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28 September 2010

The Directors
Kosmopolito Hotels International Limited
Credit Suisse (Hong Kong) Limited
Morgan Stanley Asia Limited
The Royal Bank of Scotland N.V., Hong Kong Branch

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Kosmopolito Hotels International Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2010 (the "Relevant Periods"), for inclusion in the prospectus of the Company dated 28 September 2010 (the "Prospectus") in connection with the initial public offering and the listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 1961, as consolidated and revised) of the Cayman Islands on 23 January 2007 and has since been an indirect wholly-owned subsidiary of Far East Consortium International Limited ("Far East Consortium"). Pursuant to a corporate reorganisation ("Reorganisation"), as more fully explained in the section headed "History, Reorganisation and Corporate Structure" to the Prospectus, on 17 September 2010 the Company acquired the entire issued capital of Dorsett Regency Hotel (M) Sdn. Bhd., Full Benefit Limited, Havena Holdings Limited, Jade River Profits Limited, Rosicky Limited, Tang Hotel Investments Pte. Ltd and Wonder China Investments Limited and their subsidiaries (collectively referred to as the "Combined Entities") from its ultimate holding company, Far East Consortium, and became the holding company of the companies now comprising the Group. As at the date of this report, the Company has the following wholly-owned subsidiaries.

Name of company	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Principal activities
Direct subsidiaries:			
Caragis Limited	Hong Kong ("HK") 31 October 1991	1,000 shares of Hong Kong Dollar ("HK$") 1 each	Operation of Central Park Hotel
Charter Joy Limited (捷彩有限公司)	HK 12 May 1994	2 shares of HK$1 each	Operation of Dorsett Seaview Hotel
Complete Delight Limited	The British Virgin Islands (the "BVI") 3 May 2006	1 share of United States Dollar ("USD") 1	Operation of Dorsett Far East Hotel
Cosmopolitan Hotel Limited (麗都大酒店有限公司)	HK 23 October 1981	10,000 shares of HK$1 each	Operation of Cosmopolitan Hotel
Dorsett Hotels & Resorts International Limited	HK 21 January 2000	2 shares of HK$1 each	Investment holding
Dorsett Regency Hotel (M) Sdn. Bhd.	Malaysia 20 June 1990	5,000,000 shares of Ringgit Malaysia ("RM") 1 each	Operation of Dorsett Regency Hotel Kuala Lumpur
Double Advance Group Limited	BVI 12 May 2006	1 share of USD1	Operation of Dorsett Kowloon Hotel
Full Benefit Limited	Cayman Islands 23 June 2006	1 share of USD1	Investment holding
Grand Expert Limited (駿宏有限公司)	HK 2 December 1998	10,000 shares of HK$1 each	Operation of Cosmo Hotel
Havena Holdings Limited	BVI 18 January 2008	1 share of USD1	Investment holding
Hong Kong Hotel REIT Finance Company Limited	HK 1 August 2007	1 share of HK$1 each	Loan financing
Jade River Profits Limited	BVI 16 February 2006	2 shares of USD1 each	Investment holding

Name of company	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Principal activities
Kosmopolito Hotels International Services Limited	HK 4 April 1991	2 shares of HK$1 each	Hotel management
Kosmopolito Hotels International (Singapore) Pte. Limited	Singapore 10 February 2010	1 share of Singapore Dollar ("S$") 1	Inactive
Rosicky Limited	BVI 19 July 2006	1 share of USD1	Investment holding
Tang Hotel Investments Pte. Ltd. ("Tang Hotel Investments")	Singapore 15 August 1987	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 (香港蘭桂芳酒店有限公司)	HK 17 January 1997	10,000 shares of HK$1 each	Operation of Lan Kwai Fong Hotel @ Kau U Fong
Vicsley Limited	HK 22 February 1994	1,000 shares of HK$1 each	Operation of Central Park Hotel
Wonder China Investments Limited	BVI 15 September 2000	1 share of USD1	Investment holding
Indirect subsidiaries:			
Billion Century Holdings Limited (億創集團有限公司)	HK 16 May 2007	1 share of HK$1	Investment holding
Ching Chu (Shanghai) Real Estate Development Company Limited 錦秋(上海)置業發展有限公司 ("Ching Chu (Shanghai)")	People's Republic of China ("PRC") 20 January 2000	5,000,000 shares of USD1 each	Management of Yue Shanghai Hotel
Eldonstead Investments Limited ("Eldonstead")	BVI 26 January 2007	1 share of USD1	Investment holding
Esmart Management Limited (嘉誼管理有限公司)	HK 3 January 2001	2 shares of HK$1 each	Hotel management services

Name of company	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Principal activities
Esteem Tactic Sdn. Bhd. ("Esteem Tactic")	Malaysia 17 November 2009	2 shares of RM1 each	Inactive
Eternity Profits Limited	BVI 6 January 2006	1 share of USD 1	Investment holding
Everkent Development Limited (遠勒發展有限公司)	HK 28 February 1989	2 shares of HK$1 each	Development of Dorsett Regency Kwun Tong, Hong Kong
Excel Chinese International Limited (卓雄國際有限公司)	HK 5 June 2007	1 share of HK$1	Development of The Mercer by Kosmopolito
Hong Kong (SAR) Hotel Limited (香港(特區)酒店有限公司)	HK 16 February 1993	10,000 shares of HK$1 each	Development of Dorsett Regency Kennedy Town, Hong Kong
Merlin Labuan Sdn. Bhd. ("Merlin Labuan")	Malaysia 11 November 1983	105,000,000 shares of RM1 each	Operation of Grand Dorsett Labuan Hotel
Panley Limited (柏倡有限公司)	HK 6 December 2007	1 share of HK$1	Development of Dorsett Regency Kwai Chung, Hong Kong
Richfull International Investment Limited (富多國際投資有限公司)	HK 3 January 2006	1 share of HK$1	Bar operation
Ruby Way Limited	HK 4 May 1982	2 shares of HK$1 each	Development and operation of Cosmo Kowloon Hotel
Speedy Time Holdings Limited (永捷集團有限公司)	HK 2 March 2006	1 share of HK$1	Investment holding

Name of company	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Principal activities
Subang Jaya Hotel Development Sdn. Bhd. ("Subang Jaya")	Malaysia 30 December 1978	245,000,000 shares of RM1 each	Operation of Grand Dorsett Subang Hotel
Success Range Sdn. Bhd.	Malaysia 18 April 2006	250,000 shares of RM1 each	Operation of Dorsett Johor Hotel
Tang Hotels Pte. Ltd. ("Tang Hotels")	Singapore 29 April 2010	1 Share of S$1	Hotel operations and management
Tang Suites Pte. Ltd. ("Tang Suites")	Singapore 10 December 2009	1 share of S$1	Development of residential property for sale
Top Trend Developments Limited	BVI 22 September 2000	2 shares of USD1 each	Investment holding
Total Win Profits Limited	BVI 18 November 2005	1 share of USD1	Investment holding
Venue Summit Sdn. Bhd.	Malaysia 7 April 2006	250,000 shares of RM1 each	Operation of Maytower Hotel
Wanchope Limited ("Wanchope")	BVI 19 July 2006	1 share of USD1	Investment holding
武漢遠東帝豪酒店管理有限公司 Wuhan Far East Dorsett Hotel Management Co., Ltd. ("Wuhan Far East")	PRC 25 June 2007	USD29,800,000	Operation of Wuhan Cosmopolitan Hotel
武漢港澳中心物業管理有限公司 Wuhan Hong Kong and Macau Centre Property Management Co., Ltd. ("Wuhan Hong Kong")	PRC 14 May 2002	RMB500,000	Property Management Service

Name of company	Place and date of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Principal activities
武漢麗悦酒店管理有限公司 Wuhan Li Yue Management Co., Ltd. ("Wuhan Li Yue")	PRC 19 May 2009	RMB300,000	Hotel management
遠東帝豪酒店管理(成都)有限公司 Far East Dorsett Hotel Management (Cheng Du) Co., Ltd. ("Cheng Du Far East")	PRC 30 October 2006	USD38,000,000	Operation of Hotel Kosmopolito City Centre, Chengdu
麗悦酒店管理(上海)有限公司 Shanghai Li Yue Hotel Management Co., Ltd. ("Shanghai Li Yue")	PRC 9 September 2009	RMB500,000	Hotel property management

The entire equity capital of the companies comprising the Group were either held by the Company or Far East Consortium and its wholly-owned subsidiaries excluding the Group (hereinafter referred to the "Parent Entities") throughout the Relevant Periods, or since the respective dates of incorporation/establishment of the relevant companies where this is a shorter period.

The financial year end date of all the companies comprising the Group is 31 March except for those incorporated in PRC which is 31 December.

