Kosmopolito Hotels International Limited

麗悅酒店集團有限公司

(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

Interim Report
中期報告
2010-11

Content

CORPORATE INFORMATION

PLACE OF INCORPORATION
Cayman Islands

EXECUTIVE DIRECTORS
Mr. MOK, Kwai Pui Bill
Mr. CHU, Chee Seng
Mr. LAI, Wai Keung
Ms. CHIU, Wing Kwan Winnie

NON-EXECUTIVE DIRECTORS
Tan Sri Dato' CHIU, David
Mr. IP, Hoi Wah Edmond
Mr. HOONG, Cheong Thard
Mr. CHAN, Chi Hing

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. SHEK, Lai Him Abraham
Mr. TO, Peter
Dr. LIU, Ngai Wing

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY
Mr. MOK, Kwai Pui Bill

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

REMUNERATION COMMITTEE
Tan Sri Dato' CHIU, David *(Chairman)*
Mr. MOK, Kwai Pui Bill
Mr. SHEK, Lai Him Abraham
Mr. TO, Peter
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

BUSINESS DEVELOPMENT COMMITTEE
Mr. IP, Hoi Wah Edmond *(Chairman)*
Mr. MOK, Kwai Pui Bill
Mr. CHU, Chee Seng
Mr. YIP, Shu Kiong
Ms. CHIU, Wing Kwan Winnie

AUTHORIZED REPRESENTATIVES
Mr. MOK, Kwai Pui Bill
Mr. CHU, Chee Seng

SOLICITORS
Hong Kong
Woo, Kwan, Lee & Lo

Malaysia
Syed Alwi, Ng & Co.

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

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
Affrin Bank Berhad
OCBC Bank (Malaysia) Berhad
Public Bank Berhad

Singapore
The Hongkong and Shanghai
Banking Corporation Limited

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

REGISTERED OFFICE
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PRINCIPAL OFFICE
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Wan Chai
Hong Kong

SHARE REGISTRAR
Tricor Investor Services Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Wanchai,
Hong Kong

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

WEBSITE
http://www.kosmohotels.com

INTERIM RESULTS HIGHLIGHTS

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.

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 2.06 HK 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%.

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 42.9%.

The key revenue matrices for the period are as follows:

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

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

CAPITAL STRUCTURE, FINANCIAL RESOURCES AND LIQUIDITY

As at 30 September, 2010, the shareholders' equity of the Company amounted to approximately HK$243.8 million (31 March, 2010: approximately HK$184.0 million). The Group's capital structure is the equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated profit.

Borrowings and charge on Group assets

	30 September, 2010 HK$'000	31 March, 2010 HK$'000
Secured bank borrowings	**3,636,977**	3,533,683
The above borrowings are repayable as follows:		
On demand or within one year	**587,059**	528,629
Amount due after one year	**3,049,918**	3,005,054
	3,636,977	3,533,683
Net debt	**3,520,783**	3,440,046

We entered into various loan agreements with a number of banks where the Company is guarantor of these loans. Majority of the bank borrowings are denominated in Hong Kong dollar. 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

	30 September, 2010 HK$'000	31 March, 2010 HK$'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	**446,985**	315,527
– authorised but not contracted for	**123,342**	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 Far East Consortium International Limited ("FECIL") for their provision of corporate management services and office support. These services ceased and, accordingly, payments of such management fees were also ceased on 1 April, 2010 as the management and office functions of our Company were separated from FECIL in preparation for the public offering.

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-monetory 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:

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

Proforma adjustments

(1) Cash proceeds from public offering net off listing expenses and remaining balance of amount due to Parent Entities. Majority bank balances and cash are denominated in Hong Kong dollar.

(2) Capitalisation of amount due to Parent Entities pursuant to corporate reorganisation.

(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.

(4) Net debt-to-equity is net debt (total secured bank borrowings net of bank balances and cash) as percentage of total equity.

After taking into account the proceeds from the public offering, capitalisation of amount due to Parent Entities and the revaluation surplus in the proforma financial position, the Company would turn around a net current liabilities position to net current assets and the Company's net debt-to-equity ratio would decrease from 1,444.2% to 39.1%.

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.

OTHER INFORMATION

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.

SIGNIFICANT INVESTMENT HELD

There were no significant investments held by the Company as at 30 September, 2010.

MATERIAL ACQUISITION AND DISPOSAL

During the period under review, the Company had no material acquisition or disposal of subsidiaries and affiliated companies.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As the shares have only been listed on the main board of the Stock Exchange since 11 October, 2010 (the "Listing Date"), no disclosure of interests or short positions of any Directors and/or chief executives of the company in any shares, underlying shares or debentures of the Company and any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) were made to the Company under the provisions of Division 7 and 8 of Part XV of the SFO as of 30 September, 2010.

As at the listing date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:–

DIRECTORS' INTERESTS IN SHARES

(a) Directors' interest in shares and underlying shares of the Company

		Number of Ordinary Shares Held				
Name of Director	Nature of Interests	Personal Interests	Corporate Interests	Family Interests	Total	Percentage of Issued Share Capital of the Company
Tan Sri Dato' CHIU, David	Long Position	–	1,467,453,254 (i)	8,355	1,467,461,609	73.37%
CHAN, Chi Hing	Long Position	3,548,454	–	–	3,548,454	0.18%
MOK, Kwai Pui Bill	Long Position	3,545,454	–	–	3,545,454	0.18%
CHU Chee Seng	Long Position	3,522,727	–	–	3,522,727	0.18%
HOONG, Cheong Thard	Long Position	2,840,363 (ii)	–	–	2,840,363	0.14%
CHIU, Wing Kwan Winnie	Long Position	2,272,727	–	–	2,272,727	0.11%
LAI, Wai Keung	Long Position	1,590,909	–	–	1,590,909	0.08%

Notes:

(i) 7,453,254 Shares are held directly by Sumptuous Assets Limited ("Sumptuous"), company controlled by Tan Sri Dato' CHIU, David, and 1,460,000,000 Shares are held indirectly by Sumptuous and Modest Secretarial Services Limited, company controlled by Tan Sri Dato' CHIU, David through FECIL.

(ii) 4,000 Shares are jointly held by HOONG, Cheong Thard and TENG, Pei Chun.

SUBSTANTIAL SHAREHOLDERS

As the shares have only been listed on the main board of the Stock Exchange since the Listing Date, no disclosure of interests or short positions in any shares or underlying shares of the Company were made to the Company under the provisions of Division 2 and 3 of Part XV of the SFO as of 30 September, 2010.

As at the Listing Date, the following persons (not being a Director or a chief executive of our Company) have interests or short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:–

Name of substantial shareholders	Capacity	Nature of interests (i)	No. of ordinary shares held	% of issued share capital
Far East Consortium International Limited	Interests in controlled corporation	Long	1,460,000,000	73.00%
Ample Bonus Limited	Beneficial owner	Long	1,460,000,000	73.00%
Penta Investment Advisers Limited	Investment manager	Long	103,176,543	5.16%
Credit Suisse (Hong Kong) Limited	Interests held jointly with another person (ii)	Long Short	162,000,000 81,000,000	8.10% 4.05%
Credit Suisse AG	Interests in controlled corporation	Long Short	162,000,000 81,000,000	8.10% 4.05%

Notes:

(i) "Long" refers to the long position in the shares of the Company held by such person/entity, while "short" refers to short position in the shares of the Company held by such person/entity.

(ii) These Shares are jointly held by Morgan Stanley Asia Limited and The Royal Bank of Scotland N.V., Hong Kong Branch.

Save as disclosed herein, the Company has not been notified of any other person (other than directors or chief executives of the Company) who had an interest or a short position 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 as at the Listing Date.

SHARE OPTION SCHEME

(a) Share option scheme of the Company

The Company's share option scheme was adopted pursuant to a resolution passed on 10 September, 2010 (the "Share Option Scheme") for the purpose of providing incentives and rewards to employees or executive or officers (including executive and non-executive directors) of the Company or any of its subsidiaries and advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Without prior approval from the Company's shareholders, (i) the total number of shares to be issued under the options of the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue; (ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue.

Options granted will be taken up upon payment of HK$1 per option. Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options is accepted. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

No options were granted to any of the directors of the Company since its adoption during the period.

(b) FECIL's scheme

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.

Without prior approval from the Company's shareholders, the total number of shares to be issued under the options of the Share Option Scheme is not permitted to exceed 10% of the shares of FECIL then in issue at any point in time; (b) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of FECIL in issue.

Options granted will be taken up upon payment of HK$1 per option. Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options is accepted. The exercise price is determined by the directors of FECIL, and will not be less than the higher of (i) the closing price of FECIL's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of FECIL's share.

