Kosmopolito Hotels International Limited

麗悅酒店集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Website: http://www.kosmohotels.com

(Stock Code: 2266)

ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

INTERIM RESULTS

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

FINANCIAL HIGHLIGHTS

- Revenue reached HK$499.0 million for the first six months, up 29.9% as compared to the same period of last financial year.
- Overall RevPAR rose 23.6% to HK$592, driven by a 5.1% improvement in occupancy rate and an 18.0% increase in average room rate.
- Gross profit was reported at HK$289.4 million, up 36.3%, with gross profit margin improving to 58.0% from 55.3%.
- Net profit for the first six months was HK$94.2 million vs. net profit of HK$35.6 million for the same period of last financial year.
- Earnings per share for the period was HK4.71 cents vs. HK2.06 cents for the same period of last financial year.
- Adjusted EBITDA for the period reached HK$222.3 million, showing a 42.8% year-on-year improvement, with adjusted EBITDA margin rising to 45% from 41%.
- The expected gain of approximately HK$370 million from the disposal of Central Park Hotel, as announced on 7 September 2011, will be recognized in the second half of the financial year upon completion.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

1. GENERAL

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

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

2. BASIS OF PREPARATION

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

In preparing the condensed consolidated financial information, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's net current liabilities position of HK$160,907,000 at the end of the reporting period. Taking into account the internally generated funds, receipt of proceeds from the disposal of the hotel property subsequent to the end of the reporting period (as detailed in note 14) and the available banking facilities, the directors of the Company are of the view that the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the condensed consolidated financial information has been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of new or revised Hong Kong Financial Reporting Standards

In the current interim period, the Company has applied, for the first time, the following new or revised standards and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

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

The adoption of the new and revised HKFRSs has had no material effect on the amounts reported and/or disclosures set out in the condensed consolidated financial statements.

New and revised Standards and Interpretations issued but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013

The new and revised Standards on consolidation, joint arrangements and disclosures, namely HKAS 27, HKAS 28, HKFRS 10, HKFRS 11, HKFRS 12 were issued by the HKICPA in 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted on condition that all of these new or revised standards are applied simultaneously and the potential impact is described below.

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

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

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

4. SEGMENT INFORMATION

Segment revenue and profit

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

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

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

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

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

Segment assets

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

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

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

5. OTHER GAINS AND LOSSES

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

6. FINANCE COSTS

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

7. INCOME TAX EXPENSE

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

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

8. PROFIT FOR THE PERIOD

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

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

9. DIVIDENDS

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

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

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

10. EARNINGS PER SHARE

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

The computation of diluted earnings per share for the six months ended 30 September 2011 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares throughout the period.

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

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

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

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

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

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

12. DEBTORS, DEPOSITS AND PREPAYMENTS

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

Included in debtors, deposits and prepayments are trade debtors of HK$50,011,000 (31.3.2011: HK$45,150,000). The following is an aged analysis of trade debtors presented based on the invoice date at the end of the reporting period.

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

13. DERIVATIVE FINANCIAL INSTRUMENTS

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

14. ASSETS CLASSIFIED AS HELD FOR SALE AND ASSOCIATED LIABILITIES

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

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

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

15. CREDITORS AND ACCRUALS

Included in creditors and accruals is trade creditors of HK$41,412,000 (31.3.2011: HK$37,869,000). The following is an aged analysis of the trade creditor at the end of reporting period.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operation and Financial Reviews

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

The key revenue indicators for the period are as follows:

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

* Included only hotels owned by the Group

The Group's overall revenue reached HK$499.0 million during the six months ended 30 September 2011, up 29.9% as compared to the same period of FY2011. The Group continued to benefit from the economic growth in Asia, as seen mainly in our Hong Kong and Malaysia operations. Especially worth mentioning is the performance of the nine owned hotels in Hong Kong, which recorded a RevPAR growth of 29% on the back of a 21% jump in average room rate and a 7% rise in occupancy rate. China's overall revenue has a slight increase of 4% compared to the same period of FY2011. There was a slight decrease in occupancy rate of 6%

which was due to renovation work being performed at Dorsett Regency Hotel Wuhan. The renovation work was completed prior to the end of September 2011. In addition, the average room rate has a slight decrease of 3% compared to the same period of FY2011 due to the general recovery was slower than anticipated as a result of post-Expo over-supply of rooms in Shanghai which has a slight negative impact on our average room rate. However, our total revenue in China has slightly increased due to favourable currency exchange gain in RMB and increase in other non-room related revenue. We expect a steady recovery of occupancy and average room rate in the second half of this financial year.

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

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

Notes:

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

(2) Adjusted EBITDA Margin = Adjusted EBITDA/revenue

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

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

EBITDA rose to HK$220.1 million from HK$136.5 million, while adjusted EBITDA grew to HK$222.3 million from HK$155.6 million, with adjusted EBITDA margin improving to 45% from 41%.

Financial Resources and Liquidity

Borrowings and charge on Group assets

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

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

We entered into various loan agreements with a number of banks where the Company is guarantor of these loans. The non-current secured bank borrowing primarily reflects a syndicated loan (comprising three loan facilities) for the amount of HK$1.9 billion. The principal amounts outstanding under the syndicated loan bear interest at HIBOR plus a margin of 1.5% per annum. Interest is payable quarterly. The syndicated loan is repayable in full on maturity in September 2013.

Management has reviewed the cash flow forecast and cash position during the period as part of the Group's normal course of business and is comfortable with the Group's liquidity position. The Group will receive HK$515 million of sale proceeds in December 2011 subject to the completion of disposal of Central Park Hotel. The Group anticipates the renewal of existing bank loans on or prior to maturity for our hotel developments in Hong Kong.

Capital Expenditure

The Group's capital expenditure in relation to our hotel portfolio is expected to be approximately HK$294 million for the second half of FY2012. The capital expenditure shall be financed with our existing financial resources, banking facilities and fund generated from our operating activities.

Contingent Liabilities

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

Capital Commitments

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

Other Financial and Operational Information

- The fair value of the Company's hotel portfolio exceeded its carrying amount by approximately HK$5,979 million based on valuation on 31 March 2011. The Group did not revalue our hotel portfolio for the interim reporting period of FY2012. The revaluation surplus has not been accounted for in the financial statements.

- Following the sale in the last financial year, "The Mercer by Kosmopolito" commenced operation in April 2011, becoming the first third party hotel operated by the Group under a hotel management agreement.

- As part of its capital redeployment strategy of some of its hotel assets, the Group entered into an agreement to dispose the 142-room Central Park Hotel in Sheung Wan, Hong Kong for a consideration of HK$515 million. The Group is expecting the disposal to be completed on or before 7 December 2011, at which time the Group expects to realise a gain of approximately HK$370 million attributable to shareholders. The hotel is currently being managed by the Group and is in the process of negotiation to be appointed as the hotel manager for the new hotel owner for a period of up to 6 months starting from the date of completion of the disposal.

- The Group established its entry into Europe with the acquisition of the Shepherd's Bush Pavilion in West London, United Kingdom for a consideration of £16 million (approximately HK$202 million). It is part of the overall "Chinese Wallet" strategy in following our customer base on outbound trips to destinations outside of Asia. A red brick landmark with a history dating back to 1923, the freehold property has been granted approval for redevelopment into a 242-room hotel. The Group is currently in the process of submitting applications to vary the planning permission with a view to maximising the financial returns and the property's strategic value to the Group. The proposed hotel is expected to open as a Dorsett Regency Hotel in 2014.

- The Group launched the "Dorsett Regency Hotels & Resorts" and "Silka Hotels" brands. The Dorsett Regency hotels are sleek 4-star business hotels providing executive travellers with efficient and prompt service supported by technology and well-trained associates to deliver an engaging experience. Trendy and interactive best describes the style of Dorsett Regency Hotels. All rooms are modern and tastefully furnished to ensure the comfort and ease of the guests. Dorsett Regency Hotel, Hong Kong, commenced operation in June 2011 and the Group anticipates six more hotels under this brand to commence operations within the next one to three years in Hong Kong, China, Singapore and United Kingdom.

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

SUBSEQUENT EVENTS

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

HOTELS FOR/UNDER DEVELOPMENT

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

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

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

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

OUTLOOK

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

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

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

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

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

In order to qualify for the Interim Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 12 December 2011.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its model code for securities transactions by Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code throughout the six months ended 30 September 2011.

REVIEW OF INTERIM FINANCIAL INFORMATION

The condensed consolidated financial information of the Group for the six months ended 30 September 2011 has not been audited but has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA by Deloitte Touche Tohmatsu, whose report on review is contained in the Company's FY2012 interim report to be despatched to the shareholders of the Company. The unaudited condensed consolidated financial information of the Group for the six months ended 30 September 2011 has also been reviewed by the audit committee of the Company.

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

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

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

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

Unless otherwise specified, amounts in this announcement denominated in £ and RM have been translated for the purpose of illustration only into Hong Kong dollars at the rate of £1.00: HK$12.625 and RM1.00: HK$2.50 respectively. No representation is made that any amounts can be or could have been converted at the relevant dates at the above rate or any other rates at all.

By order of the Board of
Kosmopolito Hotels International Limited
CHIU Wing Kwan Winnie
President and Executive Director

Hong Kong, 22 November 2011

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

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