We acted as statutory auditors of the companies now comprising the group for the Relevant Periods, except for the following:

Name	Financial Years	Auditor
Ching Chu (Shanghai)	Three years ended 31 December 2007, 2008 and 2009	上海瑞和會計師事務所有限公司
Kosmopolito Hotels International Services Limited	Three years ended 31 March 2008, 2009 and 2010	Peter W.H. Ma & Co.
Dorsett Regency Hotel (M) Sdn. Bhd.	Three years ended 31 March 2008, 2009 and 2010	Wong Weng Foo & Co.
Dorsett Hotels & Resorts International Limited	Three years ended 31 March 2008, 2009 and 2010	Peter W.H. Ma & Co.

Name	Financial Years	Auditor
Eldonstead	Three years ended 31 March 2008, 2009 and 2010	Ernst & Young
Merlin Labuan	Three years ended 31 March 2008, 2009 and 2010	Ernst & Young
Subang Jaya	Three years ended 31 March 2008, 2009 and 2010	Ernst & Young
Success Range Sdn. Bhd.	Two years ended 31 March 2009 and 2010	Deloitte & Touche, Chartered Accountants in Malaysia
Tang Hotel Investments	Two years ended 31 March 2008 and 2009	LY Leong & Company
Wanchope	Three years ended 31 March 2008, 2009 and 2010	Ernst & Young
Cheng Du Far East	Three years ended 31 December 2007, 2008 and 2009	四川建科會計師事務所有限公司
Wuhan Far East	From 25 June 2007 (date of establishment) to 31 December 2008 and year ended 31 December 2009	湖北正信會計師事務有限責任公司
Wuhan Hong Kong	Three years ended 31 December 2007, 2008 and 2009	湖北正信會計師事務有限責任公司
Wuhan Li Yue	From 19 May 2009 (date of establishment) to 31 December 2009	湖北正信會計師事務有限責任公司

Name	Financial Years	Auditor
Venue Summit Sdn. Bhd	For two years ended 31 March 2009 and 2010	Deloitte & Touche, Chartered Accountants in Malaysia
Shanghai Li Yue	From 9 September 2009 (date of establishment) to 31 December 2009	上海瑞和會計師事務所有限公司

No audited financial statements have been prepared for Eternity Profits Limited, Full Benefit Limited, Havena Holdings Limited, Jade River Profits Limited, Rosicky Limited, Total Win Profits Limited and Wonder China Investments Limited as there is no statutory requirement in BVI or Cayman Islands for audited financial statements. No audited financial statements have been prepared for Kosmopolito Hotels International (Singapore) Pte Limited and Esteem Tactic as they were inactive since their dates of incorporation. No audited financial statements have been prepared for Tang Hotel Investments, Tang Hotels and Tang Suites for the year/period ended 31 March 2010. For the purpose of this report, Deloitte & Touche LLP has, however, carried out independent audit procedures in accordance with International Auditing Standards (the "IAS") issued by the International Auditing and Assurance Standards Board (the "IAASB") on the consolidated management accounts for the year ended 31 March 2010 of Tang Hotel Investments ("Tang Management Account") prepared by the directors of Tang Hotel Investments in accordance with the International Financial Reporting Standards (the "IFRS") issued by International Accounting Standards Board (the "IASB"). We have also reviewed the material transactions of the other companies and carried out such procedures as we considered necessary in respect of the management accounts of these companies (together with the Tang Management Account are collectively referred to as the "Management Accounts") for inclusion of their financial information in the Prospectus for the Relevant Periods or since their respective dates of incorporation, whichever period is shorter.

The statutory financial statements of those entities incorporated/ established in PRC, Malaysia and Singapore were prepared in accordance with accounting principles and financial regulations in the PRC and financial reporting standards applicable to Malaysia and Singapore, respectively except for those of Eldonestead, Esteem Tactic, Merlin Labuan, Subang Jaya and Wanchope which were prepared in accordance with International Financial Reporting Standards.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Company and its subsidiaries ("Kosmopolito Underlying Financial Statements") for the Relevant Periods in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the directors of Wuhan Far East and Cheng Du Far East have, respectively, prepared the consolidated financial statements of Wuhan Far East and its subsidiaries ("Wuhan Underlying Financial Statements") and financial statements of Cheng Du Far East ("Chengdu Underlying Financial Statements") for the Relevant Periods in accordance with the HKFRS issued by HKICPA. We have carried out independent audit procedures on the Kosmopolito Underlying Financial Statements, Wuhan Underlying Financial Statements and Chengdu Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The directors of the

Ching Chu Shanghai have prepared the consolidated financial statements of Ching Chu Shanghai and its subsidiaries ("Shanghai Underlying Financial Statements") for the Relevant Periods in accordance with the IFRS issued by IASB. Deloitte Touche Tohmatsu CPA Ltd. has carried out independent audit procedures in accordance with IAS issued by IAASB on the Shanghai Underlying Financial Statements.

We have examined the Kosmopolito Underlying Financial Statements, Wuhan Underlying Financial Statements, Chengdu Underlying Financial Statements and Shanghai Underlying Financial Statements and the statutory audited financial statements of Billion Century Holdings Limited, Dorsett Regency Hotel (M) Sdn. Bhd., Everkent Development Limited, Esmart Management Limited, Excel Chinese International Limited, Hong Kong (SAR) Hotel Limited, Panley Limited, Ruby Way Limited, Speedy Time Holdings Limited, Success Range Sdn. Bhd., Top Trend Development Limited, and Venue Summit Sdn. Bhd. and the audited consolidated financial statements of Wanchope and Eldonstead and the Management Accounts for the Relevant Periods or since their respective dates of incorporation/establishment to 31 March 2010, where this is a shorter period (collectively referred to as "Underlying Financial Statements"). Our examination was made in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information which is presented in Hong Kong dollars, the functional currency of the Company, as set out in this report have been prepared from the Underlying Financial Statements on the basis set out in note 1(a) to Section A below after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the respective directors of the companies comprising the Group who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements together with the notes thereon, to form an opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 1(a) to Section A, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and the Group as at 31 March 2008, 2009 and 2010 and of the Group's results and cash flows for each of the three years then ended.

A. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

	Notes	Year ended 31 March 2008 HK$'000	2009 HK$'000	2010 HK$'000
Revenue	*8*	633,635	681,905	616,253
Depreciation and amortisation		(56,290)	(65,027)	(68,325)
Management fee	*9*	(5,903)	(5,322)	(2,239)
Operating costs		(187,782)	(207,829)	(213,944)
Gross profit		383,660	403,727	331,745
Other income		3,645	2,406	3,162
Administrative expenses		(126,772)	(160,495)	(166,886)
Management fee	*9*	(31,691)	(29,537)	(28,169)
Pre-opening expenses	*10*	(1,432)	(1,876)	(6,517)
Change in fair value of investment properties		21,807	(6,304)	3,486
Other gains and losses	*11*	63,859	(19,071)	(4,590)
Finance costs	*12*	(56,185)	(90,225)	(76,612)
Profit before taxation		256,891	98,625	55,619
Income tax expense	*13*	(30,415)	(11,948)	(9,806)
Profit for the year	*14*	226,476	86,677	45,813
Exchange differences on translation of foreign operations		47,473	(45,305)	32,760
Gain on revaluation of hotel properties on transfer to investment properties		–	–	8,843
Deferred tax on revaluation gain		–	–	(2,211)
Other comprehensive income (expense) for the year		47,473	(45,305)	39,392
Total comprehensive income for the year		273,949	41,372	85,205
Earnings per share – Basic	*17*	13.09 cents	5.01 cents	2.65 cents

Combined Statements of Financial Position

	Notes	As at 31 March 2008 HK$'000	2009 HK$'000	2010 HK$'000
Non-current assets				
Property, plant and equipment	*18*			
Hotels		1,885,930	2,115,791	2,424,268
Hotels under development		359,105	648,426	712,565
		2,245,035	2,764,217	3,136,833
Furniture, fixture and equipment		41,254	56,022	78,165
		2,286,289	2,820,239	3,214,998
Prepaid lease payments	*19*	939,250	1,336,995	1,895,488
Investment properties	*20*	331,502	358,276	363,954
Deposits for acquisition of property, plant and equipment		97,150	73,450	110,079
Utility and other deposits paid		2,889	4,127	4,234
Pledged deposits	*22*	–	4,028	4,647
		3,657,080	4,597,115	5,593,400
Current assets				
Inventories		2,805	3,448	3,898
Debtors, deposits and prepayments	*23*	54,312	45,971	51,693
Amounts due from Parent Entities	*28*	–	538,112	556,487
Amounts due from related companies	*24*	2,736	–	180
Investment held-for-trading	*25*	–	2,260	2,280
Derivative financial instruments	*26*	–	8,255	1,678
Prepaid lease payments	*19*	14,672	26,052	33,158
Tax recoverable		117	433	3,918
Pledged deposits	*22*	2,283	430	430
Bank balances and cash	*22*	118,274	66,784	93,637
		195,199	691,745	747,359
Current liabilities				
Creditors and accruals	*27*	90,503	86,678	123,558
Amounts due to Parent Entities	*29*	2,157,465	2,090,004	2,416,299
Amounts due to related companies	*30*	–	3,943	–
Secured bank borrowings	*31*	384,100	198,032	528,629
Tax payable		8,259	4,335	151
		2,640,327	2,382,992	3,068,637
Net current liabilities		(2,445,128)	(1,691,247)	(2,321,278)
Total assets less current liabilities		1,211,952	2,905,868	3,272,122
Non-current liabilities				
Secured bank borrowings	*31*	859,891	2,728,372	3,005,054
Rental and other deposits received		4,262	3,904	4,869
Deferred tax liabilities	*32*	81,965	74,792	78,194
		946,118	2,807,068	3,088,117
NET ASSETS		265,834	98,800	184,005
Issued capital	*33*	10,160	10,160	10,160
Reserves		255,674	88,640	173,845
TOTAL EQUITY		265,834	98,800	184,005