Details of share options, which were granted on 21 October 2004 and 8 May 2009 at an initial exercise price at HK$2.075 per share and HK$1.500 per share, respectively, are as follows:

Options granted on 21 October, 2004

Option type	Vesting period	Exercisable period	Exercise price HK$
Tranche 1	21.10.2004 to 31.10.2004	1.11.2004 to 31.12.2015	2.075
Tranche 2	21.10.2004 to 31.12.2005	1.1.2006 to 31.12.2015	2.075
Tranche 3	21.10.2004 to 31.12.2006	1.1.2008 to 31.12.2015	2.075
Tranche 4	21.10.2004 to 31.12.2008	1.1.2009 to 31.12.2015	2.075
Tranche 5	21.10.2004 to 31.12.2009	1.1.2010 to 31.12.2015	2.075

Options granted on 8 May, 2009

Option type	Vesting period	Exercisable period	Exercise price HK$
Tranche 1	8.5.2009 to 15.9.2009	16.09.2009 – 15.09.2019	1.500
Tranche 2	8.5.2009 to 15.9.2010	16.09.2010 – 15.09.2019	1.500
Tranche 3	8.5.2009 to 15.9.2011	16.09.2011 – 15.09.2019	1.500
Tranche 4	8.5.2009 to 15.9.2012	16.09.2012 – 15.09.2019	1.500

The movements in FECIL Scheme during the six-month period ended 30 September, 2010 are as follows:

Grantee	Date of grant	Option type	At 1.4.2009	Grant during the year	Lapsed during the year	At 31.3.2010	Lapsed during the period	At 30.9.2010
MOK, Kwai Pui Bill	21.10.2004	Tranche 3	1,200,000	–	–	1,200,000	–	1,200,000
		Tranche 4	1,800,000	–	–	1,800,000	–	1,800,000
		Tranche 5	2,000,000	–	–	2,000,000	–	2,000,000
			5,000,000	–	–	5,000,000	–	5,000,000
CHAN, Chi Hing	21.10.2004	Tranche 3	500,000	–	–	500,000	–	500,000
		Tranche 4	1,800,000	–	–	1,800,000	–	1,800,000
		Tranche 5	2,000,000	–	–	2,000,000	–	2,000,000
			4,300,000	–	–	4,300,000	–	4,300,000
HOONG, Cheong Thard	8.5.2009	Tranche 1	–	1,850,000	–	1,850,000	–	1,850,000
		Tranche 2	–	1,850,000	–	1,850,000	–	1,850,000
		Tranche 3	–	1,850,000	–	1,850,000	–	1,850,000
		Tranche 4	–	1,850,000	–	1,850,000	–	1,850,000
			–	7,400,000	–	7,400,000	–	7,400,000
Other employees in aggregate	21.10.2004	Tranche 3	300,000	–	–	300,000	–	300,000
		Tranche 4	675,000	–	–	675,000	–	675,000
		Tranche 5	925,000	–	–	925,000	–	925,000
			1,900,000	–	–	1,900,000	–	1,900,000
			11,200,000	7,400,000	–	18,600,000	–	18,600,000

The directors' and employees' entitlement to the options relate to their services to a number of companies within FECIL including the Company and its subsidiaries. The value of the share option has not been allocated amongst individual companies as the allocation of the services of their directors and employees to the various group companies in FECIL is not feasible.

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 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.

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules and appointed three Independent Non-executive Directors including one with financial management expertise.

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 Company has been established audit committee in compliance with Rule 3.21 of the Listing Rules. 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.

By order of the Board
DAVID CHIU
Chairman

Hong Kong, 26 November, 2010

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF KOSMOPOLITO HOTELS INTERNATIONAL LIMITED
麗悅酒店集團有限公司
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kosmopolito Hotels International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 95, which comprise the consolidated statement of financial position as at 30 September, 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 September, 2010 and of its profit and cash flows for the six months then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualifying our opinion, we draw attention to the fact that we have not carried out audit procedures in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants on the comparative amounts disclosed in the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows and the relevant explanatory notes.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

26 November, 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2010

	NOTES	1.4.2010 to 30.9.2010 HK$'000	1.4.2009 to 30.9.2009 HK$'000 (Unaudited)
Revenue	9	384,162	264,080
Depreciation and amortisation		(49,502)	(31,225)
Management fee	10	–	(2,160)
Operating costs		(122,299)	(96,016)
Gross profit		212,361	134,679
Other income		1,512	1,367
Administrative expenses		(105,876)	(74,314)
Management fee	10	–	(14,049)
Pre-opening expenses	11	(560)	(314)
Other gains and losses	12	(68)	(19,805)
Listing expenses	13	(19,000)	–
Finance costs	14	(43,962)	(39,991)
Profit (loss) before taxation		44,407	(12,427)
Income tax (expense) credit	15	(8,762)	5,755
Profit (loss) for the period	16	35,645	(6,672)
Other comprehensive income for the period			
Exchange differences on translation of foreign operations		34,299	1,825
Total comprehensive income (expense) for the period		69,944	(4,847)
Earnings (loss) per share – Basic (HK cents)	18	2.06	(0.39)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER, 2010

	NOTES	30.9.2010 HK$'000	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment				
Hotels	19	**3,054,381**	2,765,302	2,464,870
Hotels under development		**1,401,903**	1,570,741	1,324,665
		4,456,284	4,336,043	3,789,535
Furniture, fixture and equipment		**123,092**	78,165	56,022
		4,579,376	4,414,208	3,845,557
Prepaid lease payments	20	**570,414**	716,328	329,266
Investment properties	21	**376,155**	363,954	358,276
Deposits for acquisition of property, plant and equipment		**113,304**	110,079	73,450
Utility and other deposits paid		**6,964**	4,234	4,127
Pledged deposits	22	**4,982**	4,647	4,028
		5,651,195	5,613,450	4,614,704
Current assets				
Properties under development for sale	23	**200,828**	–	–
Other inventories		**5,378**	3,898	3,448
Debtors, deposits and prepayments	24	**54,953**	51,693	45,971
Amounts due from Parent Entities	25	**–**	556,487	538,112
Amount due from a related company	26	**–**	180	–
Investment held-for-trading	27	**2,340**	2,280	2,260
Derivative financial instruments	28	**172**	1,678	8,255
Prepaid lease payments	20	**12,169**	13,108	8,463
Tax recoverable		**576**	3,918	433
Pledged deposits	22	**430**	430	430
Bank balances and cash	22	**116,194**	93,637	66,784
		393,040	727,309	674,156

	NOTES	30.9.2010 HK$'000	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Current liabilities				
Creditors and accruals	29	**145,978**	123,558	86,678
Amounts due to Parent Entities	30	**1,907,588**	2,416,299	2,090,004
Amounts due to related companies		**–**	–	3,943
Secured bank borrowings	31	**587,059**	528,629	198,032
Sales deposits received		**23,687**	–	–
Derivative financial instruments	28	**602**	–	–
Tax payable		**3,100**	151	4,335
		2,668,014	3,068,637	2,382,992
Net current liabilities		**(2,274,974)**	(2,341,328)	(1,708,836)
Total assets less current liabilities		**3,376,221**	3,272,122	2,905,868
Non-current liabilities				
Secured bank borrowings	31	**3,049,918**	3,005,054	2,728,372
Rental and other deposits received		**5,584**	4,869	3,904
Deferred tax liabilities	32	**76,930**	78,194	74,792
		3,132,432	3,088,117	2,807,068
NET ASSETS		**243,789**	184,005	98,800
Capital	33	**–**	10,160	10,160
Reserves		**243,789**	173,845	88,640
TOTAL EQUITY		**243,789**	184,005	98,800

The consolidated financial statements on pages 24 to 95 were approved and authorised for issue by the Board of Directors on 26 November, 2010 and are signed on its behalf by:

BILL KWAI PUI MOK
DIRECTOR

CHU CHEE SENG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2010

	Share capital HK$'000	Exchange reserve HK$'000	Property revaluation reserve HK$'000	Merger reserve HK$'000 *(Note a)*	Other reserve HK$'000 *(Note b)*	Retained profits HK$'000	Total HK$'000
As at 1 April, 2009 (audited)	10,160	8,775	–	(201,048)	207,440	73,473	98,800
Profit for the year	–	–	–	–	–	45,813	45,813
Other comprehensive income for the year	–	32,760	6,632	–	–	–	39,392
Total comprehensive income for the year	–	32,760	6,632	–	–	45,813	85,205
As at 31 March, 2010 (audited)	10,160	41,535	6,632	(201,048)	207,440	119,286	184,005
Elimination of share capital of combined subsidiaries 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
As at 1 April, 2009 (audited)	10,160	8,775	–	(201,048)	207,440	73,473	98,800
Loss for the period	–	–	–	–	–	(6,672)	(6,672)
Other comprehensive income for the period	–	1,825	–	–	–	–	1,825
Total comprehensive income for the period	–	1,825	–	–	–	(6,672)	(4,847)
As at 30 September, 2009 (unaudited)	10,160	10,600	–	(201,048)	207,440	66,801	93,953

Notes:

(a) Merger reserve represents the excess of the cash consideration paid for the acquisition of Dorsett Far East Hotel and Dorsett Kowloon Hotel from Parent Entities (defined in note 2) and the carrying amounts of the assets and liabilities stated in the financial records of the previous respective hotel owners.

