450</u>	<u>4,614,704</u>

## 5. OTHER GAINS AND LOSSES

	<b>1.4.2010</b>	1.4.2009
	<b>to</b>	to
	<b>30.9.2010</b>	30.9.2009
	<b>HK\$'000</b>	HK\$'000
		(Unaudited)
Change in fair value of investment properties	<b>2,589</b>	(22,943)
(Decrease) increase in fair value of derivative financial instruments	<b>(2,108)</b>	1,830
Net foreign exchange loss	<b>(504)</b>	(87)
(Allowance for) reversal of bad and doubtful debts	<b>(45)</b>	1,395
	<b>(68)</b>	(19,805)

## 6. LISTING EXPENSES

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

## 7. INCOME TAX EXPENSE (CREDIT)

	<b>1.4.2010</b>	1.4.2009
	<b>to</b>	to
	<b>30.9.2010</b>	30.9.2009
	<b>HK\$'000</b>	HK\$'000
		(Unaudited)
Current period income tax		
Hong Kong	<b>8,156</b>	1,838
Other jurisdictions	<b>1,870</b>	(1,654)
	<b>10,026</b>	184
Deferred taxation		
Current period	<b>(1,264)</b>	(5,939)
	<b>8,762</b>	(5,755)

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



## 8. PROFIT (LOSS) FOR THE PERIOD

	1.4.2010 to 30.9.2010 <i>HK\$'000</i>	1.4.2009 to 30.9.2009 <i>HK\$'000</i> (Unaudited)
Profit (loss) for the period is arrived at after charging:		
Auditor's remuneration	1,800	–
Staff costs		
Directors' emoluments	1,954	–
Other staff	88,958	68,624
Retirement benefit scheme contributions	6,167	3,234
	97,079	71,858
Depreciation and amortisation	51,075	33,961
Less: amount capitalised	(6,031)	(4,075)
	45,044	29,886
Amortisation of prepaid lease payments	7,992	4,235
Less: amount capitalised	(3,534)	(2,896)
	4,458	1,339
and after crediting:		
Rental income	20,225	17,985
Less: Direct operating cost	(1,995)	(1,754)
	18,230	16,231
Interest income from ultimate holding company	1,218	1,218
Bank interest income	109	124

## 9. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings per share is based on the consolidated profit (loss) of the Company for the period and on 1,730,000,000 shares, which were issued pursuant to the capitalisation of the amounts due to Parent Entities and deemed to have been issued since the beginning of the period.

Diluted earnings (loss) per share is not presented as there were no potential ordinary shares outstanding during both periods.

## 10. DEBTORS, DEPOSITS AND PREPAYMENTS

Hotel room revenue is normally settled by cash or credit card. The Group allows an average credit period of 30 to 60 days to its corporate customers and travel agents.

Included in debtors, deposits and prepayments are trade debtors of HK\$32,993,000 (31.3.2010: HK\$37,688,000). The following is an aged analysis of trade debtors based on the invoice date:

	30.9.2010 <i>HK\$'000</i>	31.3.2010 <i>HK\$'000</i>	1.4.2009 <i>HK\$'000</i>
0–60 days	30,839	30,722	30,679
61–90 days	1,196	2,084	2,515
Over 90 days	958	4,882	587
	32,993	37,688	33,781

## 11. CREDITORS AND ACCRUALS

Included in creditors and accruals is trade creditors of HK\$22,543,000 (31.3.2010: HK\$24,393,000). The following is an aged analysis of the trade creditors:

	<b>30.9.2010</b> <i>HK\$'000</i>	31.3.2010 <i>HK\$'000</i>	1.4.2009 <i>HK\$'000</i>
0–60 days	<b>15,274</b>	14,170	14,377
61–90 days	<b>5,129</b>	8,795	1,410
Over 90 days	<b>2,140</b>	1,428	1,469
	<b><u>22,543</u></b>	<u>24,393</u>	<u>17,256</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operation and Financial Reviews

Results for the first half of financial year 2011 show a strong rebound from the same period of financial year 2010, reversing the downward trend over the last two financial years. Revenue per available room (“RevPAR”) was up 32.3% with Hong Kong, where we have established a strong foothold with eight hotels in operation, increasing 42.8%.

The key revenue matrices for the period are as follows:

	<b>Six months ended</b> <b>30 September</b>		
	<b>2010</b>	2009	<b>% of growth</b>
<b>Hong Kong</b>			
Occupancy rate	<b>88.8%</b>	75.1%	18.2%
Average room rate (HK\$)	<b>709</b>	587	20.8%
RevPAR (HK\$)	<b>630</b>	441	42.9%
Revenue (HK\$m)	<b>211.1</b>	132.9	58.8%
<b>Malaysia</b>			
Occupancy rate	<b>73.2%</b>	67.4%	8.6%
Average room rate (HK\$)	<b>464</b>	436	6.4%
RevPAR (HK\$)	<b>340</b>	294	15.6%
Revenue (HK\$m)	<b>127.8</b>	116.0	10.2%
<b>China</b>			
Occupancy rate	<b>52.9%</b>	48.1%	10.0%
Average room rate (HK\$)	<b>604</b>	247	144.5%
RevPAR (HK\$)	<b>320</b>	119	168.9%
Revenue (HK\$m)	<b>45.3</b>	15.2	198.0%
<b>Group Total</b>			
Occupancy rate	<b>77.9%</b>	70.5%	10.5%
Average room rate (HK\$)	<b>615</b>	513	19.9%
RevPAR (HK\$)	<b>479</b>	362	32.3%
Revenue (HK\$m)	<b>384.2</b>	264.1	45.5%

Revenue reached HK\$384.2 million during the six months ended 30 September, 2010, up 45.5% as compared to revenue of HK\$264.1 million for the same period of last financial year. Revenue increased across all regions driven by improvements of average room rate and occupancy, which in turn benefited from the continuous economic growth in Asia, particularly China, and the recovery from the H1N1 epidemic. The commencement of business of Yue Shanghai @ Century Park in February, 2010 and Cosmo Kowloon Hotel in July, 2010 further enhanced the Company's performance.

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

	<b>Six months ended</b>		<b>% of growth</b>
	<b>30 September</b>		
	<b>2010</b>	2009	
	<b>HK\$'000</b>	<b>HK\$'000</b>	
		(unaudited)	
Revenue	<b>384,162</b>	264,080	45.5%
Gross profit	<b>212,361</b>	134,679	57.7%
Profit (loss) before taxation	<b>44,407</b>	(12,427)	n.m. <sup>(1)</sup>
Profit (loss) for the period	<b>35,645</b>	(6,672)	n.m. <sup>(1)</sup>
Earnings (loss) per share			
– Basic (HK cents)	<b>2.06</b>	(0.39)	n.m. <sup>(1)</sup>
EBITDA	<b>136,544</b>	57,447	137.7%
Adjusted EBIDTA <sup>(2)</sup>	<b>155,623</b>	95,083	63.7%
Adjusted EBIDTA Margin <sup>(3)</sup>	<b>40.5%</b>	36.0%	12.5%

Notes:

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

Gross profit for the first six months was up 57.7% to HK\$212.4 million, primarily due to the significant improvements in the performance of Hong Kong's operations.

Profit was reported at HK\$35.6 million, turning around the loss of HK\$6.7 million for the same period of last financial year. This is despite an one-off charge of HK\$19.0 million listing expenses. Excluding this, profit would have been HK\$54.6 million.

EBITDA rose to HK\$136.5 million from HK\$57.4 million, while adjusted EBITDA grew to HK\$155.6 million from HK\$95.1 million, with adjusted EBITDA margin improving to 40.5% from 36.0%.

## Financial Resources and Liquidity

### *Borrowings and charge on Group assets*

	<b>30.9.2010</b> <i>HK\$'000</i>	31.3.2010 <i>HK\$'000</i>
Secured bank borrowings	<u><b>3,636,977</b></u>	<u>3,533,683</u>
The above borrowings are repayable as follows:		
On demand or within one year	<b>587,059</b>	528,629
Amount due after one year	<u><b>3,049,918</b></u>	<u>3,005,054</u>
	<u><b>3,636,977</b></u>	<u>3,533,683</u>
Net debt	<u><b>3,520,783</b></u>	<u>3,440,046</u>

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.

### **Contingent liabilities**

During the 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 has filed counterclaims against the subsidiary for an amount of HK\$25,841,000. The financial impact and outcome of these proceedings cannot be estimated with reasonable certainty at this preliminary stage. The Directors are of the view that the counter-claims would not have a material adverse impact on the financial position of the Group as at 30 September, 2010.

### **Commitments**

	<b>30.9.2010</b> <i>HK\$'000</i>	31.3.2010 <i>HK\$'000</i>
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	<b>446,985</b>	315,527
– authorised but not contracted for	<b>123,342</b>	271,948

## **Other Financial Information**

### *1. Management Fees*

During the last financial year, the Group paid management fee to Sheraton Overseas Management Corporation to manage a 5-star hotel (currently known as Grand Dorsett Subang Hotel) under the “Sheraton” brand. Such management contract has expired and the payment has discontinued as of 30 September, 2009. Since then, the Group has been managing the hotel by itself. As these fees were a direct operating cost, they were deducted when arriving at our gross profit.

The Company also paid management fee to companies controlled by FECIL for their provision of corporate management services and office support. These services ceased and, accordingly, payments of such management fees were also ceased on 1 April, 2010 as the management and office functions of our Company were separated from FECIL in preparation for the Listing.

### *2. Exchange differences on translation of foreign operations*

The exchange differences on translation of foreign operations for the six months ended 30 September, 2010 relates primarily to the non-monetary gain through translation of the financial statement items of the Company’s subsidiaries, 武漢遠東帝豪酒店管理有限公司 and 遠東帝豪酒店管理(成都)有限公司, the owners and operators of Wuhan Cosmopolitan Hotel and Kosmopolito City Centre, Chengdu, respectively.

### *3. Revaluation Surplus*

The fair value of the Company’s hotel portfolio exceeded its carrying amount by approximately HK\$4,987 million based on valuation on 30 June, 2010. The revaluation surplus has not been accounted for in the financial statements.

### *4. Dividend*

In view that the Company was recently listed, no interim dividend is declared for the period. However, it is the Company’s intention to distribute approximately 30% of any distributable profit (excluding net fair value gains or losses) every year as interim and final dividend to our shareholders.

## **SUBSEQUENT EVENTS**

Subsequent to the period-end, we signed a letter of intent for managing a resort hotel in Guangxi Province. We expect to take over the management of the hotel in the second half of the financial year. This resort hotel will be the first third-party hotel managed by the Group.

Regarding our hotel project in Singapore, we had successfully pre-sold all 68 hotel residence units with an average selling price of approximately S\$1,750 per square foot, locking in total sales proceeds of approximately HK\$450 million. We expect to recognise the profit in financial year 2014 when the development of the properties is completed.

The Company was successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 11 October, 2010. With the receipt of the IPO proceeds of HK\$573 million, the capitalisation of amount due to Parent Entities, totalling HK\$1,860 million and after taking into account the revaluation surplus of the hotel properties, the consolidated statement of financial position as of 30 September, 2010 would be as follows:

	<b>Financial position as at 30-Sep-10 HK\$'000 (audited)</b>	<b>Proforma adjustments</b>		<b>Proforma HK\$'000 (unaudited)</b>
		<i>HK\$'000</i> (1)	<i>HK\$'000</i> (2)	
<b>Non-current assets</b>	5,651,195			5,651,195
<b>Current assets</b>				
Bank balances and cash <sup>(1)</sup>	116,194		525,937	642,131
Other current assets	276,846			276,846
	393,040			918,977
<b>Current liabilities</b>				
Amount due to Parent Entities <sup>(2)</sup>	1,907,588	(1,859,812)	(47,776)	–
Other current liabilities	760,426			760,426
	2,668,014			760,426
<b>Net current assets/liabilities</b>	(2,274,974)			158,551
<b>Non-current liabilities</b>	3,132,432			3,132,432
<b>Total Equity before revaluation</b>	<u>243,789</u>			<u>2,677,314</u>
Revaluation surplus (30 June, 2010) <sup>(3)</sup>	–			4,987,000
<b>Total Equity after revaluation</b>				<u>7,664,314</u>
Net Debt	3,520,783			2,994,846
Net Debt-to-Equity ratio (before revaluation surplus)	1,444.2%			111.9%
Net Debt-to-Equity ratio (after revaluation surplus)				39.1%

*Proforma adjustments*

- (1) Capitalisation of amount due to Parent Entities pursuant to corporate reorganisation.
- (2) Cash proceeds from global offering net off listing expenses and remaining balance of amount due to Parent Entities.
- (3) Revaluation gain based on the fair value at 30 June 2010 of the hotel properties over their carrying value of HK\$4,987 million is not recognised in the financial statements.

## HOTELS UNDER DEVELOPMENT

All seven hotels under development are proceeding as planned.

Company Owned Hotel Projects*	Location	Target market Segment*	Total rooms*	Commencement*
The Mercer by Kosmopolito	Hong Kong	boutique	55	April, 2011
Dorsett Regency Kennedy Town, Hong Kong	Hong Kong	mid-scale	217	April, 2011
Hotel Kosmopolito City Centre, Chengdu	China	upscale	547	June, 2011
Dorsett Regency CBD, Zhongshan #	China	mid-scale	416	September, 2011
Dorsett Regency Kwun Tong, Hong Kong	Hong Kong	mid-scale	380	December, 2011
Dorsett Regency Kwai Chung, Hong Kong	Hong Kong	mid-scale	506	June, 2012
Dorsett Regency "On New Bridge", Singapore	Singapore	mid-scale	285	June, 2013

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

# We are in the process of obtaining the title certificates for Dorsett Regency CBD, Zhongshan.

We are also in the process of seeking additional opportunities in the hotel management business in China and other regions of Asia Pacific. During the six months ended 30 September, 2010, we entered into a letter of intent to manage a third party hotel in Huangshi, Hubei Province, China and more recently, subsequent to the period-end, we signed one additional letter of intent to manage a resort hotel in Guangxi Province, China.

Brand*	Location	Target market Segment*	Total rooms*	Commencement*
Hotel Kosmopolito	Guangxi	upscale	234	2011
Hotel Kosmopolito	Hubei	upscale	400	2013

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

In addition, in further pursuit of an asset-light business model, we have had preliminary non-binding discussions with independent third parties regarding the sale of The Mercer by Kosmopolito in which we would retain the management of the hotel via a management agreement with the buyer.

## OUTLOOK

Supported by our growing Asian platform, our aim is to become one of the most respected Asian hotel companies, renowned for delivering shareholder returns above industry averages – driven by our strong operating performance and growing hotel management pipeline.

Buoyed by the present economic trends in the region, we are cautiously optimistic with the tourism industry, the operational performance of our hotels and the Company's performance. We expect the upward trend in the first half of financial year 2010 to continue in the major markets we operate in.

We are currently implementing a branding strategy to refresh and streamline our brands to better appeal to our target market segments and to serve as a platform for our expansion into the hotel management business.

We are proactively seeking investment and hotel management opportunities in Asia Pacific, particularly China and Southeast Asia. We believe that the asset-light and cost-effective nature of the hotel management business will help grow our brand distribution and revenues without requiring substantial capital expenditures or incurring significant costs.

## **EMPLOYEE AND REMUNERATION POLICIES**

The number of employees of the Group as at 30 September, 2010 was approximately 1,850. Employees receive competitive remuneration packages that are constantly monitored in relation to the market, with incentives such as discretionary bonuses to reward employees based on individual performance. The Group provides a comprehensive benefit package and career development opportunities, including medical benefit and both internal and external training appropriate to each individual's requirements.

## **CORPORATE GOVERNANCE**

### **Compliance with the Code on Corporate Governance Practice**

As the Company's shares were not yet listed on the Stock Exchange for the six months ended 30 September, 2010, the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") was not applicable to the Company for the period. The Company has adopted the Code as its corporate governance code of practices upon listing on the Stock Exchange and is in compliance with all the mandatory code provisions in the Code.

### **Model Code for Securities Transactions**

As the Company's shares were not yet listed on the Stock Exchange for the six months ended 30 September, 2010, the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules was not applicable to the Company for the period. The Company has adopted the Model Code as the code for dealing in securities of the Company by the Directors upon listing on the Stock Exchange. Having made specific enquiry to all the Directors, all the Directors have confirmed that they have complied with the required standard of the Model Code since the listing of the Company.



## **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”) comprises three members, all of them are Independent Non-executive Directors, namely Dr. LIU, Ngai Wing, Mr. SHEK, Lai Him Abraham and Mr. TO, Peter. The Audit Committee has reviewed audited consolidated interim results for the six months ended 30 September, 2010.

## **REPURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES**

As the Company’s shares were not yet listed on the Stock Exchange for the six months ended 30 September, 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares listed on the Stock Exchange.

## **PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT**

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

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

Hong Kong, 26 November, 2010

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