Statements of Financial Position of the Company

		As at 31 March		
		2008	**2009**	**2010**
	Notes	**HK$'000**	**HK$'000**	**HK$'000**
Non-current assets				
Investments in subsidiaries	*21*	32	32	32
Current assets				
Amounts due from subsidiaries	*21*	28,985	515,763	526,562
Prepayment		1,000	–	1,315
Bank balances and cash	*22*	2	2	–
		29,987	515,765	527,877
Current liabilities				
Accruals		3	1	1
Amounts due to Parent Entities	*29*	30,039	58,622	58,622
Amounts due to subsidiaries	*21*	–	458,257	470,419
		30,042	516,880	529,042
Net current liabilities		(55)	(1,115)	(1,165)
		(23)	(1,083)	(1,133)
Capital and reserve				
Issued capital	*33*	–	–	–
Deficit	*34*	(23)	(1,083)	(1,133)
		(23)	(1,083)	(1,133)

Combined Statements of Changes in Equity

	Issued capital	Exchange reserve	Property revaluation reserve	Other reserve	Merger reserve	(Accumulated loss) retained profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
				(note a)	(note b)		
As at 1 April 2007	10,160	6,607	–	199,500	–	(214,688)	1,579
Profit for the year	–	–	–	–	–	226,476	226,476
Other comprehensive income for the year	–	47,473	–	–	–	–	47,473
Total comprehensive income for the year	–	47,473	–	–	–	226,476	273,949
Profit attributable to previous hotel owners (note c)	–	–	–	–	–	(9,694)	(9,694)
As at 31 March 2008	10,160	54,080	–	199,500	–	2,094	265,834
Profit for the year	–	–	–	–	–	86,677	86,677
Other comprehensive income for the year	–	(45,305)	–	–	–	–	(45,305)
Total comprehensive income for the year	–	(45,305)	–	–	–	86,677	41,372
Deemed contribution resulting from disposal of a subsidiary to fellow subsidiary (note 36)	–	–	–	7,940	–	–	7,940
Merger reserve arising from the acquisition of the Hotels	–	–	–	–	(201,048)	–	(201,048)
Profit attributable to previous hotel owners (note c)	–	–	–	–	–	(6,218)	(6,218)
Dividend paid	–	–	–	–	–	(9,080)	(9,080)
As at 31 March 2009	10,160	8,775	–	207,440	(201,048)	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	10,160	41,535	6,632	207,440	(201,048)	119,286	184,005

Notes:

(a) 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.

(b) Merger reserve represents the excess of the cash consideration paid for the acquisition of Dorsett Far East Hotel and Dorsett Kowloon Hotel (together referred to as the "Hotels") and the carrying amounts of the assets and liabilities stated in the financial records of the previous respective hotel owners.

(c) The profit attributable to previous hotel owners, who are subsidiaries of Far East Consortium, represents the operating results of the Hotels in the respective period before they were acquired by the Group and deemed as distributions to the previous respective hotel owners.

Combined Statements of Cash Flows

		Year ended 31 March		
		2008	2009	2010
	Notes	HK$'000	HK$'000	HK$'000
Operating activities				
Profit before taxation		256,891	98,625	55,619
Adjustments for:				
Depreciation and amortisation		56,290	65,027	68,325
(Increase) decrease in fair value of investment properties		(21,807)	6,304	(3,486)
Decrease in fair value of derivative financial instruments		–	11,694	6,577
Impairment loss/allowance for (reversal of) bad and doubtful debts		3,077	9,014	(1,322)
Discount on acquisition of subsidiary		(66,140)	–	–
Loss (gain) on disposal of furniture, fixture and equipment		23	(49)	52
Interest income		(2,612)	(2,258)	(2,467)
Finance costs		56,185	90,225	76,612
Operating cash flows before movements in working capital		281,907	278,582	199,910
Increase in inventories		(100)	(285)	(450)
Increase in investment-held-for trading		–	(2,260)	(20)
Increase in amount due from related companies		–	(1,602)	(4,123)
Decrease (increase) in debtors, deposits and prepayments		9,516	7,979	(1,252)
Decrease in utility and other deposits paid		(247)	(1,238)	(109)
Increase (decrease) in creditors and accruals		42,289	(8,262)	30,838
Increase (decrease) in utility and other deposits received		4,262	(358)	965
Cash from operations		337,627	272,556	225,759
Income tax paid		(20,471)	(23,360)	(16,284)
Net cash from operating activities		317,156	249,196	209,475

	Notes	Year ended 31 March 2008 HK$'000	2009 HK$'000	2010 HK$'000
Investing activities				
Payment for acquisition of hotel properties		(189,986)	(95,582)	(82,056)
Development expenditure on hotel properties		(324,351)	(261,432)	(227,479)
Acquisition of property, plant and equipment		(12,915)	(26,683)	(30,896)
Acquisition of subsidiaries/assets, net of cash and cash equivalents	*35*	(70,099)	4,169	–
Disposal of a subsidiary, net of cash and cash equivalents disposed of	*36*	–	(1,788)	–
Acquisition of investment properties		(294,731)	(27,179)	–
Additions of prepaid lease payments		(251,960)	(529,217)	(604,286)
Proceed from disposal of furniture, fixture and equipment		51	2,578	216
Advance to Parent Entities		–	(536,868)	(15,946)
Decrease (increase) in pledged bank deposits		22,876	(2,175)	–
Interest received		2,612	1,014	38
Net cash used in investing activities		(1,118,503)	(1,473,163)	(960,409)
Financing activities				
Advance from (repayment to) Parent Entities		684,131	(395,992)	299,761
New bank borrowings raised		304,705	2,461,493	604,195
Repayments of bank borrowings		(68,177)	(768,616)	(47,764)
Upfront cost of derivative financial instruments		–	(19,949)	–
Interest paid		(54,839)	(92,904)	(82,867)
Dividend paid		–	(9,080)	–
Net cash from financing activities		865,820	1,174,952	773,325
Increase (decrease) in cash and cash equivalents		64,473	(49,015)	22,391

	Notes	Year ended 31 March 2008 HK$'000	2009 HK$'000	2010 HK$'000
Cash and cash equivalents at beginning of the year		52,297	118,274	66,784
Effect of foreign exchange rate changes		1,504	(2,475)	4,462
Cash and cash equivalents at end of the year		118,274	66,784	93,637
Represented by				
Bank balances and cash		118,274	66,784	93,637

Notes to the Financial Information

1. BASIS OF PREPARATION

(a) Reorganisation

Pursuant to the Reorganisation to rationise the group structure to prepare for the listing of the shares of the Company, the Company acquired from Far East Consortium the entire equity interest in the Combined Entities and became the holding company of the companies comprising the Group. The Combined Entities and the Company were under common control of Far East Consortium before and after the acquisition. Therefore, the Combined Entities and the Company are regarded as continuing entities and the acquisition of the Combined Entities are accounted for as a reorganisation of entities under common control by applying the principles of merger accounting in accordance with Guideline No. 5 "Merger Accounting for Common Control Combinations".

On 25 September 2008, certain subsidiaries of the Company acquired Hotels' operations which were ultimately owned by Far East Consortium. The Hotels' operations and these subsidiaries were under the common control of Far East Consortium before and after the acquisition and therefore, it is also accounted for as a common control reorganisation by applying the principles of merger accounting in accordance with Guideline No. 5 "Merger Accounting for Common Control Combinations".

The combined statements of comprehensive income and the combined statements of cash flow for the Relevant Periods include the results and cash flows of the companies and businesses comprising the Group as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or establishment, whichever period is shorter.

The combined statements of financial position as at 31 March 2008, 2009 and 2010 have been prepared to present the assets and liabilities of the companies and businesses now comprising the Group as if the current group structure had been in existence as at those dates.