(b) 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2010

	1.4.2010 to 30.9.2010 HK$'000	1.4.2009 to 30.9.2009 HK$'000 (Unaudited)
Operating activities		
Profit (loss) before taxation	**44,407**	(12,427)
Adjustments for:		
Depreciation and amortisation	**49,502**	31,225
(Increase) decrease in fair value of investment properties	**(2,589)**	22,943
Decrease (increase) in fair value of derivative financial instruments	**2,108**	(1,830)
Allowance for (reversal of) bad and doubtful debts	**45**	(1,395)
Interest income	**(1,327)**	(1,342)
Finance costs	**43,962**	39,991
Operating cash flows before movements in working capital	**136,108**	77,165
Increase in inventories	**(1,480)**	(42)
Decrease in amount due from a related company	**180**	–
Increase in debtors, deposits and prepayments	**(1,925)**	(1,291)
Increase in property under development for sales	**(21,570)**	–
Increase in sales deposits received	**23,046**	–
Increase in utility and other deposits paid	**(2,730)**	(937)
Increase (decrease) in creditors and accruals	**7,399**	(4,631)
Increase in utility and other deposits received	**715**	128
Cash generated from operations	**139,743**	70,392
Income tax paid	**(2,895)**	(6,015)
Net cash from operating activities	**136,848**	64,377

	1.4.2010 to 30.9.2010 HK$'000	1.4.2009 to 30.9.2009 HK$'000 (Unaudited)
Investing activities		
Payment for acquisition of hotel properties	–	(59,755)
Development expenditure on hotel properties	(97,025)	(136,527)
Acquisition of property, plant and equipment	(22,072)	(7,804)
Interest received	109	124
Net cash used in investing activities	(118,988)	(203,962)
Financing activities		
Advance from Parent Entities	554	139,223
New bank borrowings raised	74,182	38,158
Repayments of bank borrowings	(23,976)	(19,815)
Interest paid	(49,336)	(39,474)
Net cash from financing activities	1,424	118,092
Increase (decrease) in cash and cash equivalents	19,284	(21,493)
Cash and cash equivalents at beginning of the period	93,637	66,784
Effect of foreign exchange rate changes	3,273	5,024
Cash and cash equivalents at end of the period	116,194	50,315
Represented by		
Bank balances and cash	116,194	50,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2010

1. GENERAL

The Company was incorporated as an exempted company with limited liability under the Companies Law of Cayman Islands. Pursuant to the resolutions passed on 3 November, 2009 and 17 February, 2010, the name of the Company changed from Hong Kong Hotel REIT Holdings Limited to Dorsett International Group Ltd. and then to the existing name respectively. The shares of the Company have been listed on The main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 11 October, 2010. The Company's immediate holding company is Ample Bonus Limited, a limited liability company incorporated in the British Virgin Islands, whereas its ultimate holding company is Far East Consortium International Limited ("FECIL"), a limited liability company incorporated in the Cayman Island and the shares of which are listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the interim report.

The principal activities of the Group are hotel operation and property investment. Particulars of its subsidiaries are set out in note 41.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. 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 Stock Exchange, the Company acquired from FECIL certain companies (the "Combined Entities") and became the holding company comprising 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 principle of merger accounting in accordance with Accounting Guidance 5 "Merger Accounting for Common Control Combinations". Accordingly, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements 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 statements of financial position 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 reporting periods. 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.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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 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.

3. 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. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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.

HKFRS 3 (Revised 2008) Business Combination and HKAS 27 (Revised 2008) Consolidated and Separate Financial Statements

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 April, 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Except as disclosed above, the adoption of the other new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July, 2010 and 1 January, 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July, 2010
3 Effective for annual periods beginning on or after 1 January, 2011
4 Effective for annual periods beginning on or after 1 July, 2011
5 Effective for annual periods beginning on or after 1 January, 2013

The directors of the Company anticipate that the application of the above new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

4. 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 ("Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the acquirer has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on combination.

Merger accounting for reorganisation involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses which are under common control as if the combination occurred from the date when the combining entities or businesses first came under the control of the ultimate holding company.

The net assets of the combining entities or businesses are combined based on the existing carrying values in the books and records from the ultimate holding company's perspective.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the control of the ultimate holding company, where this is a shorter period, regardless of the date of the common control combination.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Business combinations other than reorganisation involving entities under common control

Acquisitions of subsidiaries and businesses other than reorganisation involving entities under common control are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant HKFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2 Share-based Payment; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Business combinations other than reorganisation involving entities under common control *(Continued)*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of items of property, plant and equipment other than hotels under development over their estimated useful lives and after taking into account of their estimated residual value. No depreciation is provided on hotels under development which have not been in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the year in which the item is derecognised.

If an item of property, plant and equipment is transferred to an investment property when there is a change of use, evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year in which the item is derecognised.

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation. The fair value at the date of transfer becomes the deemed cost for subsequent accounting as property, plant and equipment.

Hotels under development

Hotels under development held for owner's operation are stated at cost less any impairment loss recognised. Cost comprises cost of land, development expenditure, professional charges directly attributable to the development and interest capitalised during the development period. No depreciation is provided on the cost of the buildings until hotel operation commences.

When the building on land held under operating lease is in the course of development, the leasehold land component is classified as a prepaid lease and amortised on a straight-line basis over the lease term. The amortisation charge for the leasehold land is included as part of the costs of the buildings under construction during the construction period.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Properties under development for sale

Properties which are intended for sale after completion of development, are stated at the lower of cost and net realisable value. Cost includes costs of land, development expenditure, borrowing costs capitalised and other direct costs attributable to such properties. These assets are recorded as current assets as they are expected to be realised in, or are intended for sale within the Group's normal operating cycle. Net realisable value represents the estimated selling price less all anticipated costs of completion and costs to be incurred in marketing and selling the properties.

Leases

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally classified as finance lease and accounted for as property, plant and equipment. To the extent the allocation can be made reliably, leasehold land is classified as finance leases if substantially all the risk and rewards incidental to ownership of the land is transferred to the Group and in other cases, leasehold land is classified as operating leases.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are classified into financial assets held for trading and loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables (including debtors, amounts due from Parent Entities and a related company, pledged deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the financial assets at initial recognition.

Financial assets held-for-trading

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At the end of each reporting period subsequent to initial recognition, financial assets held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets

Financial assets except for financial assets held-for-trading are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as debtors, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade debtors, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When such receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue cost.

Financial liabilities include creditors, amounts due to Parent Entities and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all expenses on points paid or received that form an integral part of interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the period in which they arise.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Inventories

Inventories held for sale are stated at the lower of cost and net realisable value.

Inventories representing stocks of food, beverages and general stores, are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method.

Revenue recognition

Revenue measured at the fair value of the consideration received or receivable for the services provided in the normal course of business, net of discounts and related taxes.

- Revenue from hotel operations is recognised when the relevant services are provided.
- Rental income from properties under operating lease is recognised on a straight-line basis over the periods of the respective tenancies.
- Revenue from sale of properties is recognised when the relevant properties have been completed and delivered to the buyers. Payments received from purchasers prior to meeting the revenue recognition criteria are recorded as sales deposits under current liabilities.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits schemes

Payments to defined contribution retirement benefit plans are charged as expenses when employees have rendered service entitling them to the contributions.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity ("foreign currencies") are recorded in its functional currency, the currency of the primary economic environment in which the entity operates, at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as exchange reserve, a separate component of equity. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax liabilities are calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of giving rise to a material adjustment to the carrying amounts of assets and liabilities within the next twelve months, are discussed below.

Fair value of derivative financial instruments

The Group relies on the valuations provided by financial institutions to determine the fair values of the interest rate swaps which is based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments. Judgment is required for the variables used in arriving at these fair values. Changes in the underlying assumptions could materially impact profit and loss.

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions. In relying on the valuation report, the management of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

Deferred taxation

The realisability of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the foreseeable future such that the deferred tax assets can be utilised. The management of the Company determine whether deferred tax assets would be recognised based on profit projections of the respective Group entities and the expected reversal of taxable temporary differences in the coming years. The Group will review the probability of utilising tax losses in future at the end of each reporting period. In cases where the actual future profits generated are more or less than expected, an additional recognition or a reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition or reversal takes place.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The capital structure of the Group consists of borrowings less cash and cash equivalents and equity attributable to equity holders of the Group, comprising capital, reserves and retained profits.

The Group regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall structure through issuance of new shares, raising new debts and repayment of existing debts.

7. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	30.9.2010 HK$'000	31.3.2010 HK$'000	1.4.2009 HK$'000
Financial assets			
Investment held-for-trading	**2,340**	2,280	2,260
Derivative financial instruments	**172**	1,678	8,255
Loans and receivables			
Trade and other debtors	**48,145**	50,857	41,393
Amount due from a related company	**–**	180	–
Amounts due from Parent Entities	**–**	556,487	538,112
Pledged deposits	**5,412**	5,077	4,458
Bank balance and cash	**116,194**	93,637	66,784
	172,263	710,196	661,262
Financial liabilities			
Derivative financial instruments	**602**	–	–
Financial liabilities at amortised cost			
Trade and other creditors	**120,219**	118,228	84,605
Amounts due to Parent Entities	**1,907,588**	2,416,299	2,090,004
Amounts due to related companies	**–**	–	3,943
Secured bank borrowings	**3,636,977**	3,533,683	2,926,404
	5,665,386	6,068,210	5,104,956

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies

Details of the Group's financial instruments are disclosed above and in the respective notes. The risks associated with these financial instruments include interest rate risk, price risk, credit risk and liquidity risk.

The management monitors and manages the financial risk of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on the bank balances and pledged deposits, and bank borrowings. The Group has entered into certain interest rate swaps contracts to mitigate the risk of the fluctuation of interest rate on its future interest payments on the bank borrowings which carry interest at HIBOR and Singapore Dollar Swap Offer Rate.

The Group is also exposed to fair value interest rate risk in relation to amounts due from/to Parent Entities carrying interest at fixed rate.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates risk for its variable rate borrowings. The sensitivity analysis does not consider the exposure of the bank deposits because the impact is not significant. The analysis is prepared assuming that the bank borrowings outstanding at the end of the reporting periods were outstanding for the whole period. A 50 basis points increase or decrease are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in the interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before taxation for the six-month period would decrease or increase by HK$6,847,000 (six months ended 2009: loss before taxation increase/decrease by HK$5,090,000) and the interest capitalised to the Group's properties under development would increase/decrease by HK$2,033,000 (six months ended 2009: HK$2,207,000).

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

Interest rate sensitivity analysis (Continued)

In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the period end exposure does not reflect the exposure during the period.

Price risk

The Group is exposed to price risk arising from investment held-for-trading.

Price risk sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to price risk at end of each reporting period. A 10% increase or decrease was used when reporting price risk internally to key management personnel and represented management's assessment of the reasonably possible change in the market price.

If the price of the respective securities has been changed by 10% higher/lower, the profit before taxation for the six-month period ended 30 September 2010 would increase/decrease by HK$234,000 (year ended 31 March 2010: HK$228,000).

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties failure to discharge their obligations in relation to each class of recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the respective group companies has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

The Group has no significant concentration of credit risk over its trade debtors, with exposure spread over a number of counterparties and customers. The management of the respective companies reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Credit risk *(Continued)*

The Group's concentration of credit risk by geographical locations of customers are mainly in Hong Kong and Malaysia which accounted for 35% and 64% of trade receivables as at 30 September, 2010 (31.3.2010: 49% and 50%).

The credit risk for bank deposits is limited because the counterparties are financial institutions with high credit ratings.

Liquidity risk

The Group's liquidity requirements for operation and its compliance with lending covenants is monitored closely by the management of the respective companies, to ensure that it maintain sufficient reserve of cash and adequate committed line of funding from major financial institutions to meet its liquidity requirements in the short and long term.

After the capitalization of the amount due to Parent Entities of HK$1,859,812,000 and the proceed from issuance of new shares on public offering of the Company's shares subsequent to the end of the reporting period as detailed in note 42, together with the available banking facilities and cash form operation, the Group is able to monitor its cash positions, to meet their liquidity requirements although the Group's current liabilities exceeded its current assets at the end of the reporting period.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The following table details the Group's contractual maturity for its financial liabilities which are non-derivative. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand or 0-180 days HK$'000	181-365 days HK$'000	One to three years HK$'000	Three to five years HK$'000	Over five years HK$'000	Total HK$'000	Carrying amount HK$'000
At 30 September, 2010								
Non-interest bearing	N/A	1,837,919	-	-	-	-	1,837,919	1,837,919
Variable interest rate financial liabilities	2.68	420,646	249,083	2,313,489	669,014	358,437	4,010,669	3,636,977
Fixed interest rate financial liabilities *(note)*	0.5	189,888	-	-	-	-	189,888	189,888
		2,448,453	249,083	2,313,489	669,014	358,437	6,038,476	5,664,784

Note

Non-interest bearing liabilities include the amount due to Parent Entities of HK$1,859,812,000 which was capitalised subsequent to the end of the reporting period.

7. FINANCIAL INSTRUMENTS *(Continued)*

b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average interest rate %	On demand or 0-180 days HK$'000	181-365 days HK$'000	One to three years HK$'000	Three to five years HK$'000	Over five years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 March, 2010								
Non-interest bearing	N/A	2,184,147	–	–	–	–	2,184,147	2,184,147
Variable interest rate financial liabilities	3.34	308,725	310,660	244,392	2,617,742	387,148	3,868,667	3,533,683
Fixed interest rate financial liabilities	0.5	350,380	–	–	–	–	350,380	350,380
		2,843,252	310,660	244,392	2,617,742	387,148	6,403,194	6,068,210

c. Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of interest rate swap (classified as Level 2 below) is determined based on a discounted cash flow analysis using the applicable yield curve observable from the market over the duration of the instruments;
- the fair value of listed investments with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market bid prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

7. FINANCIAL INSTRUMENTS *(Continued)*

c. Fair value of financial instruments *(Continued)*

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

The fair value of financial assets and financial liabilities measured in different levels recognised in the consolidated statement of financial position are as follows:

	As at 30 September, 2010			As at 31 March, 2010		
	Level 1	**Level 2**	**Total**	Level 1	Level 2	Total
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Financial assets						
Derivative financial instruments	**–**	**172**	**172**	–	1,678	1,678
Investment held-for-trading	**2,340**	**–**	**2,340**	2,280	–	2,280
	2,340	**172**	**2,512**	2,280	1,678	3,958
Financial liabilities						
Derivative financial instruments	**–**	**602**	**602**	–	–	–

There were no transfers between Level 1 and 2 during the period.

8. 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.

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 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)
	384,162	264,080	**44,407**	(12,427)

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.

8. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results *(Continued)*

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:

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

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 4.

8. SEGMENT INFORMATION *(Continued)*

(c) Other information

For the six months ended 30 September, 2010

	Hong Kong HK$'000	Malaysia HK$'000	Other regions in the PRC HK$'000	Singapore HK$'000	Consolidated HK$'000
Allowance for bad and doubtful debts	–	45	–	–	45
Depreciation and amortisation	24,699	11,484	13,261	58	49,502
Increase in fair value on investment properties	–	–	(2,589)	–	(2,589)
Decrease in fair value of derivative financial instruments	1,506	–	–	602	2,108
Interest income	(1,218)	(90)	(19)	–	(1,327)
Interest expense	22,713	7,694	12,731	824	43,962
Additions to property, plant and equipment, prepaid lease payment, and investment properties	83,907	17,402	35,108	4,004	140,421

8. SEGMENT INFORMATION *(Continued)*

(c) Other information *(Continued)*

For the six months ended 30 September, 2009 (Unaudited)

	Hong Kong HK$'000	Malaysia HK$'000	Other regions in the PRC HK$'000	Singapore HK$'000	Consolidated HK$'000
Reversal of bad and doubtful debts	(1,000)	(395)	–	–	(1,395)
Depreciation and amortisation	19,473	9,507	2,245	–	31,225
Decrease in fair value on investment properties	–	–	22,943	–	22,943
Increase in fair value of derivative financial instruments	(1,830)	–	–	–	(1,830)
Interest income	(1,218)	(116)	(8)	–	(1,342)
Interest expense	24,751	6,681	8,559	–	39,991
Additions to property, plant and equipment, prepaid lease payment and investment properties	89,165	10,908	57,881	–	157,954

(d) Geographical information

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

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

9. REVENUE

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

	1.4.2010 to 30.9.2010 HK$'000	1.4.2009 to 30.9.2009 HK$'000 (Unaudited)
Hotel room revenue, food and beverage	**363,937**	246,095
Gross rental income from properties	**20,225**	17,985
	384,162	264,080

The applicable business tax ranged from 3% to 5% on hotel room revenue, food and beverage and 5% on gross rental income from PRC properties.