(b) Going concern

As at 31 March 2008, 2009 and 2010, the Group's current liabilities exceeded its current assets by HK$2,445,128,000, HK$1,691,247,000 and HK$2,321,278,000 respectively. Taking into account the capitalisation of the net amount due to Parent Entities amounting to HK$1,859,812,000 pursuant to the Reorganisation, available banking facilities, cash flows generated from operations and the financial support from the ultimate holding company, which will be released upon the successful listing of the Company, the directors of the Company are of the opinion that the Group will have sufficient resources to meet its present requirements. Accordingly, the Financial Information has been prepared on a going concern basis.

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

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has consistently adopted Hong Kong Accounting Standards ("HKASs"), HKFRSs, Amendments and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year ended 31 March 2010 throughout the Relevant Periods. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

At the date of this report, the Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
4 Effective for annual periods beginning on or after 1 January 2010.
5 Effective for annual periods beginning on or after 1 February 2010.
6 Effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 January 2011.
8 Effective for annual periods beginning on or after 1 January 2013.

The adoption of HKFRS 3 (Revised 2008) may affect the accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised 2008), which is applicable at the same time, will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasehold land were required to be classified as operating leases and present as prepaid lease payments. The amendments have removed such a requirement. Instead, the amendments require 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. The application of the amendments to HKAS 17 might affect the classification of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the Financial Information.

3. PRINCIPAL ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis, except for the investment properties and certain financial instruments which are measured at fair value as explained in the accounting policies set out below.

Basis of combination

The Financial Information 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.

The results of subsidiaries acquired or disposed of during the year (other than the reorganisation involving entities under common control) are included in the combined statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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 financial information 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 combined 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.

Business combinations

Acquisition of business (other than reorgainsation involving entities under common control) is accounted for using the purchase method. The cost of the 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 acquirer in exchange for control of the acquiree, plus any costs directly attributable to the acquisition. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair values at the date of acquisition.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition, the excess is recognised immediately in profit or loss.

Property, plant and equipment

Property, plant and equipment other than hotels under development 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.

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 profit or loss in the year in which the item is derecognised.

If an item of property, plant and equipment becomes an investment property because its use has changed as 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 property revaluation reserve will be transferred directly to retained profits.

Hotels under development
Hotel under development held for owner's operation are stated at cost less any impairment loss recognised. Cost comprises development expenditure including 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 the leasehold land is in the course of development, the leasehold land component is classified as a prepaid lease and is 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.

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 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.

Investment in subsidiaries
In the Company's statement of financial position, investments in subsidiaries are carried at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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 treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

Financial instruments
Financial assets and financial liabilities are recognised on the 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.

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.

(a) Loans and receivables
Loans and receivables (including debtors, amounts due from Parent Entities, subsidiaries and related companies, and 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.

(b) 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.

Impairment of financial assets
Financial assets except for financial assets held for trading are assessed for indicators of impairment at 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 assets, 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.

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, related companies and subsidiaries, 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 interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying financial liability at initial recognition. 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.

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 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.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at effective the 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.

For the purposes of presenting the Financial Information, 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 year. Taxable profit differs from profit as reported in the combined 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 combined statements 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.

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.

4. 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 financial year, 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 based on the discounted cash flow analysis using the applicable yield curve over 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.

Estimated allowances for bad and doubtful debts

The Group makes allowances for bad and doubtful debts when there is objective evidence that debtor balances are impaired. The balances of the debtors are based on the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition. The directors exercised a considerable amount of judgement in assessing the ultimate realisation of these receivables including the current creditworthiness and the past collection history of each debtor. If the financial credit of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments and therefore affecting the estimated future cash flow, additional allowance may be required.

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.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the group entity 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 issued 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 capital structure through issuance of new shares, raising new debts and repayment of existing debts.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	At 31 March		
	2008	2009	2010
THE GROUP	HK$'000	HK$'000	HK$'000
Financial assets			
Investment held- for- trading	–	2,260	2,280
Derivative financial instruments	–	8,255	1,678
Loans and receivables			
Trade and other debtors	49,087	41,393	50,857
Amounts due from related companies	2,736	–	180
Amounts due from Parent Entities	–	538,112	556,487
Pledged deposits	2,283	4,458	5,077
Bank balance and cash	118,274	66,784	93,637
	172,380	661,262	710,196
Financial liabilities			
Financial liabilities stated at amortised cost			
Trade and other creditors	88,382	84,605	118,228
Amounts due to Parent Entities	2,157,465	2,090,004	2,416,299
Amounts due to related companies	–	3,943	–
Secured bank borrowings	1,243,991	2,926,404	3,533,683
	3,489,838	5,104,956	6,068,210

	At 31 March		
	2008	2009	2010
THE COMPANY	HK$'000	HK$'000	HK$'000
Financial assets			
Loans and receivables			
Amounts due from subsidiaries	28,985	515,763	526,562
Bank balances and cash	2	2	–
	28,987	515,765	526,562
Financial liabilities			
Financial liabilities stated at amortised cost			
Amounts due to Parent Entities	30,039	58,622	58,622
Amounts due to subsidiaries	–	458,257	470,419
	30,039	516,879	529,041

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 deposits, amounts due to Parent Entities 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 Group's bank borrowings which carry variable rates of interest based on HIBOR.

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

The Company's exposure to interest rate risk is insignificant as the Company does not have any significant interest bearing assets and liabilities.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for its variable rate bank borrowings. The analysis is prepared assuming that the bank borrowings outstanding at the end of the reporting periods were outstanding for the whole year. A 200, 50, 50 basis points increase or decrease are used when reporting interest rate risk internally to key management personnel for the years ended 31 March 2008, 2009 and 2010 respectively and represent management's assessment of the reasonably possible change in the interest rates.

The management adjusted the sensitivity rate from 200 basis points to 50 basis points for assessing interest rate risk after considering the impact of the volatile financial market conditions in the last quarter of the year 2008.

If interest rates had been 200, 50, 50 basis points higher/lower and all other variables were held constant, the Group's profit after taxation would decrease or increase by HK$15,383,000, HK$9,292,000 and HK$10,179,000 for the years ended 31 March 2008, 2009 and 2010 respectively and the interest capitalised to the Group's hotel properties under development would increase/decrease by HK$3,982,000, HK$2,803,000 and HK$4,413,000 respectively.

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

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 for the years ended 31 March 2009 and 2010 respectively 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 for the year ended 31 March 2009 and 2010 would increase/decrease by HK$226,000 and HK$228,000 respectively.

Credit risk

At the end of each reporting period, the Company's and the Group's maximum exposure to credit risk which will cause a financial loss to the Company and 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 statements of financial position of the Company and the Group. In order to minimise the credit risk, the management of the respective 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 Company and the Group have concentration of credit risk on financial assets as significant amount of the financial assets are due from Parent Entities. However, these amounts were set off against the amounts due to Parent Entities and the net amount due to Parent Entities will be capitalised upon listing.

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.

The Group's concentration of credit risk by geographical locations of customers are mainly in Hong Kong and Malaysia which accounted for 57% and 42%, 44% and 55%, 49% and 50% of trade receivables as at 31 March 2008, 2009 and 2010 respectively.

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

Liquidity risk

The Group's liquidity requirement 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 requirement in the short and longer term.

Although the Group's current liabilities exceeded its current assets as at 31 March 2008, 2009 and 2010, the Parent Entities have been providing necessary funding to the group entities to meet their financial obligations when required. With the available banking facilities and financing from holding companies, the Group monitors its cash positions regularly to ensure that each of the companies comprising the Group are able to meet their liquidity requirements.

In addition, the Group relies on bank borrowings as one of the significant sources of funds for the acquisition and development of the hotels. Details of the borrowings are set out in Note 31. As at 31 March 2008, 2009 and 2010, the Group has available unutilised bank loan facilities of HK$178,000,000, HK$110,000,000 and HK$227,088,000 respectively.

The following table details the Group's contractual maturity for non-derivative financial liabilities. 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	181-365 days	One to three years	Three to five years	Over five years	Total	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2008								
Non-interest bearing	N/A	2,066,042	–	–	–	4,262	2,070,304	2,070,304
Variable interest rate financial liabilities	3.88%	461,872	144,137	284,356	361,356	392,962	1,644,683	1,243,991
		2,527,914	144,137	284,356	361,356	397,224	3,714,987	3,314,295
At 31 March 2009								
Non-interest bearing	N/A	1,775,351	–	1,429	215	2,260	1,779,255	1,779,255
Variable interest rate financial liabilities	3.34%	92,810	189,274	382,501	2,085,543	414,334	3,164,462	2,926,404
Fixed interest rate financial liabilities	0.5%	403,201	–	–	–	–	403,201	403,201
		2,271,362	189,274	383,930	2,085,758	416,594	5,346,918	5,108,860
At 31 March 2010								
Non-interest bearing	N/A	2,184,147	80	2,203	307	2,280	2,189,017	2,189,017
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	310,740	246,595	2,618,049	389,428	6,408,064	6,073,080

The Company's contractual maturity for its non-interest bearing amounts due to Parent-Entities with the carrying amount of HK$30,039,000, HK$58,622,000 and HK$58,622,000 as at 31 March 2008, 2009 and 2010 and non-interest bearing amounts due to subsidiaries with carrying amount of HK$Nil, HK$458,257,000 and HK$470,419,000 as at 31 March 2008, 2009 and 2010 respectively is within one year.

c. Fair value measurement of financial instruments

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

- the fair value of the 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.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial information 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 measured in different levels recognised in the combined statements of financial position are as follows:

	As at 31 March					
	2009			2010		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Derivative financial instruments	–	8,255	8,255	–	1,678	1,678
Investment held-for-trading	2,260	–	2,260	2,280	–	2,280
	2,260	8,255	10,515	2,280	1,678	3,958

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

7. 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 Far East Consortium who are also the key management personnel of the Group during the Relevant Periods.