10. MANAGEMENT FEE

Prior to September, 2009, the Group paid hotel management fee to an hotel operator, Sheraton Overseas Management Corporation, amounting to HK$2,160,000 for managing the operation of one of the Group's hotel situated in Malaysia. The management service from Sheraton was terminated upon the expiry of the management contract on 30 September, 2009.

Certain companies also paid management fee to fellow subsidiaries for corporate management services provided and office support as disclosed in note 40. Such arrangement was terminated on 31 March, 2010.

11. PRE-OPENING EXPENSES

Pre-opening expenses represent costs incurred in connection with start-up activities prior to the grand opening of new hotels. These primarily include staff cost and utility charges.

12. OTHER GAINS AND LOSSES

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

13. 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.

14. FINANCE COSTS

	1.4.2010 to 30.9.2010 HK$'000	1.4.2009 to 30.9.2009 HK$'000 (Unaudited)
Interest on bank borrowings		
– wholly repayable within five years	**27,792**	22,747
– not wholly repayable within five years	**19,988**	15,187
Interest on amounts due to fellow subsidiaries		
– wholly repayable within five years	**237**	1,025
Amortisation of front-end fee	**5,073**	4,236
Others	**695**	515
	53,785	43,710
Less: amount capitalised to properties under development	**(9,823)**	(3,719)
	43,962	39,991

15. INCOME TAX EXPENSE (CREDIT)

	1.4.2010 to 30.9.2010 HK$'000	1.4.2009 to 30.9.2009 HK$'000 (Unaudited)
Current period income tax		
Hong Kong	**8,156**	1,838
Other jurisdictions	**1,870**	(1,654)
	10,026	184
Deferred taxation (note 32)		
Current period	**(1,264)**	(5,939)
	8,762	(5,755)

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

15. INCOME TAX EXPENSE (CREDIT) *(Continued)*

The taxation can be reconciled to the profit (loss) before taxation per the consolidated statement of comprehensive income as follows:

	1.4.2010 to 30.9.2010				
	Hong Kong HK$'000	Malaysia HK$'000	Other regions in the PRC HK$'000	Singapore HK$'000	Total HK$'000
Profit (loss) before taxation	37,738	23,677	(7,397)	(9,611)	44,407
Applicable income tax rate	16.5%	25%	25%	17%	
Tax at the applicable income tax rate	6,227	5,919	(1,849)	(1,634)	8,663
Tax effect of expenses not deductible for tax purpose	4,226	754	279	1,634	6,893
Tax effect of income not taxable	(250)	(157)	(183)	–	(590)
Tax effect of utilisation of deductible temporary difference previously not recognised	(453)	–	–	–	(453)
Tax effect of tax losses not recognised	337	–	2,730	–	3,067
Utilisation of tax loss previously not recognised	(2,731)	(6,627)	–	–	(9,358)
Others	449	91	–	–	540
Income tax expense (credit) for the period	7,805	(20)	977	–	8,762

15. INCOME TAX EXPENSE (CREDIT) *(Continued)*

	1.4.2009 to 30.9.2009				
	Hong Kong HK$'000	Malaysia HK$'000	Other regions in the PRC HK$'000	Singapore HK$'000	Total HK$'000
(Loss) profit before taxation	(4,830)	21,314	(28,812)	(99)	(12,427)
Applicable income tax rate	16.5%	25%	25%	17%	
Tax at the applicable income tax rate	(797)	5,329	(7,203)	(17)	(2,688)
Tax effect of expenses not deductible for tax purpose	836	373	300	17	1,526
Tax effect of income not taxable for tax purpose	(211)	(326)	(35)	–	(572)
Tax effect of tax losses not recognised	482	–	1,892	–	2,374
Utilisation of tax loss previously not recognised	–	(7,120)	–	–	(7,120)
Others	600	125	–	–	725
Income tax (credit) expense for the period	910	(1,619)	(5,046)	–	(5,755)

Details of the deferred taxation are set out in note 32.

16. PROFIT (LOSS) FOR THE PERIOD

	1.4.2010 to 30.9.2010 HK$'000	1.4.2009 to 30.9.2009 HK$'000 (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

17. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

(a) Directors' emoluments

The emoluments paid or payable to each of the eleven directors for the six months ended 30 September, 2010 were as follows:

Name of directors	Salaries and other benefits HK$'000	Retirement benefit schemes contributions HK$'000	Total HK$'000
Mr. Bill Kwai Pui Mok	620	4	624
Mr. David Chiu	–	–	–
Mr. Chi Hing Chan	–	–	–
Appointed on 8 June, 2010:			
Mr. Chee Seng Chu	530	23	553
Mr. Wai Keung Lai	240	4	244
Ms. Winnie Wing Kwan Chiu	40	1	41
Mr. Edmond Hoi Wah Ip	488	4	492
Mr. Cheong Thard Hoong	–	–	–
Appointed on 10 September, 2010:			
Mr. Abraham Lai Him Shek	–	–	–
Mr. Peter To	–	–	–
Mr. Ngai Wing Liu	–	–	–
	1,918	36	1,954

No directors fees were paid to any of the directors during the period.

17. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION *(Continued)*

(a) Directors' emoluments *(Continued)*

No remuneration were paid or are payable to any directors of the companies comprising the Group for the preceding period. However, certain executive and non-executive directors received remuneration from the Company' ultimate holding company in respect of their services to FECIL and its subsidiaries including the Group. The amounts paid by FECIL have not been allocated between their services to the Group, and their services to FECIL and its subsidiaries excluding the Group, as the allocation of services of their directors to the various group companies in the FECIL Group is not feasible.

Certain executive and non-executive directors of the Company were granted options to subscribe for shares of FECIL under the share option schemes adopted by FECIL. Details of the options schemes are disclosed in note 39.

(b) Employees' emoluments

Of the five individuals within the highest emoluments in the Group, two (2009: none) were directors whose emoluments are disclosed above. The emoluments of the remaining three (2009: five) individuals, all of which fall within the band of less than HK$1,000,000, were as follows:

	1.4.2010 to 30.9.2010 HK$'000	1.4.2009 to 30.9.2009 HK$'000 (Unaudited)
Salaries and other benefits	**2,191**	2,631
Contributions to retirement benefit scheme	**39**	30
	2,230	2,661

No emolument was paid to the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during both periods. No directors waived any of their emoluments.

18. EARNINGS (LOSS) PER SHARE

The calculation of basic earnings per share is based on the consolidated profit (loss) for the period and on 1,730,000,000 shares, which were issued pursuant to the capitalisation of the amounts due to Parent Entities as detailed in note 42 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.

19. PROPERTY, PLANT AND EQUIPMENT

	Hotels		Leasehold improvement and furniture, fixtures and equipment	Total
	completed	Under development		
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 April, 2009				
– as originally stated	2,237,191	648,426	83,987	2,969,604
– prior period adjustment	375,502	690,396	–	1,065,898
– as restated	2,612,693	1,338,822	83,987	4,035,502
Addition	47,856	459,709	29,117	536,682
Reclassification upon completion of development	204,575	(204,575)	–	–
Reclassified from investment properties	33,205	–	–	33,205
Reclassified to investment properties	(10,366)	–	–	(10,366)
Disposal	–	–	(577)	(577)
Exchange alignment	84,069	4,093	8,134	96,296

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Hotels completed HK$'000	Hotels Under development HK$'000	Leasehold improvement and furniture, fixtures and equipment HK$'000	Total HK$'000
At 31 March, 2010 (restated)	2,972,032	1,598,049	120,661	4,690,742
Addition	–	126,535	19,918	146,453
Reclassification upon completion of development	271,360	(299,388)	28,028	–
Exchange alignment	60,906	10,046	4,625	75,577
At 30 September, 2010	3,304,298	1,435,242	173,232	4,912,772
DEPRECIATION				
At 1 April, 2009				
– as originally stated	121,400	–	27,965	149,365
– prior period adjustment	26,423	14,157	–	40,580
– as restated	147,823	14,157	27,965	189,945
Provided for the year	54,839	13,151	11,743	79,733
Eliminated on reclassification to investment properties	(1,485)	–	–	(1,485)
Eliminated on disposal	–	–	(309)	(309)
Exchange alignment	5,553	–	3,097	8,650
At 31 March, 2010 (restated)	206,730	27,308	42,496	276,534
Provided for the period	39,526	6,031	5,518	51,075
Exchange alignment	3,661	–	2,126	5,787
At 30 September, 2010	249,917	33,339	50,140	333,396

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Hotels completed HK$'000	Hotels Under development HK$'000	Leasehold improvement and furniture, fixtures and equipment HK$'000	Total HK$'000
CARRYING VALUES				
At 30 September, 2010	3,054,381	1,401,903	123,092	4,579,376
At 31 March, 2010 (restated)	2,765,302	1,570,741	78,165	4,414,208
At 1 April, 2009 (restated)	2,464,870	1,324,665	56,022	3,845,557

The carrying amounts of hotels shown above comprises:

	30.9.2010 HK$'000	31.3.2010 HK$'000 (restated)
Leasehold land in Hong Kong and buildings:		
Long lease	**155,914**	157,554
Medium-term lease	**2,672,758**	2,639,896
Freehold land and buildings outside Hong Kong	**793,882**	774,957
Buildings on leasehold land outside Hong Kong:		
Long lease	**123,462**	101,328
Medium-term lease	**710,268**	662,308
	4,456,284	4,336,043

19. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The hotel buildings are depreciated on a straight-line basis over their useful lives or the remaining term of the lease of land, whichever is the shorter.

Other items of property, plant and equipment are depreciated on a straight-line basis at the rates of 10% to 20% per annum.

The carrying amounts of hotels under development at the end of the reporting period includes capitalised interest expense of HK$47,705,000 (31.3.2010: HK$38,679,000).

During the year ended 31 March, 2010, the Group changed the use of certain floors of a building, a hotel/ commercial complex, which were accordingly transferred from hotel properties (classified as property, plant and equipment and prepaid lease payment) to investment properties or vice versa at their fair value on the date of transfer. Revaluation gain attributable to hotel properties recognised in property revaluation reserve upon the transfer to investment properties amounts to HK$8,843,000 net of deferred tax of HK$2,211,000.

20. PREPAID LEASE PAYMENTS

	30.9.2010 HK$'000	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Leasehold land outside Hong Kong:			
Long-term lease with lease period ranging from 83 to 99 years	**285,767**	436,282	25,687
Medium-term lease with lease period ranging from 33 to 37 years	**296,816**	293,154	312,042
	582,583	729,436	337,729
Analysed for reporting purposes as:			
Current asset	**12,169**	13,108	8,463
Non-current asset	**570,414**	716,328	329,266
	582,583	729,436	337,729

During the period, leasehold land with carrying value of HK$166,925,000 was transferred to inventories under current assets upon approval from the relevant authority for the development of the properties for sale.

Pursuant to the change of use of certain floors of a building as disclosed in note 19 during the year ended 31 March, 2010, the leasehold land attributable to these floors amounting to HK$5,159,000 was transferred to investment properties.

21. INVESTMENT PROPERTIES

	1.4.2010 – 30.9.2010 HK$'000	1.4.2009 – 31.3.2010 HK$'000
At the beginning of the period/year	**363,954**	358,276
Reclassified from hotel properties	**–**	22,883
Increase in fair value	**2,589**	12,329
Reclassified to hotel properties	**–**	(33,205)
Exchange adjustments	**9,612**	3,671
At the end of the period/year	**376,155**	363,954

The investment properties are outside Hong Kong under medium-term lease.

The investment properties were stated at fair value at the end of each reporting period. The fair values of the investment properties have been arrived at on the basis of a valuation carried out as of those dates by DTZ Debenham Tie Leung Limited, independent qualified professional valuers not connected with the Group. DTZ Debenham Tie Leung Limited are members of the Hong Kong Institute of Surveyors. The valuation was arrived at by making reference to comparable rental as available in the relevant market.

Fair value gain of HK$600,000 was recognised in profit or loss for the year ended 31 March, 2010 upon the transfer of an investment property to property plant and equipment.

22. BANK DEPOSITS

Pledged deposits carry fixed interest rate from 0.001% to 0.01% per annum for the year ended 31 March, 2010 and the six months ended 30 September, 2010 with maturity date ranging from 1 to 6 months.

Pledged deposits included in non-current assets are pledged to secure bank borrowings repayable after five years whereas those included in current assets are pledged to secure bank borrowings repayable within one year.

Bank deposits with maturity of less than three months and bank balances carry floating market interest rate from 0.1% to 2.22% and 0.1% to 3% per annum for the year ended 31 March, 2010 and the six months ended 30 September, 2010 respectively.

23. PROPERTIES UNDER DEVELOPMENT FOR SALE

Upon obtaining governmental approval for the development of certain properties, the cost of the properties classified under prepaid lease payment of HK$166,925,000, was transferred to properties under development for sale.

The carrying amount includes capitalised interest of HK$797,000 (2009: nil).

24. 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 **HK$'000**	31.3.2010 HK$'000	1.4.2009 HK$'000
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

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

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

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

Allowance was provided on the doubtful debts due from the trade debtors and the movement during the period are as follow:

	30.9.2010 HK$'000	31.3.2010 HK$'000
Balance at beginning of the period/year	**753**	4,408
Impairment losses recognised	**45**	221
Amounts written off as uncollectible	**(185)**	(2,495)
Amounts recovered during the period/year	**–**	(1,543)
Exchange alignment	**34**	162
Balance at end of the period/year	**647**	753

25. AMOUNTS DUE FROM PARENT ENTITIES

	30.9.2010 HK$'000	31.3.2010 HK$'000	1.4.2009 HK$'000
Amounts due from ultimate holding company			
Interest free	**–**	76,790	52,927
Interest bearing at 0.5% per annum	**–**	479,152	479,152
	–	555,942	532,079
Amounts due from fellow subsidiaries			
Interest free	**–**	545	6,033
	–	556,487	538,112

The amount due from ultimate holding company and fellow subsidiaries were unsecured and repayable on demand. During the current period, the amounts, together with those due to the fellow subsidiaries (see note 30) were transferred to immediate holding company.

26. AMOUNT DUE FROM A RELATED COMPANY

The carrying amount at 31 March, 2010 represents an amount due from a company controlled by a director of FECIL. The amount has been repaid during the period and the maximum amount outstanding during the period was HK$180,000.

The amount at 31 March, 2010 was unsecured, interest free and repayable on demand.

27. INVESTMENT HELD-FOR-TRADING

The carrying amount represents the fair value of units in an investment fund which are listed on the Shanghai Stock Exchange.

28. DERIVATIVE FINANCIAL INSTRUMENTS

	30.9.2010 HK$'000	31.3.2010 HK$'000	1.4.2009 HK$'000
Interest rate swaps	(430)	1,678	8,255
Analysed for financial reporting purpose as:			
Current assets	172	1,678	8,255
Current liabilities	(602)	–	–
	(430)	1,678	8,255

Major terms of the interest rate swap contracts entered into by the Group to reduce its exposure to cash flow interest rate fluctuation risk of the bank borrowings outstanding at the end of the reporting period are set out below. These derivatives are not accounted for under hedge accounting.

Notional amount	Contract date	Effective date	Maturity date	Term
Aggregate total of HK$1,900,000,000	25 September, 2008	25 September, 2008	September, 2013 with an option of early termination by the Company	Pay interest at 3 months HIBOR with a maximum capped at 7.5% per annum and receive interest at 3 months HIBOR with upfront payment of HK$19,949,000
SGD10,000,000	28 July, 2010	7 October, 2010	December, 2013	Pay interest at a fixed rate of 1.46% and receive interest at 3 months SGD Swap Offer Rate

29. 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:

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

30. AMOUNTS DUE TO PARENT ENTITIES

	30.9.2010 HK$'000	31.3.2010 HK$'000	1.4.2009 HK$'000
Unsecured amounts due to fellow subsidiaries			
Interest free	**–**	2,008,730	1,645,405
Interest bearing at 0.5% per annum	**–**	350,380	403,201
	–	2,359,110	2,048,606
Unsecured amount due to immediate holding company			
Interest free	**1,717,700**	–	–
Interest bearing at 0.5% per annum	**189,888**	–	–
	1,907,588	–	–
Amount due to ultimate holding company	**–**	57,189	41,398
	1,907,588	2,416,299	2,090,004

30. AMOUNTS DUE TO PARENT ENTITIES *(Continued)*

During the period, amounts due to fellow subsidiaries, amounts due from ultimate holding company and fellow subsidiaries were transferred to the immediate holding company.

The repayment of an aggregate amount of HK$653,143,000 at 30 September, 2010 (31.3.2010 : HK$423,013,000) due to Parent Entities is subordinated to the repayment of bank loans which are due in September, 2013, the remaining are repayable on demand.

31. SECURED BANK BORROWINGS

	30.9.2010 HK$'000	31.3.2010 HK$'000	1.4.2009 HK$'000
Bank loans	**3,668,551**	3,569,012	2,964,344
Less: front– end fee	**(31,574)**	(35,329)	(37,940)
	3,636,977	3,533,683	2,926,404
Analysis for reporting purpose as			
Current liabilities	**587,059**	528,629	198,032
Non-current liabilities	**3,049,918**	3,005,054	2,728,372
	3,636,977	3,533,683	2,926,404
The loans are repayable:			
Within one year	**587,059**	528,629	198,032
More than one year but not exceeding two years	**177,195**	163,496	292,650
More than two years but not exceeding five years	**2,568,140**	2,519,243	2,074,279
More than five years	**336,157**	357,644	399,383
	3,668,551	3,569,012	2,964,344

The bank loans carry interest at prevailing market rates. The ranges of effective interest rates as at 30 September, 2010 and 31 March, 2010 is 0.89% to 7.13% and 1.01% to 7.13% per annum respectively.

32. DEFERRED TAXATION

The major deferred tax liabilities (assets) recognised by the Group, and movements thereon during the period/year are as follows:

	Accelerated tax depreciation HK$'000	Fair value adjustment of hotel properties HK$'000	Revaluation of properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April, 2009	39,581	42,085	3,874	(10,748)	74,792
Charge (credit) to profit or loss	2,209	(977)	871	(912)	1,191
Charge to property valuation reserve	–	–	2,211	–	2,211
At 31 March, 2010	41,790	41,108	6,956	(11,660)	78,194
Charge (credit) to profit or loss	622	(489)	648	(2,045)	(1,264)
At 30 September, 2010	42,412	40,619	7,604	(13,705)	76,930

At 30 September, 2010, the Group had unused tax losses of HK$664,529,000 (31.3.2010: HK$684,620,000) available for offset against future profits. A deferred tax asset of HK$13,705,000 (31.3.2010: HK$11,660,000) has been recognised in respect of HK$79,721,000 (31.3.2010: HK$70,667,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses HK$584,808,000 (31.3.2010: HK$613,953,000) due to the unpredictability of future profit streams. Tax loss can be carried forward indefinitely.

As at 30 September, 2010, the Group has deductible temporary differences in relation to depreciation of property, plant and equipment amounted to HK$261,940,000 (31.3.2010: HK$263,679,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

33. CAPITAL

The Company was incorporated on 23 January, 2007 with an authorised share capital of 50,000 shares of US$1 each. On the same date, 1 share of US$1 was allotted at par and credited as fully paid.

Capital as at 31 March, 2010 represents the aggregate of the paid up capital of the Company and the Combined Entities.

34. CHARGES ON ASSETS

Bank borrowings with aggregate amount of HK$3,668,551,000 (31.3.2010: HK$3,569,012,000) outstanding at the end of the reporting period are secured by a fixed charge over the hotel properties, investment properties, prepaid lease payments, hotel properties under development and properties under development for sale with aggregate carrying value of HK$5,294,592,000 (31.3.2010: HK$4,979,002,000) together with a floating charge over other assets of certain subsidiaries and benefits accrued to these properties.

35. 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 amount of HK$14,356,000 and 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.

36. CAPITAL COMMITMENTS

	30.9.2010 **HK$'000**	31.3.2010 HK$'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	**446,985**	315,527
– authorised but not contracted for	**123,342**	271,948

37. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	30.9.2010 HK$'000	31.3.2010 HK$'000
Within one year	36,019	28,757
In the second to fifth years inclusive	104,518	81,064
Over five years	129,364	120,569
	269,901	230,390

Leases are negotiated and rentals are fixed for terms ranging from one to twenty years.

The Group as lessee

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases with a fellow subsidiary which fall due as follows:

	30.9.2010 HK$'000	31.3.2010 HK$'000
Within one year	1,550	360
In the second to fifth years inclusive	408	270
	1,958	630

Leases are negotiated and rentals are fixed for terms ranging from one to three years.

38. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

According to the relevant laws and regulations in the PRC, the PRC subsidiary is required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

Together with contributions to retirement benefits schemes in other locations, total retirement benefit expenses charged to profit or loss amounted to HK$6,167,000 for the six months ended 30 September, 2010 (six months ended 30 September, 2009: HK$3,234,000).

39. SHARE OPTION SCHEME

(a) Share option scheme of the Company

The Company's share option scheme was adopted pursuant to a resolution passed on 10 September, 2010 (the "Share Option Scheme") for the purpose of providing incentives and rewards to employees or executive or officers (including executive and non-executive directors) of the Company or any of its subsidiaries and advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who will contribute or have contributed to the Company or any of its subsidiaries. Under the Share Option Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

39. SHARE OPTION SCHEME *(Continued)*

(a) Share option scheme of the Company *(Continued)*

Without prior approval from the Company's shareholders, (i) the total number of shares to be issued under the options the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue; (ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue.

Options granted will be taken up upon payment of HK$1 per option. Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options is accepted. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

No options were granted to any of the directors of the Company or employees of the Group since its adoption during the period.

(b) FECIL's scheme

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.

Without prior approval from the Company's shareholders, the total number of shares to be issued under the options of the Share Option Scheme is not permitted to exceed 10% of the shares of FECIL then in issue at any point in time; (b) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of FECIL in issue.

39. SHARE OPTION SCHEME *(Continued)*

(b) FECIL's scheme *(Continued)*

Options granted will be taken up upon payment of HK$1 per grant. Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options is accepted. The exercise price is determined by the directors of FECIL, and will not be less than the higher of (i) the closing price of FECIL's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of FECIL's share.

Details of share options, which were granted on 21 October, 2004 and 8 May, 2009 at an initial exercise price at HK$2.075 per share and HK$1.500 per share, respectively, are as follows:

Options granted on 21 October, 2004

Option type	Vesting period	Exercisable period	Exercise price HK$
Tranche 1	21.10.2004 to 31.10.2004	1.11.2004 to 31.12.2015	2.075
Tranche 2	21.10.2004 to 31.12.2005	1.1.2006 to 31.12.2015	2.075
Tranche 3	21.10.2004 to 31.12.2006	1.1.2008 to 31.12.2015	2.075
Tranche 4	21.10.2004 to 31.12.2008	1.1.2009 to 31.12.2015	2.075
Tranche 5	21.10.2004 to 31.12.2009	1.1.2010 to 31.12.2015	2.075

Options granted on 8 May, 2009

Option type	Vesting period	Exercisable period	Exercise price HK$
Tranche 1	8.5.2009 to 15.9.2009	16.09.2009 – 15.09.2019	1.500
Tranche 2	8.5.2009 to 15.9.2010	16.09.2010 – 15.09.2019	1.500
Tranche 3	8.5.2009 to 15.9.2011	16.09.2011 – 15.09.2019	1.500
Tranche 4	8.5.2009 to 15.9.2012	16.09.2012 – 15.09.2019	1.500

39. SHARE OPTION SCHEME *(Continued)*

(b) FECIL's scheme *(Continued)*

The movements in FECIL scheme during the six months ended 30 September, 2010 are as follows:

Grantee	Date of grant	Option type	At 1.4.2009	Grant during the year	Lapsed during the year	At 31.3.2010	Lapsed during the period	At 30.9.2010
Bill Kwai Pui Mok	21.10.2004	Tranche 3	1,200,000	–	–	1,200,000	–	1,200,000
		Tranche 4	1,800,000	–	–	1,800,000	–	1,800,000
		Tranche 5	2,000,000	–	–	2,000,000	–	2,000,000
			5,000,000	–	–	5,000,000	–	5,000,000
Chi Hing Chan	21.10.2004	Tranche 3	500,000	–	–	500,000	–	500,000
		Tranche 4	1,800,000	–	–	1,800,000	–	1,800,000
		Tranche 5	2,000,000	–	–	2,000,000	–	2,000,000
			4,300,000	–	–	4,300,000	–	4,300,000
Cheong Thard Hoong	8.5.2009	Tranche 1	–	1,850,000	–	1,850,000	–	1,850,000
		Tranche 2	–	1,850,000	–	1,850,000	–	1,850,000
		Tranche 3	–	1,850,000	–	1,850,000	–	1,850,000
		Tranche 4	–	1,850,000	–	1,850,000	–	1,850,000
			–	7,400,000	–	7,400,000	–	7,400,000
Other employees in aggregate	21.10.2004	Tranche 3	300,000	–	–	300,000	–	300,000
		Tranche 4	675,000	–	–	675,000	–	675,000
		Tranche 5	925,000	–	–	925,000	–	925,000
			1,900,000	–	–	1,900,000	–	1,900,000
			11,200,000	7,400,000	–	18,600,000	–	18,600,000
Weighted average exercise price			2.075	1.500	–	1.846	–	1.846
Number of options exercisable at the end of the period								14,900,000

39. SHARE OPTION SCHEME *(Continued)*

(b) FECIL's scheme *(Continued)*

The directors' and employees' entitlement to the options relate to their services to a number of companies within FECIL including the Company and its subsidiaries. The value of the share option has not been allocated amongst individual companies as the allocation of the services of their directors and employees to the various group companies in FECIL is not feasible.

40. RELATED PARTY TRANSACTIONS

Transactions between the Group and the directors, Parent Entities and their associates and jointly controlled entities are considered to be related party transactions pursuant to the HKAS 24 "Related Party Disclosures".

Transactions with the related parties during the period are as follows:

Nature of transaction	1.4.2010 to 30.9.2010 HK$'000	1.4.2009 to 30.9.2009 HK$'000 (unaudited)
Rental income from a jointly controlled entity of ultimate holding company for the use of the Group's properties	**1,200**	1,200
Rental expense to a fellow subsidiary for the use of the latter's office premises	**180**	180
Management fee to fellow subsidiary for provision of corporate management services and office support	**–**	14,049
Management fee to fellow subsidiary for provision of engineering services	**740**	1,100
Interest income on amount due from ultimate holding company	**1,218**	1,218
Interest expense on amounts due to fellow subsidiaries	**237**	1,025

40. RELATED PARTY TRANSACTIONS *(Continued)*

The related party transactions were carried out on terms mutually agreed between the Group and the relevant related companies. Except the lease arrangement with a fellow subsidiary and a jointly controlled entity of ultimate holding company, management services from fellow subsidiary had been terminated on 31 March, 2010, other related party transactions have been discontinued upon listing of the shares of the Company on the Stock Exchange subsequent to the end of the reporting period.

In addition,

(a) FECIL has provided guarantees for the Group's bank borrowings of which HK$3,492,576,000 (31.3.2010: HK$3,450,148,000) was outstanding at the end of the reporting period. The guarantees were released subsequent to the reporting period.

(b) A director has provided personal guarantee for the Group's bank loan of which HK$36,722,000 was outstanding at the end of the reporting period (31.3.2010: HK$38,248,000).

Details of the balances with related parties as at the end of the reporting period are set out in the consolidated statement of financial position and their related notes.

The remuneration paid and payable to the members of key management who are the five highest individuals during the period are disclosed in note 17.

41. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries which are wholly-owned by the Company as at 30 September, 2010 and 31 March, 2010 both reporting periods are follows:

Name of company	Place of incorporation/ establishment/operation	Issued and fully paid ordinary share capital/ registered capital	Principal activities
Direct subsidiaries:			
Caragis Limited	Hong Kong ("HK")	1,000 shares of Hong Kong Dollar ("HK$") 1 each	Operation of Central Park Hotel
Charter Joy Limited	HK	2 shares of HK$1 each	Operation of Dorsett Seaview Hotel
Complete Delight Limited	The British Virgin Islands (the "BVI")/HK	1 share of United States Dollar ("USD") 1	Operation of Dorsett Far East Hotel
Cosmopolitan Hotel Limited	HK	10,000 shares of HK$1 each	Operation of Cosmopolitan Hotel
Dorsett Regency Hotel (M) Sdn. Bhd.	Malaysia	5,000,000 shares of Ringgit Malaysia ("RM") 1 each	Operation of Dorsett Regency Hotel Kuala Lumpur
Double Advance Group Limited	BVI/HK	1 share of USD1	Operation of Dorsett Kowloon Hotel
Grand Expert Limited	HK	10,000 shares of HK$1 each	Operation of Cosmo Hotel
Hong Kong Hotel REIT Finance Company Limited	HK	1 share of HK$1 each	Loan financing
Kosmopolito Hotels International Services Limited	HK	2 shares of HK$1 each	Hotel management
Tang Hotel Investment Pte. Ltd.	Singapore	2 shares of S$1 each	Investment holding and development of residential property and Dorsett Regency "On New Bridge", Singapore
The Hotel of Lan Kwai Fong Limited	HK	10,000 shares of HK$1 each	Operation of Lan Kwai Fong Hotel @ Kau U Fong
Vicsley Limited	HK	1,000 shares of HK$1 each	Operation of Central Park Hotel

41. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment/operation	Issued and fully paid ordinary share capital/ registered capital	Principal activities
Indirect subsidiaries:			
Ching Chu (Shanghai) Real Estate Development Company Limited	People's Republic of China ("PRC")	USD8,800,000	Management of Yue Shanghai Hotel
Esmart Management Limited	HK	2 shares of HK$1 each	Hotel management services
Everkent Development Limited	HK	2 shares of HK$1 each	Development of Dorsett Regency, Kwun Tong, Hong Kong
Excel Chinese International Limited	HK	1 share of HK$1	Development of The Mercer by Kosmopolito
Hong Kong (SAR) Hotel Limited	HK	10,000 shares of HK$1 each	Development of Dorsett Regency Kennedy Town, Hong Kong
Merlin Labuan Sdn. Bhd.	Malaysia	105,000,000 shares of RM1 each	Operation of Grand Dorsett Labuan Hotel
Panley Limited	HK	1 share of HK$1	Development of Dorsett Regency Kwai Chung, Hong Kong

41. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ establishment/operation	Issued and fully paid ordinary share capital/ registered capital	Principal activities
Indirect subsidiaries: – continued			
Richfull International Investment Limited	HK	1 share of HK$1	Bar operation
Ruby Way Limited	HK	2 shares of HK$1 each	Operation of Cosmo Kowloon Hotel
Subang Jaya Hotel Development Sdn. Bhd.	Malaysia	245,000,000 shares of RM1 each	Operation of Grand Dorsett Subang Hotel
Success Range Sdn. Bhd.	Malaysia	250,000 shares of RM1 each	Operation of Dorsett Johor Hotel
Tang Hotels Pte. Ltd.	Singapore	1 share of US$1	Hotel operations and management
Tang Suite Pte. Ltd.	Singapore	1 share of S$1	Development of residential property for sale
Venue Summit Sdn. Bhd.	Malaysia	250,000 shares of RM1 each	Operation of Maytower Hotel
武漢遠東帝豪酒店管理有限公司	PRC	USD29,800,000	Operation of Wuhan Cosmopolitan Hotel
武漢港澳中心物業管理有限公司	PRC	RMB500,000	Property Management Service
武漢麗悅酒店管理有限公司	PRC	RMB300,000	Hotel Management
遠東帝豪酒店管理(成都)有限公司	PRC	USD38,000,000	Operation of Kosmopolito City Centre, Chengdu
麗悅酒店管理(上海)有限公司	PRC	RMB500,000	Hotel property management

42. EVENTS AFTER THE REPORTING PERIOD

Simultaneous with the listing of the shares of the Company on the Stock Exchange on 11 October, 2010,

(a) an amount of HK$1,859,812,000 due to the Parent Entities was capitalised by the issuance of 1,730,000,000 ordinary shares of HK$0.1 each at HK$1.075 per share; and

(b) 270,000,000 ordinary shares of HK$0.1 each were issued at HK$2.2 per share for a total gross proceed of HK$594,000,000.

43. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	30.9.2010 HK$'000	31.3.2010 HK$'000
Non-current assets		
Investments in subsidiaries	**10,282**	32
Current assets		
Amounts due from subsidiaries	**1,321,574**	526,562
Prepayment	**94**	1,315
Bank balances and cash	**22,940**	–
	1,344,608	527,877
Current liabilities		
Accruals	**1**	1
Amounts due to Parent Entities	**1,359,161**	58,622
Amounts due to subsidiaries	**–**	470,419
	1,359,162	529,042
Net current liabilities	**(14,554)**	(1,165)
	(4,272)	(1,133)
Capital and reserves		
Issued capital	**–**	–
Deficit	**(4,272)**	(1,133)
	(4,272)	(1,133)

FINANCIAL SUMMARY

RESULTS

	For the year ended 31 March			For the six months ended 30 September,
	2008	2009	2010	**2010**
	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	633,635	681,905	616,253	**384,162**
Profit before taxation	256,891	98,625	55,619	**44,407**
Taxation	(30,415)	(11,948)	(9,806)	**(8,762)**
Profit for the year/period	226,476	86,677	45,813	**35,645**

ASSETS AND LIABILITIES

	At 31 March			At 30 September
	2008	2009	2010	**2010**
	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	3,852,279	5,288,860	6,340,759	**6,044,235**
Total liabilities	(3,586,445)	(5,190,060)	(6,156,754)	**(5,800,446)**
Total equity	265,834	98,800	184,005	**243,789**

KOSMOPOLITO
Hotels International