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 properties in each of the four geographical locations, Hong Kong, other regions in PRC, Malaysia, and Singapore. Accordingly, the operating segments of the Group comprise these four operating divisions, whose principal activities are as follows:

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

(a) Segment revenue and results

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

	Segment revenue Year end 31 March			Segment profit Year end 31 March		
	2008	2009	2010	2008	2009	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong	422,823	417,409	339,913	133,026	77,533	33,717
Malaysia	209,616	237,112	241,782	103,587	39,333	40,938
Other regions in the PRC	1,196	27,384	34,558	20,293	(18,228)	(18,862)
Singapore	–	–	–	(15)	(13)	(174)
Total	633,635	681,905	616,253	256,891	98,625	55,619

The totals of the operating segments' revenue and profits are the same as the combined revenue and combined profit before taxation of the Group, respectively.

Segment profit represents pre-tax profit 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 each of the years in the Relevant Periods 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:

	At 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Hong Kong	2,186,867	3,091,615	3,405,803
Malaysia	705,160	917,616	1,011,459
Other regions in the PRC	960,252	1,279,629	1,457,332
Singapore	–	–	466,165
Total	3,852,279	5,288,860	6,340,759

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

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

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

(c) **Other information**

For the year ended 31 March 2008

	Hong Kong	Malaysia	Other regions in the PRC	Singapore	Combined
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Allowance for bad and doubtful debts	2,872	205	–	–	3,077
Depreciation and amortisation	41,734	14,362	194	–	56,290
Increase in fair value of investment properties	–	–	(21,807)	–	(21,807)
Interest income	(490)	(253)	(1,869)	–	(2,612)
Interest expense	39,387	14,449	2,349	–	56,185
Discount on acquisition of subsidiary	–	(66,140)	–	–	(66,140)
Additions to property, plant and equipment, prepaid lease payment, and investment properties	309,688	40,851	793,365	–	1,143,904

For the year ended 31 March 2009

	Hong Kong	Malaysia	Other regions in the PRC	Singapore	Combined
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Allowance on amount due from jointly-controlled entity of a fellow subsidiary	7,200	–	–	–	7,200
Allowance for bad and doubtful debts	898	916	–	–	1,814
Depreciation and amortisation	41,635	20,880	2,512	–	65,027
Decrease in fair value on investment properties	–	–	6,304	–	6,304
Decrease in fair value of derivative financial instruments	11,694	–	–	–	11,694
Interest income	(1,262)	(807)	(189)	–	(2,258)
Interest expense	52,319	15,885	22,021	–	90,225
Additions to property, plant and equipment, prepaid lease payment, and investment properties	454,492	462,386	198,925	–	1,115,803

For the year ended 31 March 2010

	Hong Kong	Malaysia	Other regions in the PRC	Singapore	Combined
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Allowance for (reversal of) bad and doubtful debts	(1,543)	221	–	–	(1,322)
Depreciation and amortisation	41,762	19,136	7,427	–	68,325
Increase in fair value on investment properties	–	–	(3,486)	–	(3,486)
Decrease in fair value of derivative financial instruments	6,577	–	–	–	6,577
Interest income	(2,150)	(279)	(38)	–	(2,467)
Interest expense	45,089	13,643	17,880	–	76,612
Additions to property, plant and equipment, prepaid lease payment and investment properties	360,300	134,287	22,010	418,229	934,826

Geographical information

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

	Non-current assets		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Hong Kong	2,115,308	2,485,523	2,801,983
Malaysia	627,216	848,283	937,271
Other regions in the PRC	911,667	1,255,154	1,431,152
Singapore	–	–	414,113
	3,654,191	4,588,960	5,584,519

Non-current assets excluded utility and other deposits paid and pledged deposits.

8. REVENUE

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

	Year ended 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Hotel room revenue, food and beverage	618,907	647,611	580,050
Gross rental income from properties	14,728	34,294	36,203
	633,635	681,905	616,253

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

9. MANAGEMENT FEE

Under the existing arrangements, Subang Jaya Hotel Development Sdn. Bhd. paid hotel management fee to an hotel operator, Sheraton Overseas Management Corporation, amounting to HK$5,903,000, HK$5,322,000, HK$2,239,000 for the years ended 31 March 2008, 2009 and 2010, respectively. Such management fee is presented as part of the direct operating cost of the hotels. The management service from Sheraton has already been terminated in September 2009 upon the expiry of the management contract. Since then, the Group managed the hotel operation by itself.

Certain companies also paid management fee to fellow subsidiaries for corporate management services provided and office support as disclosed in note 43.

10. 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.

11. OTHER GAINS AND LOSSES

	Year ended 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Discount on acquisition of subsidiary (note 35(a))	66,140	–	–
Decrease in fair value of derivative financial instruments	–	(11,694)	(6,577)
(Loss) gain on disposed of furniture, fixtures and equipment	(23)	49	(52)
Net foreign exchange gain	819	1,588	717
(Allowance for) reversal of bad and doubtful debts			
– Trade receivables	(3,077)	(1,814)	1,322
– Amount due from a jointly controlled entity of a fellow subsidiary	–	(7,200)	–
	(3,077)	(9,014)	1,322
	63,859	(19,071)	(4,590)

12. FINANCE COSTS

	Year ended 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Interest on bank borrowings			
– wholly repayable within five years	17,962	67,831	66,244
– not wholly repayable within five years	36,859	24,763	16,501
Interest on amounts due to fellow subsidiaries			
– wholly repayable within five years	9,650	3,639	1,237
Amortisation of front-end fee	–	4,098	8,449
Others	18	310	122
	64,489	100,641	92,553
Less: amount capitalised to hotel properties under development	(8,304)	(10,416)	(15,941)
	56,185	90,225	76,612

13. INCOME TAX EXPENSE

	Year ended 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Current year income tax			
Hong Kong	21,992	19,109	8,516
Other jurisdictions	154	12	99
	22,146	19,121	8,615
Deferred taxation (note 32)			
Current year	8,269	(1,155)	1,191
Attributable to change in tax rates	–	(6,018)	–
	30,415	11,948	9,806

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

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

The domestic statutory tax rate of Malaysia and Singapore was reduced from 26% to 25% and 18% to 17% effective from the year of assessment 2009 and year of assessment 2010 respectively.

The taxation charge can be reconciled to the profit before taxation per the combined statements of comprehensive income as follows:

	Year ended 31 March 2008				
	Hong Kong	Other regions in the PRC	Malaysia	Singapore	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit (loss) before taxation	133,026	20,293	103,587	(15)	256,891
Applicable income tax rate	17.5%	33%	26%	18%	
Tax at the applicable income tax rate	23,280	6,697	26,933	(3)	56,907
Tax effect of expenses not deductible for tax purpose	401	807	1,829	3	3,040
Tax effect of income not taxable	(338)	(312)	(17,775)	–	(18,425)
Tax effect of tax losses not recognised	129	4	–	–	133
Utilisation of tax loss previously not recognised	(126)	–	(9,186)	–	(9,312)
Utilisation of temporary differences previously not recognised	–	–	(1,678)	–	(1,678)
Underprovision of income tax	–	–	74	–	74
Others	(281)	–	(43)	–	(324)
Income tax expense for the year	23,065	7,196	154	–	30,415

	Year ended 31 March 2009				
	Hong Kong	Other regions in the PRC	Malaysia	Singapore	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit (loss) before taxation	77,533	(18,228)	39,333	(13)	98,625
Applicable income tax rate	16.5%	25%	25%	18%	
Tax at the applicable income tax rate	12,793	(4,557)	9,833	(2)	18,067
Tax effect of expenses not deductible for tax purpose	3,174	158	2,410	2	5,744
Tax effect of income not taxable	(83)	(101)	(316)	–	(500)
Utilisation of temporary difference previously not recognised	–	–	(5,127)	–	(5,127)
Tax effect of tax losses not recognised	2,678	2,924	664	–	6,266
Utilisation of tax loss previously not recognised	–	–	(7,100)	–	(7,100)
Under(over)provision of income tax	687	–	(10)	–	677
Effect of change in tax rate	(4,273)	(1,745)	–	–	(6,018)
Others	282	–	(343)	–	(61)
Income tax expense for the year	15,258	(3,321)	11	–	11,948

	Year ended 31 March 2010				
	Hong Kong	Other regions in the PRC	Malaysia	Singapore	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit (loss) before taxation	33,717	(18,862)	40,938	(174)	55,619
Applicable income tax rate	16.5%	25%	25%	17%	
Tax at the applicable income tax rate	5,563	(4,716)	10,235	(30)	11,052
Tax effect of expenses not deductible for tax purpose	964	509	500	30	2,003
Tax effect of income not taxable for tax purpose	–	(46)	(1,985)	–	(2,031)
Tax effect of tax losses not recognised	1,100	5,174	–	–	6,274
Utilisation of tax loss previously not recognised	–	–	(7,963)	–	(7,963)
Under(over)provision of income tax	143	–	(21)	–	122
Others	(35)	71	313	–	349
Income tax expense for the year	7,735	992	1,079	–	9,806

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

14. PROFIT FOR THE YEAR

	Year ended 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Profit for the year is arrived at after charging:			
Auditor's remuneration	1,529	1,242	2,329
Staff costs			
Directors' emoluments	–	–	–
Other staff	131,591	143,656	157,390
Retirement benefit scheme contributions	7,675	9,240	9,869
	139,266	152,896	167,259
Depreciation	47,866	54,251	58,537
Amortisation of prepaid lease payments	11,135	21,197	28,778
Less: amount capitalised to hotel properties under development	(2,711)	(10,421)	(18,990)
	8,424	10,776	9,788
and after crediting:			
Gross rental income	14,728	34,294	36,203
Less: Direct operating costs	(1,319)	(1,563)	(3,508)
Net rental income	13,409	32,731	32,695
Interest income from ultimate holding company	–	1,244	2,429
Bank interest income	2,612	1,014	38

The following supplementary information is provided in respect of the Group's EBITDA (representing the profit before taxation, interest income, finance costs, depreciation and amortisation) and adjusted EBITDA for the Relevant Periods.

	2008	2009	2010
Profit before taxation	256,891	98,625	55,619
Interest income	(2,612)	(2,258)	(2,467)
Finance costs	56,185	90,225	76,612
Depreciation and amortisation	56,290	65,027	68,325
EBITDA	366,754	251,619	198,089
Pre-opening expenses,	1,432	1,876	6,517
Management fee	37,594	34,859	30,408
Change in fair value of investment properties	(21,807)	6,304	(3,486)
Change in fair value of derivative financial instruments	–	11,694	6,577
Discount on acquisition of a subsidiary	(66,140)	–	–
Allowance for bad and doubtful debts on amount due from a jointly controlled entity of a fellow subsidiary	–	7,200	–
Adjusted EBITDA	317,833	313,552	238,105
Adjusted EBITDA margin (Adjusted EBITDA/Revenue)	50.2%	46.0%	38.6%

15. DIRECTORS' AND FIVE HIGHEST PAID EMPLOYEES' REMUNERATION

(a) Directors' emoluments

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

Certain executive and non-executive directors of the Company were granted options to subscribe for shares of Far East Consortium under the share option schemes adopted by Far East Consortium. Their entitlement to the options relate to their services to a number of companies within the Far East Consortium group including the Company and its subsidiaries. Details of the options schemes and the directors' entitlements to these options are disclosed in the annual report of Far East Consortium. The value of the share option has not been allocated amongst individual companies as the allocation of the services of their directors to the various group companies in the Far East Consortium Group is not feasible.

(b) Employees' emoluments

The emoluments of the five highest paid individuals of the Group were as follows:

	Year ended 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Salaries and other benefits	4,219	5,077	5,261
Contributions to retirement benefit scheme	60	60	60
	4,279	5,137	5,321

The emoluments were within the following bands:

	Year ended 31 March		
	2008	2009	2010
HK$1,500,001 to HK$2,000,000	1	1	1
HK$1,000,001 to HK$1,500,000	1	1	1
Less than HK$1,000,000	3	3	3
	5	5	5

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 the Relevant Periods. No directors waived any of their emoluments for the Relevant Periods.

16. DIVIDENDS

Dorsett Regency Hotel (M) Sdn. Bhd. had paid dividends of HK$9,080,000 at RM0.8 per share on 5,000,000 shares in the year ended 31 March 2009 to its immediate holding company.

Apart from the above, no dividend has been paid or declared by any companies now comprising the Group during the Relevant Periods or since their respective dates of incorporation/establishment, whichever period is shorter.

17. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Relevant Periods is based on the combined profit attributable to equity holders of the Company for each of the Relevant Periods and on 1,730,000,000 shares, which have been adjusted retrospectively for the shares issued pursuant to the capitalisation of the amounts due to Parent Entities (as detailed in Section C).

Diluted earnings per share is not presented as there were no potential ordinary shares outstanding during the Relevant Periods or as at the date of this report.

18. PROPERTY, PLANT AND EQUIPMENT

	Hotels		Leasehold improvement and furniture, fixtures and equipment	
	Completed	Under development		Total
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 April 2007	1,733,913	23,739	46,681	1,804,333
Addition	99,986	335,366	12,915	448,267
Acquired through business combinations (note 35(a))	103,737	–	4,791	108,528
Disposal	–	–	(1,079)	(1,079)
Exchange alignment	42,326	–	1,999	44,325
At 31 March 2008	1,979,962	359,105	65,307	2,404,374
Addition	341,144	282,269	32,574	655,987
Disposal	–	–	(5,829)	(5,829)
Exchange alignment	(83,915)	7,052	(8,065)	(84,928)
At 31 March 2009	2,237,191	648,426	83,987	2,969,604
Addition	47,856	264,621	29,117	341,594
Reclassification upon completion of development	204,575	(204,575)	–	–
Transferred from investment properties	33,205	–	–	33,205
Transferred to investment properties	(10,366)	–	–	(10,366)
Disposal	–	–	(577)	(577)
Exchange alignment	84,069	4,093	8,134	96,296
At 31 March 2010	2,596,530	712,565	120,661	3,429,756
DEPRECIATION				
At 1 April 2007	52,139	–	15,564	67,703
Provided for the year	39,232	–	8,634	47,866
Eliminated on disposal	–	–	(1,005)	(1,005)
Exchange alignment	2,661	–	860	3,521
At 31 March 2008	94,032	–	24,053	118,085
Provided for the year	44,206	–	10,045	54,251
Eliminated on disposal	–	–	(3,300)	(3,300)
Exchange alignment	(16,838)	–	(2,833)	(19,671)
At 31 March 2009	121,400	–	27,965	149,365
Provided for the year	46,794	–	11,743	58,537
Eliminated on transfer to investment properties	(1,485)	–	–	(1,485)
Eliminated on disposal	–	–	(309)	(309)
Exchange alignment	5,553	–	3,097	8,650
At 31 March 2010	172,262	–	42,496	214,758
CARRYING VALUES				
At 31 March 2008	1,885,930	359,105	41,254	2,286,289
At 31 March 2009	2,115,791	648,426	56,022	2,820,239
At 31 March 2010	2,424,268	712,565	78,165	3,214,998

The carrying amounts of hotels shown above are situated on land:

	At 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
In Hong Kong:			
Long lease	83,383	90,604	112,220
Medium-term lease	1,213,928	1,369,619	1,486,020
Outside Hong Kong:			
Freehold	574,227	693,502	774,957
Long lease	–	93,092	101,328
Medium-term lease	373,497	517,400	662,308
	2,245,035	2,764,217	3,136,833

The hotel buildings are depreciated on a straight-line basis over 50 years 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 31 March 2008, 2009 and 2010 includes capitalised interest expense of HK$14,434,000, HK$22,738,000 and HK$29,456,000 respectively.

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.

19. PREPAID LEASE PAYMENTS

	At 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
The carrying amount represents:			
Leasehold land in Hong Kong			
Long-term lease with lease period of 93 years	–	47,122	45,334
Medium-term lease with lease period ranging from 37 to 40 years	786,487	978,196	1,153,876
Leasehold land outside Hong Kong			
Long-term lease with lease period ranging from 83 to 99 years	29,949	25,687	436,282
Medium-term lease with lease period ranging from 33 to 37 years	137,486	312,042	293,154
	953,922	1,363,047	1,928,646
Analysed for reporting purposes as:			
Current asset	14,672	26,052	33,158
Non-current asset	939,250	1,336,995	1,895,488
	953,922	1,363,047	1,928,646

Pursuant to the change of use of certain floors of a building as disclosed in note 18, 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.

20. INVESTMENT PROPERTIES

	At 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
At 1 April	–	331,502	358,276
Additions	294,731	27,179	–
Transferred from property, plant and equipment and prepaid lease payment	–	–	22,883
Increase (decrease) in fair value	21,807	(6,304)	12,329
Transferred to hotel properties	–	–	(33,205)
Exchange adjustments	14,964	5,899	3,671
At 31 March	331,502	358,276	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 evidenced by the commencement of owner occupation.

21. INVESTMENTS IN SUBSIDIARIES

	At 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Unlisted shares, at cost	32	32	32

Details of the Company's subsidiaries, Caragis Limited, Charter Joy Limited, Complete Delight Limited, Cosmopolitan Hotel Limited, Double Advance Group Limited, Giovanna Holdings Limited ("Giovanna") Grand Expert Limited, Hong Kong Hotel REIT Finance Co Ltd, Richfull International Investment Limited, The Hotel of Lan Kwai Fong Limited, Vicsley Limited, Kosmopolito Hotels International Services Limited, Dorsett Hotels & Resort International Limited and Dorsett Hotel Management Service (Singapore) Pte Limited which were wholly-owned by the Company throughout the Relevant Periods are set out on pages 2 to 3 of the report. In addition, Giovanna, an inactive company incorporated in BVI on 28 October 2009 with one issued and fully paid ordinary share of USD1 was disposed of on 14 September 2010.

The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

22. BANK DEPOSITS

Pledged deposits carry fixed interest rate from 0.02% to 5.20%, 0.02% to 3.00% and 0.001% to 0.01% per annum for the three years ended 31 March 2008, 2009 and 2010 respectively with maturity dates 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 0.18% to 3.5%, 0.01% to 2% and 0.01% to 2.22% per annum for the three years ended 31 March 2008, 2009 and 2010 respectively.

The bank balances of the Company carry interest at less than 0.01% throughout the Relevant Periods.

23. DEBTORS, DEPOSITS AND PREPAYMENTS

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

Included in debtors, deposits and prepayments are trade debtors of HK$43,717,000, HK$33,781,000 and HK$37,688,000 at 31 March 2008, 2009 and 2010 respectively. The following is an aged analysis of trade debtors based on the invoice date:

	At 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
0 – 60 days	38,210	30,679	30,722
61 – 90 days	2,055	2,515	2,084
91 – 180 days	3,452	587	4,882
	43,717	33,781	37,688

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. Accordingly, 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.

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

	Year ended 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Balance at beginning of the year	157	3,252	4,408
Impairment losses recognised	3,077	1,865	221
Amounts written off as uncollectible	–	(546)	(2,495)
Amounts recovered during the year	–	(51)	(1,543)
Exchange alignment	18	(112)	162
Balance at end of the year	3,252	4,408	753

24. AMOUNTS DUE FROM RELATED COMPANIES

The balances were unsecured, interest free and repayable on demand.

The balance at 31 March 2008 was due from a jointly controlled entity of a fellow subsidiary. During the year ended 31 March 2009, the management reviewed the carrying values and recognised a full impairment loss of HK$7,200,000 as the management considered that this company was not expected to generate sufficient cash flow to repay the Group in the foreseeable future.

The carrying amount at 31 March 2010 was due from a company controlled by Mr. David Chiu (邱達昌), a director of the Company and was settled subsequent to the end of the reporting period. The maximum amount outstanding during the year was HK$180,000.

25. 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.

26. DERIVATIVE FINANCIAL INSTRUMENTS

The carrying amounts as at 31 March 2009 and 2010 represent the fair value of interest rate swap contracts with aggregate notional amounts of HK$1,900,000,000 which were entered into on 25 September 2008, with an upfront payment of HK$19,949,000, to mitigate the exposure to interest rate fluctuation of the Group's bank borrowings. Under the terms of the contracts, the Group has to pay interest at the rate of 3 months HIBOR with a maximum capped at 7.5% per annum and receive 3 months interest at the rate of HIBOR. The contracts will mature on 25 September 2013 but are subject to early termination at the discretion of the Group. These derivatives are not accounted for under hedge accounting.

27. CREDITORS AND ACCRUALS

Included in creditors and accruals is trade creditors of HK$16,195,000, HK$17,256,000, and HK$24,393,000 as at 31 March 2008, 2009 and 2010 respectively. The Group normally receives credit term of 60 days from its suppliers. The following is an aged analysis of the trade creditors:

	At 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
0 – 60 days	15,031	14,377	14,170
61 – 90 days	639	1,410	8,795
91 – 180 days	525	1,469	1,428
	16,195	17,256	24,393

28. AMOUNTS DUE FROM PARENT ENTITIES

	At 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Amounts due from ultimate holding company			
Interest free	–	52,927	76,790
Interest bearing at 0.5% per annum	–	479,152	479,152
	–	532,079	555,942
Amounts due from fellow subsidiaries			
Interest free	–	6,033	545
	–	538,112	556,487

The amounts due from ultimate holding company/fellow subsidiaries are unsecured and repayable on demand.

29. AMOUNTS DUE TO PARENT ENTITIES

	THE GROUP At 31 March			THE COMPANY At 31 March		
	2008	2009	2010	2008	2009	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Unsecured amounts due to fellow subsidiaries						
Interest free	1,977,660	1,645,405	2,008,730	30,039	58,622	58,622
Interest bearing at 0.5% per annum	–	403,201	350,380	–	–	–
Interest bearing at prevailing market rate	179,805	–	–	–	–	–
	2,157,465	2,048,606	2,359,110	30,039	58,622	58,622
Amount due to ultimate holding company						
Interest free	–	41,398	57,189	–	–	–
	2,157,465	2,090,004	2,416,299	30,039	58,622	58,622

The balance due to fellow subsidiaries at 31 March 2008 included an aggregate amount of HK$163,611,000 representing the aggregate carrying amount of net assets of the Hotels, which were payable to fellow subsidiaries, being the then owners of the Hotels. The acquisition of the Hotels was completed in September 2009 at a cash consideration equal to the fair value of the net assets acquired on completion date.

The repayment of an aggregate amount of HK$442,125,000 and HK$423,013,000 at 31 March 2009 and 2010 respectively due to fellow subsidiaries is subordinated to the repayment of bank loans which are due in September 2013 according to the relevant covenant stated in the bank loan agreements.

The amounts due to ultimate holding company/fellow subsidiaries are unsecured and repayable on demand.

Fellow subsidiaries are wholly-owned subsidiaries of Far East Consortium.

30. AMOUNTS DUE TO RELATED COMPANIES

The carrying amounts at 31 March 2009 were due to a jointly controlled entity of a fellow subsidiary and a company controlled by Mr. David Chiu (邱達昌), a director of Far East Consortium. The amounts are unsecured, interest free and repayable on demand.

31. SECURED BANK BORROWINGS

	At 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
Bank loans	1,243,991	2,964,344	3,569,012
Less: front- end fee	–	(37,940)	(35,329)
	1,243,991	2,926,404	3,533,683
Analysed for reporting purposes as			
Current liabilities	384,100	198,032	528,629
Non-current liabilities	859,891	2,728,372	3,005,054
	1,243,991	2,926,404	3,533,683

	At 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
The loans are repayable:			
Within one year	384,100	198,032	528,629
More than one year but not exceeding two years	203,672	292,650	163,496
More than two years but not exceeding five years	290,160	2,074,279	2,519,243
More than five years	366,059	399,383	357,644
	1,243,991	2,964,344	3,569,012

The bank loans carry variable rates of interest at prevailing market rates. The range of effective interest rates for the three years ended 31 March 2008, 2009, 2010 are 5% to 10.7%, 1.07% to 8.25% and 1.01% to 7.13% per annum respectively.

32. DEFERRED TAXATION

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

	Accelerated tax depreciation	Fair value adjustment of hotel properties	Revaluation of properties	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2007	38,322	42,500	–	(7,126)	73,696
Acquired through business combination (note 35a)	–	4,126	–	(4,126)	–
Charge (credit) to profit or loss	(1,044)	(1,036)	7,196	3,153	8,269
At 31 March 2008	37,278	45,590	7,196	(8,099)	81,965
Charge (credit) to profit or loss	4,433	(977)	(1,576)	(3,035)	(1,155)
Effect of change in tax rate	(2,130)	(2,528)	(1,746)	386	(6,018)
At 31 March 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

As at 31 March 2008, 2009 and 2010, the Group had unused tax losses of HK$676,825,000, HK$624,992,000 and HK$684,620,000, respectively available for offset against future profits. A deferred tax asset of HK$8,099,000, HK$10,748,000 and HK$11,660,000 has been recognised in respect of HK$199,764,000, HK$65,139,000 and HK$70,667,000 of such tax losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses HK$477,061,000, HK$559,853,000 and HK$613,953,000 due to the unpredictability of future profit streams. Tax loss can be carried forward indefinitely.

As at 31 March 2008, 2009 and 2010, the Group has deductible temporary differences in relation to depreciation of properties, plant and equipment amounted to HK$263,454,000, HK$238,961,000 and HK$263,279,000 respectively. 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. ISSUED 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.

Issued capital presented in the combined statements of financial position represents the aggregate of the paid up capital of the Company and the Combined Entities.

34. DEFICIT

	At 31 March		
	2008	2009	2010
	HK$'000	HK$'000	HK$'000
At beginning of the year	3	23	1,083
Loss for the year	20	1,060	50
At end of the year	23	1,083	1,133

35. ACQUISITIONS

(a) Acquisition of a subsidiary

On 26 September 2007, the Group acquired the entire issued share capital of Merlin Labuan Sdn. Bhd. ("MLSB") which is engaged in the operation of Grand Dorsett Labuan Hotel at a consideration of HK$72,960,000 together with the assignment of the shareholders' loans of HK$321,239,000. The acquisition was accounted for using the purchase method.

The fair value of net assets of the subsidiary acquired were as follows:

	Carrying amount	Fair value adjustment	Fair value
	HK$'000	HK$'000	HK$'000
Property, plant and equipment			
Hotels	103,737	–	103,737
Furniture, fixture and equipment	4,791	–	4,791
	108,528	–	108,528
Prepaid lease payments	12,403	15,869	28,272
Inventories	445	–	445
Debtors, deposits and prepayments	3,578	–	3,578
Bank balances and cash	2,861	–	2,861
Creditors and accruals	(4,584)	–	(4,584)
	123,231	15,869	139,100
Discount on acquisition recognised in profit or loss			(66,140)
Satisfied by cash			72,960
Net cash outflow arising on acquisition:			
Cash consideration			(72,960)
Bank balances and cash acquired			2,861
			(70,099)

The consideration of the acquisition is determined under a distress sale by the seller during a debt restructuring process carried out by the seller and is therefore less than the net fair value of the assets acquired resulting in a discount on acquisition.

If the acquisition had taken place on 1 April 2007, the profit after taxation of the Group for the year ended 31 March 2008 would have been HK$234,658,000 and the total group revenue would have been HK$656,049,000.

(b) Acquisition of assets

On 1 October 2008, the Group acquired from Mr. David Chiu (邱達昌), who is a Director of the Company and substantial shareholder of Far East Consortium, Dorsett Johor Hotel and Maytower Hotel and the related assets and liabilities through the acquisition of the entire issued share capital of Jade River Profits Limited ("JRPL") together with the assignment of the shareholder's loan of HK$106,635,000. The consideration was satisfied by the issuance of convertible bonds with a principal amount of HK$331,445,000 by Far East Consortium.

The acquisition was made before JRPL commenced business operation, and therefore, the acquisition is accounted for as acquisition of assets.

The fair value of net assets acquired were as follows:

	HK$'000
Property, plant and equipment	
Hotels	325,030
Furniture, plant and equipment	5,891
Inventories	358
Debtors, deposits and prepayments	6,037
Amounts due from related companies	44
Bank balances and cash	4,169
Creditors and accruals	(8,959)
Amounts due to related companies	(1,125)
Total consideration due to Far East Consortium	331,445
Net cash inflow arising on acquisition:	
Bank balances and cash acquired	4,169

The fair value of the hotels are determined based on the valuation carried out by an independent valuer which adopts a direct comparison approach by making reference to the comparable sales transactions available in the markets.

36. DISPOSAL OF A SUBSIDIARY

To streamline the Group's business, a group entity carrying on engineering services business, a non-core business to the Group, was disposed of to the Parent Entities through the disposal of the entire interests in Win Chance Engineering Limited ("Win Chance") on 14 January 2009 at a consideration of HK$2, together with an assignment of the amount due to the Group of HK$11,387,000, to a fellow subsidiary.

	HK$'000
Net assets disposed of:	
Debtors, deposits and prepayments	1,659
Bank balance	1,788
	3,447
Assignment of amount due to the Group	(11,387)
Deemed contribution	7,940
Consideration	–
Net cash outflow arising on disposal:	
Bank balance disposed of	(1,788)

37. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2009, the Group acquired a hotel and the related assets and liabilities from a director at a consideration of HK$331,445,000 satisfied by the issuance of a convertible bond by Far East Consortium.

38. CHARGE ON ASSETS

Bank borrowings of the Group totalling HK$1,243,991,000, HK$2,926,404,000 and HK$3,533,683,000, as at 31 March 2008, 2009, 2010 respectively are secured by fixed charges over the hotel properties (classified under property, plant and equipment and prepaid lease payment in the combined statements of financial position) and investment properties with aggregate carrying value of HK$2,514,642,000, HK$4,166,179,000 and HK$4,979,002,000 as at 31 March 2008, 2009 and 2010 respectively together with a floating charge over all assets of certain borrowers and benefits accrued to the hotel and investment properties.

39. 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 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.

40. CAPITAL COMMITMENTS

	At 31 March		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Capital expenditure in respect of acquisition, development and refurbishment of hotel properties:			
– contracted but not provided in the financial statements	352,024	327,289	315,527
– authorised but not contracted for	303,636	126,801	271,948

41. 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:

	At 31 March		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Within one year	25,378	27,639	28,757
In the second to fifth years inclusive	85,304	87,968	81,064
Over five years	150,844	136,536	120,569
	261,526	252,143	230,390

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

The Group as lessee

At 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:

	At 31 March		
	2008	**2009**	**2010**
	HK$'000	**HK$'000**	**HK$'000**
Within one year	360	360	360
In the second to fifth years inclusive	–	630	270
	360	990	630

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

42. 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 combined statements of comprehensive income 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$7,675,000, HK$9,240,000 and HK$9,869,000 for the three years ended 31 March 2008, 2009 and 2010 respectively.

43. RELATED PARTY TRANSACTIONS

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

Apart from the acquisition of assets and disposal of subsidiary disclosed in note 35(b) and 36, the transactions with the related parties during the years ended 31 March 2008, 2009 and 2010 are as follows:

		Year ended 31 March		
Relationship of related parties	**Nature of transaction**	**2008**	**2009**	**2010**
		HK$'000	**HK$'000**	**HK$'000**
Fellow subsidiaries	Rental expense to Far East Consortium Limited ("FECL") for the use of the FECL's office premises	360	360	360
	Management fee to fellow subsidiaries for provision of corporate management services and office support			
	– Peacock Management Service Limited	27,364	25,328	26,429
	– FECL	3,127	2,769	–
	Management fee to Win Chance for provision of engineering services	1,200	1,440	1,740
	Interest expense on amounts due to FECL	9,650	3,639	1,237
Jointly controlled entity of ultimate holding company	Rental earned from Dorvic Hotel F&B Limited for the use of the Group's properties	2,200	2,400	2,400
Ultimate holding company	Interest income on amount due from Far East Consortium	–	1,244	2,429

The related party transactions were carried out on terms mutually agreed between the Group and the related companies, and conducted in the ordinary and usual course of the Group's business. Except the lease arrangement with FECL and Dorvic Hotel F&B Limited, the related parties transaction will be discontinued upon listing of the shares of the Company on the Stock Exchange.

In addition,

(a) Far East Consortium has provided guarantees for the Group's bank borrowings of which HK$1,569,521,000, HK$3,150,406,000 and HK$3,450,148,000 were outstanding at 31 March 2008, 2009 and 2010 respectively. The guarantees will be released upon the global offering ("Global Offering") of the Company's shares ("Offer Shares") becomes unconditional.

(b) A director has provided personal guarantee for the Group's bank loan of which HK$53,481,000, HK$40,688,000 and HK$38,248,000 was outstanding at 31 March 2008, 2009 and 2010 respectively. HK$497,000 of the bank loan has been repaid subsequent to 31 March 2010.

Details of the balances with related parties as at the end of the reporting period are set out in the combined statements of financial position and their related notes. The net amount due to Parent Entities of HK$1,859,812,000, equivalent to the outstanding balance at 31 March 2010 will be capitalised as detailed in section C below.

The remuneration paid and payable to the members of key management who are the five highest individuals during each of the three years ended 31 March 2008, 2009 and 2010 are disclosed in note 15.

B. HOLDING COMPANIES

The Company's immediate holding company is Ample Bonus Limited and the Company's ultimate holding company is Far East Consortium.

C. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 March 2010, (a) the Company acquired from Far East Consortium on 17 September 2010 the entire equity interest in the Combined Entities at a consideration of HK$11,950,000 settled in cash; and (b) a directors' resolution was duly passed on 10 September 2010 whereby it was resolved that, as part of the Reorganisation, the net amount due to Parent Entities of HK$1,859,812,000, equivalent to the outstanding balance at 31 March 2010, will be capitalised by the issue of 1,730,000,000 ordinary shares of HK$0.1 each of the Company at HK$1.08 per share to Far East Consortium. The Capitalisation is conditional upon and will be effected simultaneously with, the issue of the Offer Shares when the Global Offering becomes unconditional.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements were prepared for any of the companies comprising the Group subsequent to 31 March 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong