KOSMOPOLITO
Hotels International

Kosmopolito Hotels International Limited
麗悅酒店集團有限公司

(incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立之有限公司）
Stock Code 股份代號 : 2266

年報
Annual Report 2010-11

The Origin of Kosmopolito

"Kosmopolito" means "Cosmopolitan". It is a term in Esperanto, the most widely spoken international auxiliary language, which signifies "one who hopes". Esperanto is a language created in the late 1870's to facilitate intercultural communications in Eastern Europe. In the mid-20th century, Esperanto was a medium in China to translate foreign literatures, mostly those from minor nationalities in Central and Eastern Europe.

Our name, Kosmopolito, stands for internationalism, integrity, innovation, and initiative.

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Corporate Information

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

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

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

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

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

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

COMPANY SECRETARY
Mr. MOK, Kwai Pui Bill

SOLICITORS
Hong Kong
Woo, Kwan, Lee & Lo
Reed Smith Richards Butler

Malaysia
Syed Alwi, Ng & Co.

Cayman Islands
Maples and Calder

AUDITOR
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

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

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

Singapore
The Hongkong and Shanghai Banking Corporation Limited

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

375 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LISTING INFORMATION

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

WEBSITE

http://www.kosmohotels.com

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

Final Results Highlights

Final Results

The Board is pleased to announce the audited consolidated results of the Group for the Year as follows:

Operational and Financial Highlights

	FY2011 HK$'000	FY2010 HK$'000	Change
Revenue	**867,100**	616,253	40.7%
Profit for the year	**208,404**	45,813	354.9%
Earnings per share – Basic and diluted	**HK11.22 cents**	HK2.65 cents	323.4%
Adjusted EBIDTA [1]	**362,456**	238,105	52.2%
Adjusted EBIDTA margin [2]	**41.8%**	38.6%	3.2pp[3]
After revaluation surplus [4]			
Net assets attributable to shareholders	**8,875,496**	5,093,415	74.3%
Net debt to equity	**30.0%**	67.4%	n.m.[5]
Net assets attributable to shareholders per share	**4.44**	2.55	74.1%
Proposed final dividend	**HK4.00 cents**	–	n.m.[5]

Notes:

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

(2) Adjusted EBITDA margin = Adjusted EBITDA/revenue

(3) pp – percentage points

(4) Revaluation surplus for its property, plant and equipment was not recognised in the financial statements as the Company has elected the cost model instead of revaluation model as its accounting policy

(5) n.m. – non meaningful

- Revenue was HK$867.1 million for the Year, up 40.7% from FY2010, boosted by improvements of average room rate and occupancy.

- Net profit was HK$208.4 million, a 354.9% rise above Previous Year's HK$45.8 million driven by the strong growth in revenue and net gains from non-recurring items, in particular the gain from the Group's sale of its interest in the hotel "The Mercer by Kosmopolito".

- Adjusted EBITDA, management's primary measure of operating performance of the Group, reached HK$362.5 million for the Year, marking a 52.2% year-on-year improvement, with adjusted EBITDA margin rising to 41.8% from 38.6% in FY2010.

- The revaluation surplus of the Group's hotel portfolio as at 31st March, 2011 was HK$5,978.8 million. The total capital value of its hotel portfolio was HK$11,694.7 million, while the carrying value was HK$5,715.9 million.

- The Board proposed a final dividend per ordinary share of HK4.00 cents, representing a dividend payout ratio of approximately 38.5% of distributable profit for the Year.

- The Company achieved good progress with the implementation of its branding strategy to refresh and streamline its brands to better appeal to its target market segments and to serve as a platform for its expansion into the hotel management business.

- The six owned and under development hotels are largely progressing as planned with slight delays mainly with the two hotels in mainland China.

- The Group is in a very solid financial position and is presently considering a number of capital proposals while at the same time, continuing to pursue asset-light and cost-effective business models with a view to grow its brand distribution and revenues to create value for the shareholders.

Chairman's Statement

Dear Shareholders

On behalf of the Board of Directors, it gives me immense pleasure to present the first annual report of Kosmopolito Hotels International since our successful listing on the Main Board of Stock Exchange on 11th October, 2010.

During the year under review, the Group achieved a number of exciting historic highs: the Group's revenue grew by 40.7% to reach HK$867.1 million; net profit was up more than three and a half fold to HK$208.4 million; Adjusted EBITDA reached HK$362.5 million for the year, marking a 52.2% year-on-year improvement; Adjusted EBITDA margin rose to 41.8% from 38.6% in the previous year; and the revaluation surplus of the Group's hotel portfolio stood at nearly HK$6 billion as at 31st March, 2011.

To acknowledge our loyal and discerning Shareholders, the Board proposed a final dividend per ordinary share of HK 4.00 cents, representing a dividend payout ratio of approximately 38.5% of distributable profit for the year. The proposed final dividend will be dispensed if approved in the forthcoming annual general meeting of the Company.

With the opening of Cosmo Hotel Mongkok in July 2010, the Group ended the year with 15 hotels and an aggregation of 3,834 rooms in operation, representing a compound annual growth rate of 15% in rooms over the past four financial years. The Group had a visible pipeline of another six owned hotels and one managed hotel under development, bringing the Group to 22 hotels with more than 6,200 rooms across Hong Kong, mainland China, Malaysia and Singapore.

Our vision is to grow Kosmopolito Hotels International to become one of the most well-known hotel management companies in Asia, renowned for delivering shareholder returns above industry averages.

Kosmopolito Hotels International is committed to corporate governance. Being a responsible enterprise, our corporate governance standards are built based on the principles of independence, accountability, transparency and honesty. We continue to enhance our standards by empowering internal audit and ensure the business operation and management control are in compliance with the standards.

Looking ahead, I am optimistic about the Group's future performance. I recognise that lingering global economic unease and growing nuclear and political concerns in pockets of Asia Pacific are disquieting factors, but I strongly believe that the Company will once again find opportunities in times of uncertainty. It was after all during SARS in 2003 and the global financial crisis in 2008 that the Group capitalised on opportunities that translated to our flagship Cosmopolitan Hotel, Lan Kwai Fong Hotel @ Kau U Fong and the soon to open Dorsett Regency Hotel "On New Bridge", Singapore.

I am also confident the Company will execute its solid business strategies of strengthening its brand platform to further improve its profitability and churning capital to realise some of its revaluation surpluses. These strategies will ensure that the Company continue to provide long term earnings, strong cash flow and generate lucrative returns to our Shareholders.

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all Shareholders and business partners for their invaluable contributions and support to the Group. I would also like to extend my heartfelt thanks to my fellow colleagues of the Board for their guidance and generosity by sharing their extensive knowledge and experience. Last but not least, I would like to applaud all management and staff members of Kosmopolito Hotels International for their illustrious dedication, tireless spirit and relentless effort during the year.

Tan Sri Dato' CHIU, David
Chairman

I am pleased to present the annual report of Kosmopolito Hotels International for the year ended 31st March, 2011.

Business Overview and Operational Performance Update

The past year was a particularly good year for Asian tourism industries, with China establishing itself as the growth engine for the region. In Hong Kong, visitor arrivals in 2010 surged to 36 million, a year-on-year growth of 21.8% while in Malaysia, visitor arrivals reached 24.6 million, representing a 4.2% annual growth. These solid performances were bolstered by 57.4 million Chinese who travelled abroad in 2010, making China the world's fourth largest source market for outbound tourism.

Our design-led hotels – with their modern and distinctive interior designs – as well as our experience with, and knowledge of, the Chinese tourism market, allowed our hotels to tap on the burgeoning Chinese travellers. Mainland Chinese travellers staying at our hotels in Hong Kong and Malaysia grew by approximately 20.0% and 17.7%, respectively, in our FY2011, helping the Group to achieve a RevPAR growth of 28% year on year and bettering the RevPAR growth of 21.3% reported by STR Global for Asia Pacific. Further augmented by the commencement of business of Yue Shanghai Hotel in February 2010 and Cosmo Hotel Mongkok in July 2010, the Group's revenue grew 40.7% to HK$867.1 million from HK$616.3 million.

Adjusted EBITDA is management's primary measure of the Group's operating performance after adjusting for non-recurring events. As a result of the improved revenue and cost management efforts, the Group improved its Adjusted EBITDA to HK$362.5 million from HK$238.1 million, and Adjusted EBITDA margin to 41.8% from 38.6%.

On the asset front, the Company had 15 hotels with 3,834 hotel rooms across Hong Kong, Malaysia and mainland China as at the end of the financial year, and a further six owned hotels and one managed hotel, representing a pipeline of another 2,398 rooms in various stages of development across Hong Kong, mainland China and Singapore. The aggregate capital value of the Group's property portfolio as at 31st March, 2011 was HK$11.7 billion, representing a revaluation surplus that had grown to HK$6.0 billion over the aggregate carrying value from HK$5.0 billion as at 30th June, 2010.

The Group is in a strong financial position, with net debt reducing to HK$2,664.7 million at 31st March, 2011, a drop of 22.4% from HK$3,435.0 million as at the end of the financial year 2010. This represents an improvement of the Group's net debt to equity after revaluation surplus from 67.4% to 30.0%.

For more details regarding our Group's performance, please refer to the section on Management Discussion and Analysis in this report.

Strategic Focus

It is the intention of management to continue to build on our strength and execute the strategies described in the Prospectus dated 28th September, 2010. More particularly:

1. Branding: Management believes that refreshing and streamlining our brand portfolio, including through a series of renovation and upgrading work to realign and rebrand our hotels, will improve the market's awareness of our brands, enhance their appeal and provide us with a stronger platform for future marketing programs and sales initiatives, which should in turn further enhance our hotels' operational performance and capital value. Having already launched the "Boutique Series by Kosmopolito" to the trade and the media on 17th November, 2010, the Company is on track to launch the "Silka Hotel" brand by rebranding the Group's four value segment hotels as "Silka Hotels" in July 2011.

2. Growth: We are actively seeking investment as well as other asset-light and cost-effective business opportunities in the region as well as other destinations, including new markets. Management believes that the two-prong growth engine will help expedite the Company's expansion without requiring substantial capital expenditures or incurring significant costs. We will leverage on our successful track record of attracting RevPAR accretive outbound Chinese travellers, while remaining watchful of the increasing pace of change in Chinese consumer trends. The Group will also remain prudent and disciplined when considering capital proposals and will rigorously apply its set investment criteria.

3. Capital Churn: We have a track record of generating higher financial returns and strategic value for our shareholders by churning our capital. We have demonstrated it in 2004 by disposing a 100-room hotel in Kowloon for HK$140.2 million, redeploying the bulk of the proceed to acquire and redevelop an office building in Hong Kong Island into the 142-room Central Park Hotel, which was recently valued at HK$472 million. More recently, we sold the 55-room hotel "The Mercer by Kosmopolito", realising a gain of approximately HK$81.4 million while concurrently entering into a management agreement with the purchaser, which should provide the company a recurring management fee income stream during the term of the hotel management agreement. The Company will continue to explore other opportunities to monetarise some of its smaller hotel assets from time to time, with the objective of realising Shareholders' value.

4. Cost Efficiency: The Company has an on-going focus to optimise operational efficiency. One of its initiatives is to improve and codify its management practices and training program to optimise its economies of scale as it continues its rapid pace of growth. At the same time, the Company will closely monitor its financing costs in view of the region's debt market trends, while keeping its bank borrowings denominated in local currencies as a natural exchange rate hedge.

Outlook

The region's tourism has recovered substantially since mid-2009, and present economic trends and consumer sentiment in the region are causes for optimism. Local tourism authorities across the regions where the Company operates in are forecasting encouraging tourist arrival growth trends. In particular, the Chinese outbound market is expected to continue to grow strongly. The China National Tourism Administration predicted outbound travel from China to increase 16% to 65 million in 2011, while overseas spending would jump another 14% to US$55 billion. The Chinese are making more outbound trips and to farther destinations, with Chinese tourists to major European countries such as Germany, France and the UK growing as much as 23% year on year.

However, we are also mindful of recent adversities in the West and in Japan, as well as the impending elections and leadership successions across the major markets that we operate in. We will be monitoring the situation closely, with a view of making mitigation plans for potential risks as well as identifying investment opportunities the situation may bring.

All considered, the Company remains cautiously optimistic about the tourism industry, the operational performance of our hotels and the Company's performance in the financial year 2012.

Acknowledgement

From its humble beginning in 1998 with the opening of its first hotel – the 320-room Dorsett Regency Kuala Lumpur – in Kuala Lumpur, Malaysia to its spin-off from FECIL and listing on The Stock Exchange of Hong Kong on 11th October, 2010, Kosmopolito Hotels International has come a long way.

I would like to take this opportunity to express my gratitude to all shareholders, members of the Board, colleagues and business associates for their firm support over the years, and we promise to continue our fully committed effort in delivering outstanding results in this coming year.

MOK, Kwai Pui Bill
President and Executive Director

Profile of Directors

Mr. MOK, Kwai Pui Bill, aged 50, an executive Director, the President, Company Secretary and a member of the Remuneration Committee. Mr. Mok was appointed as a Director on 23rd January, 2007 and is a director of various subsidiaries of the Company. Mr. Mok graduated from the University of Washington in the United States with a Bachelor of Arts degree in Business Administration in 1984 and from Seattle University in the United States with a Master of Business Administration degree in 1987. From 1988 to 1993 he worked for Price Waterhouse Company (presently known as PriceWaterhouseCoopers) as a staff accountant and was later promoted to deputy manager. From 1993 to 1995, he worked for Jade Dynasty Publications Limited as its finance manager. From 1995 to 1996 he worked for The Hong Kong And China Gas Company Limited as finance manager of its PRC projects. In 1996, Mr. Mok joined the investment industry where he worked for Nava SC Securities Limited until 1997, when it was taken over by Prudential-Bache, where he continued to work until 1999 before moving to ING Securities Limited in 1999 where he stayed until 2003. Mr. Mok joined FECIL in 2004 as chief financial officer and prior to the Listing of the Company, was a member of FECIL's senior management where he helped develop the strategies of FECIL's hotel operations. Mr. Mok is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. CHU, Chee Seng, aged 37, joined the Company from InterContinental Hotels Group ("IHG") on 1st April, 2010 as Chief Financial Officer and was appointed an executive Director on 8th June, 2010. He is also a director of various subsidiaries of the Company. Mr. Chu has more than 13 years of experience in the hotel industry. During his career at IHG, Mr. Chu took on various financial, development and capital roles, including four years based in Shanghai developing and executing IHG's initiative to build partnerships with strategic real estate developers and investors in China, deploying capital where needed to support its growth strategy. His responsibilities at the Company include corporate and operational finance, tax, treasury, investor relations, information technology and risk management. Mr. Chu graduated from Nanyang Technological University in Singapore with a Bachelor of Accountancy degree in 1998 with a minor in Hospitality and Tourism Management. He is a member of the Institute of Certified Public Accountants of Singapore.

Mr. LAI, Wai Keung, aged 46, has been an executive Director since 8th June, 2010 and the Chief Operating Officer, China since 1st June, 2010 and is responsible for the hotel operations of the Group in Hong Kong and China. He is also a director of various subsidiaries of the Company. Mr. Lai graduated from the Bolton Institute of Higher Education (presently known as the University of Bolton) in the United Kingdom in 1999 with a Bachelor of Arts degree in Business Administration. He has more than 10 years' experience in the hotel industry. In 1989, he joined FECIL's finance and accounting department as an accountant and internal auditor. In 2002, he was appointed as the financial controller of Kosmopolito Hotels International Services Limited and was responsible for the overall finance and accounting matters of the company. In 2006, he became the director of hotel operations of the Dorsett Hotel Group, where major duties included managing the group's operation, administration works and developing the business strategy with the general managers of the group's hotels. He was also responsible for the assessment and overall project management of hotel development and redevelopment projects of the Group.

Ms. CHIU, Wing Kwan Winnie, aged 31, has been an executive Director since 8th June, 2010 and the Chief Strategy Officer since 1st September, 2010. Ms. Chiu is also a director of various subsidiaries of the Company. Ms. Chiu graduated from King's College, University of London in the United Kingdom in 2002 with a Bachelor of Science degree in Business Management. She has accumulated considerable years of experience in property development business covering various aspects of retail management and hotel development. Since 2002, Ms. Chiu has been a director of Malaysia Land Properties Sdn. Bhd. and continues to serve on its board. Since 2005 and up to the Listing of the Company, Ms. Chiu was director of project development for FECIL where she was responsible for overall project development and oversaw FECIL's hotel development. Prior to joining FECIL and Malaysia Land Properties Sdn. Bhd., she worked for a few major international banks where she gained experience in financial management. Since 17th July, 2008, Ms. Chiu has been appointed as a non-independent and non-executive director of Land & General Berhad, a company listed on the main market of Bursa Malaysia. She is also a member of the board of governors of the Hong Kong Philharmonic Society Limited. Ms. Chiu is the daughter of Tan Sri Dato' David Chiu, a non-executive Director, Chairman, and the chairman of each of the Remuneration Committee and Nomination Committee.

Tan Sri Dato' CHIU, DAVID, aged 57, non-executive Director, Chairman, and the chairman of each of the Remuneration Committee and Nomination Committee. Tan Sri Dato' David Chiu was appointed as a Director on 23rd January, 2007 and is a director of certain subsidiaries of the Company. He has over 30 years of experience in property development and extensive experience in hotel development. He graduated from the University of Sophia in Japan with a double degree of Bachelor of Science in Business Administration and Economics in 1975. He was appointed as the managing director of FECIL and later became the deputy chairman and chief executive officer of FECIL in 1990, 1994 and 1997, respectively. Tan Sri Dato' David Chiu was appointed as a director of Far East Holdings International Limited on 27th June, 1981, redesignated as a non-executive director on 8th January, 2004 and he resigned on 7th September, 2010. He was appointed as an executive director of Far East Hotels and Entertainment Limited on 24th April, 1979, was redesignated as its non-executive director since 1st January, 1995. Both companies are listed on the Main Board of the Stock Exchange. Tan Sri Dato' David Chiu has also been the chairman of the board of directors of Tokai Kanko Co., Ltd., a company listed on the first section of the Tokyo Stock Exchange, since September 1997. In Malaysia, Tan Sri Dato' David Chiu was conferred an honorary award which carried the title "Dato" and subsequently a more senior honorary title of "Tan Sri" by His Majesty, the King of Malaysia, in 1997 and 2005, respectively. Tan Sri Dato' David Chiu is the father of Ms. Chiu, Wing Kwan Winnie, an executive Director. He is a director of Sumptuous Assets Limited and Ample Bonus Limited, the substantial shareholders of the Company within the meaning of Part XV of SFO.

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

Mr. CHAN, Chi Hing, aged 47, a non-executive Director and a member of the Nomination Committee. He was appointed as a Director on 23rd January, 2007 and is a director of certain subsidiaries of the Company. He is a director of Ample Bonus Limited, a substantial shareholder of the Company within the meaning of Part XV of SFO. He has over 10 years' experience in the hotel industry. Mr. Chan joined FECIL in 1990 as its chief accountant and was promoted as the group's financial controller and later chief operating officer in 2002 and 2004, respectively. He is responsible for the Hong Kong, Macau and China based activities of FECIL with emphasis on commercial management, hotel and property development and investment, and project development. He is also responsible for the industrial and infrastructure businesses of FECIL in the PRC. Mr. Chan was appointed as an alternative director of Far East Hotels and Entertainment Limited to Mr. Deacon Te Ken Chiu, the founder of FECIL, on 17th May, 2003 and he resigned on 26th November, 2010. He has been an independent non-executive director of Hidili Industry International Development Limited, a company listed on the Main Board of the Stock Exchange, since 21st June, 2007. Before joining FECIL, Mr. Chan was an audit supervisor of Kwan Wong Tan & Fong (presently known as Deloitte Touche Tohmatsu). He has over 10 years of audit experience. Mr. Chan became a member of the Hong Kong Institute of Project Management since February, 2011.

Mr. SHEK, Lai Him Abraham, aged 65, has been an independent non-executive Director since 10th September, 2010 and is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee. Mr. Shek graduated from the University of Sydney, in Australia in 1969 with a Bachelor of Arts degree and in 1970 with a Diploma in Education. Mr. Shek was appointed as a Justice of Peace in 1995. He currently is a member of the Legislative Council for the Hong Kong Special Administrative Region, the Court of The University of Hong Kong and the Court of The Hong Kong University of Science & Technology, the vice chairman of Independent Police Complaints Council.

Mr. Shek is a non-executive director of The Hong Kong Mortgage Corporation Limited. He is also an independent non-executive director of Midas International Holdings Limited, Paliburg Holdings Limited, Lifestyle International Holdings Limited, Chuang's Consortium International Limited, NWS Holdings Limited, Hop Hing Group Holdings Limited, Regal Portfolio Management Limited (the manager of Regal Estate Investment Trust), Titan Petrochemicals Group Limited, Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust), ITC Corporation Limited, Country Garden Holdings Company Limited, MTR Corporation Limited, SJM Holdings Limited, Hsin Chong Construction Group Limited, Chuang's China Investments Limited, ITC Properties Group Limited and China Resources Cement Holdings Limited (appointed on 1st January, 2011), all of which are companies listed on the Stock Exchange.

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

Dr. LIU, Ngai Wing, aged 60, has been an independent non-executive Director since 10th September, 2010 and is the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee. Dr. Liu holds a PhD Degree in Hotel and Tourism Management from the School of Hotel and Tourism Management of The Hong Kong Polytechnic University in Hong Kong, a Master of Science degree in Global Business from The Chinese University of Hong Kong, a Master of Science Degree in Hotel and Tourism Management from the Hong Kong Polytechnic University and a Master Degree in Business Administration from The Open University of Hong Kong. He is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Dr. Liu was an executive director of eSun Holdings Limited (formerly known as Lai Sun Hotels International Limited) from 1st November, 1998 to 22nd May, 2008 and chief executive officer from 1st November, 1998 to 9th March, 2000. Dr. Liu has been an independent non-executive director of Daiwa Associate Holdings Limited, a company listed on the Main Board of the Stock Exchange, since 17th September, 2004.

Management Discussion and Analysis

Business and Operational Review

Asia generally had a good economic run during the year, with the PRC establishing itself as the economic engine for the region.

In Hong Kong, the further relaxation of overseas travel restriction in the PRC, recovery from the H1N1 epidemic and the region's overall growth had resulted in a sharp recovery of the real estate, retail and tourism industries. The Hong Kong Tourism Board announced that visitor arrivals in 2010 had reached a total of 36 million, an increase of 21.8% compared to 2009. Arrivals from the PRC rose 26.3% year on year to 22.7 million, with the PRC remaining the top tourist source market for the special administrative region.

In Malaysia, the Malaysia Tourism Promotion Board announced that visitor arrivals in 2010 reached 24.6 million, a 4.2% year-on-year growth, with inbound travel from China increasing 10.8% to 1.1 million.

In the PRC, 57.4 million Chinese travelled abroad in 2010, which according to Pacific Asia Travel Association, made the PRC the world's fourth largest source market for outbound tourism. During that same period, China became the third largest inbound tourism destination in the world and Chinese domestic travellers surged to 2.1 billion, driven by the increasing disposable income of the country's middle class. The Chinese consumers, in particular the affluent and wealthy, are travelling more frequently and are spending more on experiences and are getting acquainted with brands [1].

According to data from STR Global, an international provider of hospitality market data, hotels in the Asia Pacific enjoyed a 21.3% RevPAR growth in 2010 while North America and Europe recorded a more modest growth of 6.1% and 9.9%, respectively.

Being a developer, owner and operator of value to upscale and boutique hotels in Asia, the Group was in a favourable position to benefit from the buoyant market.

In July 2010, the Group opened Cosmo Hotel Mongkok (previously referred to as Cosmo Hotel Kowloon). The hotel subsequently achieved an average occupancy rate of 79.3% up to the end of the year. With the opening of the hotel, the Group had eight hotels in operation in Hong Kong at the end of the year, making the Group one of the largest hotel operators in Hong Kong.

[1] Source: McKinsey Insight China

Some of the characteristics of the Group's hotel properties are that they are design-led with modern and distinctive interior designs tailored to customer preferences, and they provide personalised and attentive service. These put the hotels in a good position to tap on the burgeoning Chinese travellers and helped the Group to an outperformance RevPAR growth of 28% year on year.

The Group also demonstrated its ability to create value for its shareholders with a revaluation surplus of its hotel portfolio up to 31st March, 2011 of HK$6.0 billion. The Group realised the revaluation surplus on "The Mercer by Kosmopolito" when it completed the sale of its interest in the hotel to an independent third party for an aggregate consideration of HK$290.0 million minus the mortgage loan of the project and subject to adjustments.

In Singapore, as explained in the Prospectus, the Group's development plan for Dorsett Regency Hotel "On New Bridge", Singapore includes both residential and hotel components. The hotel will comprise a total of 285 hotel rooms, while the residential component will comprise of 68 hotel residence units ranging from 484 square feet to 1,206 square feet. During the year, the Group successfully pre-sold all 68 hotel residence units with an average selling price of approximately S$1,750 per square foot, locking in total sales proceeds of approximately S$80.3 million (approximately HK$494.5 million). The Company expects to recognise the project's profit in financial year 2014 when the development of the project is completed.

During the year, Grand Dorsett Subang Hotel completed its first phase of renovation and successfully launched 40 new guestrooms and a club lounge. The hotel has commenced the next phase of renovation, with the full renovation expected to be completed in the next 12 months. The Group also decided to pursue the development of the excess land at Grand Dorsett Subang Hotel into hotel residence for sale to end users. The site is presently vacant. A development order has been granted by the relevant authority. The Group is presently in initial discussion with various parties and is considering available options.

The Company is currently implementing a branding strategy to refresh and streamline its brands to better appeal to its target market segments and to serve as a platform for its expansion into the hotel management business. Having already launched the "Boutique Series by Kosmopolito" to the trade and the media on 17th November, 2010, the Company is on track to launch the "Silka Hotel" brand by rebranding the Group's four value segment hotels as "Silka Hotels" in July 2011.

The Group is actively seeking investment and other asset-light and cost-effective business opportunities with a view to grow its brand distribution and revenues to create value for the shareholders. The management believes that the two-prong growth engine will help grow the Company's brand distribution and revenues without requiring substantial capital expenditures or incurring significant costs.

Review of Consolidated Statement of Comprehensive Income

(a) Revenue

The Group generates revenue primarily from room revenue which is stated after business tax, the sale of food and beverages at the Group's hotels, rental income from the rental of space at the hotels to third parties for retail and other uses and from the Group's investment properties, and from hotel related businesses such as the provision of ancillary services to hotel customers, including business centre fees, laundry fees and telephone charges, internet charges, mini-bar charges and the sale of hotel consumables and other supplies.

Revenue grew by HK$250.8 million, or 40.7%, to HK$867.1 million for the Year (FY2010: HK$616.3 million) primarily as a result of a strong recovery of the Group's RevPAR. The commencement of business of Yue Shanghai Hotel in February 2010 and Cosmo Hotel Mongkok in July 2010 further enhanced the Company's performance.

The following table sets out the Group's revenue in Hong Kong, Malaysia and the PRC for the years indicated:

	FY2011		FY2010	
	HK$'000	**% of Total**	HK$'000	% of Total
Hong Kong				
Room revenue	**474,611**	**91.8%**	308,689	90.8%
Food and beverage revenue	**16,670**	**3.2%**	10,679	3.1%
Rental revenue	**10,119**	**2.0%**	8,473	2.5%
Other revenue	**15,673**	**3.0%**	12,072	3.6%
Total	**517,073**	**100.0%**	339,913	100.0%
Malaysia				
Room revenue	**151,838**	**57.0%**	136,364	56.4%
Food and beverage revenue	**95,695**	**35.9%**	94,246	39.0%
Rental revenue	**3,976**	**1.5%**	5,042	2.1%
Other revenue	**14,814**	**5.6%**	6,130	2.5%
Total	**266,323**	**100.0%**	241,782	100.0%
PRC				
Room revenue	**47,982**	**57.3%**	8,615	24.9%
Food and beverage revenue	**6,768**	**8.1%**	2,008	5.8%
Rental revenue	**27,472**	**32.8%**	22,688	65.7%
Other revenue	**1,482**	**1.8%**	1,247	3.6%
Total	**83,704**	**100.0%**	34,558	100.0%
Group Total				
Room revenue	**674,431**	**77.8%**	453,668	73.6%
Food and beverage revenue	**119,133**	**13.7%**	106,933	17.4%
Rental revenue	**41,567**	**4.8%**	36,203	5.9%
Other revenue	**31,969**	**3.7%**	19,449	3.2%
Total	**867,100**	**100.0%**	616,253	100.0%

RevPAR improved across all regions, driven by the continuous economic growth in Asia, particularly the PRC, and the recovery from the H1N1 epidemic, leading to a 3.7 percentage point improvement in occupancy rate and a 21.9% increase in average room rate. Outbound PRC travellers staying at the Group's hotels in Hong Kong and Malaysia grew by approximately 20.0%[2] and 17.7%, respectively.

[2] Excludes Cosmo Hotel Mongkok which opened in July 2010. Would be 35.3% if Cosmo Hotel Mongkok was included.

The breakdown of the room revenue is as follows:

	FY2011	FY2010	Change
Hong Kong			
Available room nights	**637,457**	551,045	15.7%
Occupied room nights	**583,287**	459,192	27.0%
Occupancy rate	**91.5%**	83.3%	8.2pp[1]
Average room rate (HK$)	**815**	672	21.3%
RevPAR (HK$)	**746**	560	33.2%
Malaysia			
Available room nights	**448,950**	467,565	(4.0%)
Occupied room nights	**326,327**	321,721	1.4%
Occupancy rate	**72.7%**	68.8%	3.9pp[1]
Average room rate (HK$)	**457**	424	7.8%
RevPAR (HK$)	**332**	292	13.8%
PRC			
Available room nights	**173,020**	66,242	161.2%
Occupied room nights	**81,244**	32,301	151.5%
Occupancy rate	**47.0%**	48.8%	(1.8)pp[1]
Average room rate (HK$)	**604**	267	126.2%
RevPAR (HK$)	**284**	130	118.5%
Group Total			
Available room nights	**1,259,427**	1,084,852	16.1%
Occupied room nights	**990,858**	813,214	21.8%
Occupancy rate	**78.7%**	75.0%	3.7pp[1]
Average room rate (HK$)	**680**	558	21.9%
RevPAR (HK$)	**535**	418	28.0%

Our hotels in the PRC recorded weak occupancy rates due to a combination of the post World Expo effect, on-going refurbishment at Wuhan Cosmopolitan Hotel and Yue Shanghai Hotel's strategy of driving rates. The management anticipates the operational performance of the Group's hotels in the PRC to gradually improve from the after effect of the Shanghai World Expo and as Wuhan's renovation is progressively completed.

Note:

(1) pp – percentage points

(b) Depreciation and amortisation

Depreciation and amortisation reflect depreciation expenses of the cost of the Group's property, plant and equipment and amortisation of prepaid lease payments.

Depreciation and amortisation rose by HK$29.9 million, or 43.7%, to HK$98.2 million for the Year (FY2010: HK$68.3 million) primarily due to the full year operation of Yue Shanghai Hotel and, to a lesser extent, the opening of Cosmo Hotel Mongkok in July 2010. Depreciation and amortisation also increased as the hotel properties have an ongoing need for refurbishment and other capital improvements such as the replacement of furniture, fixtures and equipment.

(c) Operating costs

Operating costs mainly relate to staff costs for hotel operations, room costs (which include amenities, laundry costs and travel agent commissions), food and beverage costs for self-owned restaurants in the Group's hotels, utilities and others.

Operating costs increased by HK$82.7 million, or 38.7%, to HK$296.6 million for the Year (FY2010: HK$213.9 million) primarily because of the full year operation of Yue Shanghai Hotel and, to a lesser extent, the opening of Cosmo Hotel Mongkok in July 2010. The increase is also in line with the improvement in the Group's revenue.

(d) Management fee

During the Previous Year, the Group paid management fees amounting to HK$2.2 million to Sheraton Overseas Management Corporation to manage a 5-star hotel (currently known as Grand Dorsett Subang Hotel) under the "Sheraton" brand. Such management contract has expired and the payment has discontinued as of 30th September, 2009. As these fees were a direct operating cost, they were deducted when arriving at the gross profit.

The Company also paid HK$28.2 million as management fees to companies controlled by FECIL for their provision of corporate management services and office support. These services ceased and, accordingly, payments of such management fees were also ceased on 1st April, 2010. Since then, the management and office functions of the Company were separated from FECIL.

(e) Gross profit

Gross profit for the Year was up 42.4% to HK$472.3 million (FY2010: HK$331.7 million) and gross margin improved to 54.5% (FY2010: 53.8%), primarily due to the significant improvements in the performance of Hong Kong's operations.

(f) Other income

Other income, consisting primarily of interest income, decreased by HK$0.1 million, or 4.0%, to HK$3.0 million for the Year (FY2010: HK$3.2 million) primarily because of the decrease in deposit rates.

(g) Administrative expenses

Administrative expenses refer to selling and distribution expenses, staff costs for management and administrative personnel, repair and maintenance costs, insurance and government rent and rates.

Administrative expenses rose by HK$41.7 million, or 25.0%, to HK$208.6 million for the Year (FY2010: HK$166.9 million) primarily as a result of the full year operation of Yue Shanghai Hotel and, to a lesser extent, the opening of Cosmo Hotel Mongkok in July 2010 as well as the recognition of HK$3.3 million share option expense. If expressed as a percentage of revenue, administrative expenses would have reduced from 27.1% in FY2010 to 24.1% for the Year, reflecting the economies of scale as the Group grew its distribution.

(h) Pre-opening expenses

Pre-opening expenses consist of staff costs and other miscellaneous expenses incurred prior to the commencement of operation of a hotel.

Pre-opening expenses decreased by HK$5.1 million, or 78.5%, to HK$1.4 million during the year (FY2010: HK$6.5 million) primarily because the Group only had pre-opening expenses of Cosmo Hotel Mongkok, and to a much lesser extent, Dorsett Regency Hotel Hong Kong and Hotel Kosmopolito City Centre, Chengdu during the year.

(i) Other gains and losses

Other gains and losses, which include the allowance for or reversal of bad and doubtful debts, as well as decreases in fair value of investment properties and derivative financial instruments dropped to a loss of HK$18 thousand, an improvement of HK$1.1 million for the Year (FY2010: other losses of HK$1.1 million).

(j) Gain on disposal of a subsidiary

Gain on disposal of a subsidiary refers to the sale of the Group's interest in the hotel "The Mercer by Kosmopolito". For further details, please refer to the section headed "Acquisitions, Disposals and Significant Investments".

(k) Listing expenses

In preparation of the Listing, the Group incurred professional fees and other non-recurring expenses totalling HK$22.5 million.

(l) Finance costs

For the Year, the Group recorded interest charges on its bank borrowings in the amount of HK$107.8 million, up HK$15.2 million, or 16.4% from the Previous Year (FY2010: HK$92.6 million). While total bank borrowings increase only slightly by 0.8% to HK$3.56 billion (FY2010: HK$3.53 billion), the Group's effective interest rates rose marginally from 2.9% to 3.0% (calculated on the basis of average bank borrowings during the respective years). Out of those interests totally paid, HK$19.4 million (FY2010: HK$15.9 million) was capitalised and HK$88.4 million (FY2010: HK$76.6 million) was charged to finance costs.

(m) Income tax expense

Income tax expense reflects income taxes the Group paid and any deferred income tax.

Our income tax expense increased by HK$17.5 million, or 178.6%, to HK$27.3 million for the Year (FY2010: HK$9.8 million) primarily as a result of the increase in the profit before taxation. The Group's effective tax rates were charged at 15.4% to profit before tax after adjusting for non-recurring items (FY2010: 17.6%).

(n) Adjusted EBITDA

Adjusted EBITDA is defined by the Company as profit before taxation, interest income, finance costs, depreciation and amortisation, pre-opening expenses, management fees (which have been discontinued), change in fair value of investment properties, change in fair value of derivative financial instruments and other non-recurring items.

Management believes that using Adjusted EBITDA as a metric can enhance an overall understanding of the Company's expected financial performance from ongoing operations, and Adjusted EBITDA is used by management as the primary measure of operating performance of the Group's properties and to compare the operating performance of the Group's properties with those of its competitors.

The Company's approach to hotel site acquisition and development, combined with a focus on cost-minimisation and efficient operations, has enabled the Group to enjoy high Adjusted EBITDA margins.

Adjusted EBITDA grew to HK$362.5 million from HK$238.1 million, with Adjusted EBITDA margin improving to 41.8% from 38.6%.

The following table sets forth the reconciliation of Adjusted EBITDA to profit before taxation.

	FY2011 HK$'000	FY2010 HK$'000	Change
Profit before taxation	**235,724**	55,619	323.8%
Interest income	**(1,725)**	(2,467)	(30.1%)
Finance costs	**88,430**	76,612	15.4%
Depreciation and amortisation	**98,166**	68,325	43.7%
EBITDA	**420,595**	198,089	112.3%
Pre-opening expenses	**1,403**	6,517	(78.5%)
Management fees	**–**	30,408	(100.0%)
Change in fair value of investment properties	**(2,612)**	(3,486)	(25.1%)
Change in fair value of derivative financial instruments	**1,949**	6,577	(70.4%)
Other non-recurring items [1]	**(58,879)**	–	n.m.[2]
Adjusted EBIDTA	**362,456**	238,105	52.2%
Adjusted EBIDTA margin [3]	**41.8%**	38.6%	3.2pp[4]

Notes:

(1) Other non-recurring items consist of listing expenses and gain from the Group's sale of its interest in the hotel "The Mercer by Kosmopolito"

(2) n.m. – non meaningful

(3) Adjusted EBITDA margin = Adjusted EBITDA/revenue

(4) pp – percentage points

(o) Distributable profit

Before the change in fair value of the Group's derivative financial instruments and gain on revaluation of investment properties and its related deferred taxation, the operating profit attributable to the Company's shareholders for the Year was HK$207.7 million (FY2010: HK$48.9 million), an increase of 324.8%.

	FY2011 HK$'000	FY2010 HK$'000	Change
Profit for the year	**208,404**	45,813	354.9%
Adjusted for:			
Change in fair value of derivative financial instruments	**1,949**	6,577	(70.4%)
Change in fair value of investment properties	**(2,612)**	(3,486)	(25.1%)
Distributable profit	**207,741**	48,904	324.8%

(p) Exchange differences on translation of foreign operations

The exchange differences on translation of foreign operations for the year ended 31st March, 2011 related primarily to the non-monetary gain through translation of the financial statement items of the Company's foreign subsidiaries.

Financial Resources and Liquidity

At 31st March, 2011, the Group's overall debt was represented in the form of HK$3,561.7 million of short-term and long-term loans from commercial banks (FY2010: HK$3,533.7 million). The net debt to equity after revaluation surplus was 30.0% (FY2010: 67.4%) in terms of net debt of HK$2,664.7 million (FY2010: HK$3,435.0 million) against total equity after revaluation surplus of HK$8,875.5 million (FY2010: HK$5,093.4 million).

The overall borrowings and charges on the Group are analysed as follows:

	31.3.2011 HK$'000	31.3.2010 HK$'000
Secured bank borrowings	**3,561,670**	3,533,683
The above borrowings are repayable as follows:		
On demand or within one year	**464,136**	528,629
Amount due after one year	**3,097,534**	3,005,054
	3,561,670	3,533,683
Less: pledged deposits, bank balances and cash	**896,964**	98,714
Net debt	**2,664,706**	3,434,969
Total equity	**2,896,734**	184,005
Revaluation surplus*	**5,978,762**	4,909,410
Total equity after revaluation	**8,875,496**	5,093,415
Net debt to equity (after revaluation surplus)	**30.0%**	67.4%

* Revaluation surplus based on the fair value at 31st March, 2011 of the hotel properties over their carrying value was not recognised in the financial statements.

The Group entered into various loan agreements with a number of banks, secured over certain of the Group's properties. Most of the Group's bank loans are subject to floating interest rates, with a range of effective interest rates of 0.93% to 7.92% per annum (FY2010: 1.01% to 7.13% per annum).

The aforesaid bank borrowings are denominated in local currencies of Hong Kong dollars, Malaysia Ringgit, Renminbi and Singapore dollars. Accordingly, there is a natural exchange rate hedge to the extent that the Group's hotels derive their revenues and most of the related expenses in local currencies, thereby keeping exchange risk of the Group to the minimal. Therefore, the Group had not applied any hedge instruments for currency hedging purposes upon consideration of the currency risks involved and the cost of obtaining such cover.

The non-current secured bank borrowings primarily reflect a syndicated loan (comprising three loan facilities) for the amount of HK$1.9 billion. The principal amounts outstanding under the syndicated loan bear interest at HIBOR plus a margin of 1.5% per annum. The syndicated loan is secured by certain of the Group's Hong Kong hotel properties and is repayable in full on maturity in September 2013. The key financial ratio requirement the Group is subject to is the loan-to-value ratio threshold of 47.0% on the charged properties. Based on the property valuation as of 31st March, 2011, the corresponding loan-to-value ratio of the said properties was approximately 39.4% as at the end of the financial year, representing a buffer of approximately 7.6 percentage points.

Capital Expenditure

The Group's capital expenditures consist primarily of expenditures for acquisition and development expenditures on hotel properties, acquisition of investment properties and property, plant and equipment and expenditures on prepaid lease payments.

For the Year, the Group's capital expenditures amounted to HK$332.1 million, a decrease of HK$612.6 million, or 64.8% (FY2010: HK$944.7 million). These capital expenditures were funded by bank borrowings and funds generated from the Group's operating activities. The Group's capital expenditures slowed down considerably primarily as a result of a delay in the development progress in Chengdu and Zhongshan.

As the Group continues to actively seek opportunities to grow its brand distribution, the Company plans to incur in the range of HK$650.0 million in capital expenditures in financial year 2012 as the Company progresses the owned hotels under development. The management expects to fund the planned capital expenditures from bank and other borrowings, funds generated from its operating activities, and with regards to refurbishment/rebranding costs of the appointed showcase properties, proceeds received by the Company from its Listing.

Capital Commitments

The following table summarises the Group's capital commitments relating to the development and refurbishment of our hotel properties as at the dates indicated:

	31.3.2011 HK$'000	31.3.2010 HK$'000
Capital expenditure in respect of acquisition, development and refurbishment of hotel properties and property, plant and equipment:		
– contracted but not provided in the financial statements	**595,557**	315,527
– authorised but not contracted for	**28,177**	271,948

Contingent Liabilities

During FY2010, a subsidiary of the Company initiated a lawsuit against a contractor for unsatisfactory performance in relation to the construction of a hotel in the amount of HK$14,356,000. In response to the claim, the contractor has filed counterclaims against the subsidiary for an amount of HK$25,841,000. The lawyer of the Company considers that there is a fair chance of winning the lawsuit and, accordingly, no provision for potential liability has been made in the consolidated financial statements.

Human Resources

As at 31st March, 2011, the Group had 1,837 employees, representing a low staff-to-room ratio of approximately 0.52 (FY2010: 0.55). Total employee cost for the Year was HK$228.4 million (FY2010: HK$167.3 million), representing 26.3% of the Group's total revenue (FY2010: 27.1%). In order to attract and retain talents to ensure smooth operation and to cater for the Group's expected growth, the Group offers competitive employee remuneration packages with reference to market conditions and individual qualifications, experience and job scope. Such remuneration packages may comprise one or more of the following elements: basic salary, annual performance-related bonus and annual discretionary bonus.

Some of the Board members and full-time employees were granted share options under the Company's share option scheme. The employee share option scheme has been put in place to incentivise employees, and to encourage them to work towards enhancing shareholders' value and promoting the long-term growth of the Group. The Company recognises a fair value of HK$18.0 million on these options, of which HK$3.3 million is charged as share option expense for the Year.

Properties

Property, plant and equipment

As at 31st March, 2011, the Group owned 20 hotels in operation and under development across Asia: eleven in Hong Kong, three in the PRC, five in Malaysia, and one in Singapore. In addition, the Group is in the process of obtaining the title certificates for Dorsett Regency CBD, Zhongshan.

For the purpose of financial statement presentation, the management has selected the cost model instead of revaluation model under the HKFRS as its accounting policy to account for its property, plant and equipment. Under the cost model, hotel properties, hotels under development and furniture, fixture and equipment held for the Group's operation are stated at cost less accumulated depreciation and accumulated impairment loss, if any. The revaluation model has not been selected to avoid the inclusion of unnecessary short-term fair value movements in respect of the property, plant and equipment in the Consolidated Statement of Comprehensive Income which are considered irrelevant to the underlying economic performance of the Group's principal business activities.

Accordingly, the aggregate carrying value of our property portfolio was HK$5,715.9 million (FY2010: HK$5,539.5 million).

While it will not be recognised in the financial statements, in order to provide users of the financial statements with additional information on the value of the Group's net assets, the management have commissioned valuation reports by independent third party property valuers of the Group's property, plant and equipment as at 31st March, 2011. In this regard, the Group's property, plant and equipment was valued at HK$11,694.7 million (FY2010: HK$10,448.9 million), representing that the Group's hotel portfolio has a revaluation surplus of HK$5,978.8 million as at 31st March, 2011 (FY2010: HK$4,909.4 million).

Hotels in operation

As at the end of the year, the Group was operating 15 hotels, representing 3,834 rooms across Hong Kong, Malaysia and the PRC:

Company owned hotel properties	Location	Target market segment	Total rooms	Commencement
Cosmopolitan Hotel	Hong Kong	mid-scale	454	January 2005
Central Park Hotel	Hong Kong	boutique	142	April 2005
Dorsett Kowloon Hotel*	Hong Kong	value	141	May 2005
Cosmo Hotel	Hong Kong	boutique	142	October 2005
Lan Kwai Fong Hotel @ Kau U Fong	Hong Kong	boutique	162	March 2006
Dorsett Seaview Hotel*	Hong Kong	value	268	October 2006
Dorsett Far East Hotel*	Hong Kong	value	240	January 2007
Cosmo Hotel Mongkok	Hong Kong	boutique	285	July 2010
Dorsett Regency Hotel Kuala Lumpur	Malaysia	mid-scale	320	April 1998
Grand Dorsett Subang Hotel	Malaysia	upscale	478#	February 2007
Grand Dorsett Labuan Hotel	Malaysia	upscale	178	September 2007
Maytower Hotel	Malaysia	boutique	179	October 2008
Dorsett Johor Hotel*	Malaysia	value	252	October 2008
Wuhan Cosmopolitan Hotel*	PRC	mid-scale	329	June 2008
Yue Shanghai Hotel	PRC	boutique	264	February 2010
			3,834	

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

\# On the assumption that the proposed 125 additional rooms located on 13/F to 17/F of Grand Dorsett Subang are fully completed.

Hotels under development

The six owned hotels that are under development are largely progressing as planned with slight delays mainly with the two hotels in the PRC. The details are as follows:

Company owned hotels under development*	Location	Target market segment*	Total rooms*	Commencement*
Dorsett Regency Hotel, Hong Kong	Hong Kong	mid-scale	209	June, 2011
Dorsett Regency Hotel, Kwun Tong, Hong Kong	Hong Kong	mid-scale	380	December, 2011
Dorsett Regency Hotel, Kwai Chung, Hong Kong	Hong Kong	mid-scale	506	March, 2012
Hotel Kosmopolito City Centre, Chengdu	PRC	Upscale	547	June, 2012
Dorsett Regency Hotel, CBD, Zhongshan#	PRC	mid-scale	416	July, 2012
Dorsett Regency Hotel, "On New Bridge", Singapore	Singapore	value	285	June, 2013
			2,343	

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

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

While the Group is still in the process of obtaining the title certificates for Dorsett Regency CBD, Zhongshan, 中山市人民政府西區辦事處 has formed a committee for assisting the reinstatement and refurbishment work of the distressed property. Based on the existing progress, the management believes that the likelihood of non-completion of the agreement is low and expects the acquisition to be completed within 2011.

The projects in Chengdu have also met with unexpectedly long processing time with regards to obtaining the grants for various permits and certificates from the relevant authorities, causing delay in the hotel's development and consequently, the expected opening of the hotel.

Investment properties

Investment properties relate to properties held by the Group to earn rentals and/or capital appreciation, which predominantly relate to the commercial space within our hotel properties in Wuhan and in Shanghai.

During the year, the Group changed the use of certain areas within Wuhan Cosmopolitan Hotel into rental space. In line with the change of intention, these areas were reclassified to investment properties with a fair value of RMB7.0 million (approximately HK$8.2 million) as at 31st March, 2011.

Properties for sale

As explained in the Prospectus, the Group's development plan for Dorsett Regency Hotel "On New Bridge", Singapore includes a hotel which will comprise 285 hotel rooms, and a residential component which will comprise 68 hotel residence units.

Properties for sale refer to the 68 hotel residence units which the Group is developing with the intention of sale after completion of development and include costs of land, development expenditure, borrowing costs capitalised and other direct costs attributable to such properties.

Acquisitions, disposals and significant investments

As part of its capital churning strategy, the Group had completed the disposal of its interest in the hotel "The Mercer by Kosmopolito" through the sale of its entire shareholding in and loans to Excel Chinese to an independent third party for an aggregate consideration of HK$290.0 million minus the mortgage loan of the project and subject to adjustments. The consideration was determined with reference to the valuation made by DTZ Debenham Tie Leung Limited, the external valuer on the underlying assets, as at 30th June, 2010.

In its continued pursuit of the asset-light and cost-effective nature of the hotel management business, the Group concurrently entered into a hotel management agreement for "The Mercer by Kosmopolito" with the purchaser pursuant to which the Group was appointed the operator of the hotel.

Subsequent Event

Subsequent to the financial year-end, the Company saw the opening of "The Mercer by Kosmopolito", bringing its number of hotels in Hong Kong to nine and group-wide, to 16. While the Group completed its sale of "The Mercer by Kosmopolito", the hotel remains a member of the Group as a managed hotel in accordance to the hotel management agreement entered into with the purchaser.

Outlook

The region's tourism has recovered substantially since mid-2009, and present economic trends and consumer sentiment in the region is cause for optimism.

The Hong Kong Tourism Board forecasted this calendar year's tourist arrivals to rise 10% from 2010 to 39.7 million, with Mainland arrivals rising by 12%, while the China Tourism Academy forecasted that Chinese international travellers would spend a record US$55 billion in 2011, an increase of 15% compared to the US$48 billion spent by Chinese overseas travellers in 2010.

In Malaysia, the hospitality sector is also expected to continue to improve steadily in the foreseeable future. With its Gross Domestic Productivity projected to expand at between 6.0% and 6.5% in 2011, domestic tourism is correspondingly expected to rise. The increased efforts by the local government to attract more foreign visitors will further help the local tourism industry.

However, the Company is mindful that the region's economic and tourism growth may be derailed by inherent risks associated with the slow economic recovery in the traditional global economic powers, the potential complication set off by the devastating catastrophe on 11th March, 2011 in Japan, as well as potential turbulence in the lead up to the impending elections and leadership successions across the major markets that the Group operates in. Accordingly, the Company will be monitoring the situation closely.

All considered, the Company remains cautiously optimistic about the tourism industry, the operational performance of our hotels and the Company's performance in the financial year 2012.

Use of Proceeds

As at 31st March, 2011, the balance of the Company's net proceeds from the listing of its shares, after deducting underwriting fees and related expenses, were placed with reputable financial institutions for interest income.

The proceeds have been and will be used in accordance to the purposes stated in the prospectus dated 28th September, 2010 issued by the Company, including:

Use of IPO proceeds

		Allocated HK$'000	Utilised HK$'000	Balance HK$'000
1)	Approximately 80% will be used for continue expansion of the Group's hotel portfolio	443,868	–	443,868
2)	Approximately 20% will be used for expansion into hotel management business, which will incorporate rebranding initiative	110,967	386	110,581
	Total	554,835	386	554,449

The Company does not have any change to the plan on the use of proceeds as stated in the Prospectus.

Corporate Governance Report

The Board of Directors believes that good corporate governance will not only improve management accountability and investor confidence, but also will lay a good foundation for the long-term development of the Group. The Board reviews the corporate governance practices of the Group from time to time in order to fulfill its commitment to excellence in corporate governance and comply with the increasingly stringent regulatory requirements.

The Company has adopted the code provisions in the CG Code as its own code of corporate governance. The Board considers that since the Listing Date (i.e. 11th October, 2010) and up to the date of this annual report, the Company has complied with all the code provisions of the CG Code.

Board of Directors

The Board takes full responsibility of supervising and overseeing all major matters of the Company, including the formulation and approval of overall management and operation strategies, reviewing the internal control and risk management systems, reviewing financial performance, considering dividend policies and approval of annual budget and material transactions, while the executive Directors who are regarded as senior management of the Group are responsible for the daily management and operation of the Group.

The Board currently comprises four executive Directors, three non-executive Directors and three independent non-executive Directors from different business and professional fields. The profiles of each Director are set out in the "Profile of Directors" section of this annual report. The Directors, including the independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions.

Tan Sri Dato' CHIU, David, Chairman of the Board and chairman of each of the remuneration committee and nomination committee, is the father of Ms. CHIU, Wing Kwan Winnie, one of the executive Directors. Save as disclosed, there is no other relationship (whether financial, business, family or other material/relevant relationship) among members of the Board.

The Company has received from each of Mr. SHEK, Lai Him Abraham, Mr. TO, Peter and Dr. LIU, Ngai Wing, the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors meet the independence criteria set out in Rule 3.13 of the Listing Rules.

The Board has delegated various responsibilities to the Board committees including the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee"). Further details of these committees are set out below.

Board Meetings

Upon the listing of the Company's shares on the Stock Exchange on 11th October, 2010, the Company has adopted the practice of holding Board meetings regularly for at least four times in a period of 12 months at approximately quarterly intervals to discuss among other matters, the financial performance and the business operation and development of the Group. Ad-hoc meetings will also be held if necessary. Notice of Board meeting will be sent to all Directors at least 14 days prior to a regular Board meeting. Reasonable notice will be given to the Directors for ad-hoc Board meetings. Directors may participate either in person or through electronic means of communication.

Agenda and Board papers with complete and reliable information are sent to all the Directors in a timely manner before the meetings. All the Directors are provided with sufficient resources to discharge their duties and there are agreed procedures for the Directors to seek independent professional advice at the Company's expenses in appropriate circumstances. All Directors will have the opportunity to include matters in the agenda for Board meetings. The company secretary of the Company is responsible for keeping the minutes of Board meetings and meetings of Board committees. All minutes are open for inspection by any Director at reasonable time on reasonable notice.

Since the Listing Date and up to 31st March, 2011, two meetings were held by the Board of Directors and all the Directors were present at these meetings.

Appointment and Re-Election of Directors

The Board is responsible for considering the suitability of a candidate to act as a Director, and approving and terminating the appointment of a Director. The Board regularly reviews the plans for orderly succession for appointments to the Board and its structure, size and composition.

In accordance with the Articles of Association, at each annual general meeting of the Company, one-third of the Directors shall retire from office by rotation and every Director shall be subject to retirement at least once every three years. Director(s) newly appointed by the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at the meeting. Newly appointed Director(s) will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company under the Listing Rules and applicable laws.

Board Committees

Audit Committee

The Audit Committee was established on 10th September, 2010 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control systems of the Group, and to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process. The Audit Committee consists of Mr. SHEK, Lai Him Abraham, Mr. TO, Peter and Dr. LIU, Ngai Wing. The Audit Committee is chaired by Dr. LIU, Ngai Wing.

Since the Listing Date and up to 31st March, 2011, one meeting was held by the Audit Committee and all the members of the Audit Committee were present at the meeting. The Audit Committee had reviewed the interim results of the Group for the six months ended 30th September, 2010, including the accounting principles and practices adopted by the Group.

Remuneration Committee

The Remuneration Committee was established on 10th September, 2010 with written terms of reference in compliance with the CG Code. The primary duties of the remuneration committee of the Company include making recommendations to the Board on the Company's structure and policy for remuneration of Directors and senior management, reviewing the terms of remuneration packages, determining the award of bonuses and considering the grant of options under the share option schemes of the Company. The Remuneration Committee consists of Tan Sri Dato' CHIU, David, Mr. MOK, Kwai Pui Bill, Mr. SHEK, Lai Him Abraham, Mr. TO, Peter and Dr. LIU, Ngai Wing. The Remuneration Committee is chaired by Tan Sri Dato' CHIU, David.

Since the Listing Date and up to 31st March, 2011, no meeting was held by the Remuneration Committee.

Nomination Committee

The Nomination Committee was established on 10th September, 2010 with written terms of reference in compliance with the CG Code. The primary duties of the nomination committee of the Company include, without limitation, reviewing the structure, size and composition of the Board of Directors, assessing the independence of Independent Non-executive Directors and making recommendation to the Board on matters relating to the appointment of Directors. The Nomination Committee consists of Tan Sri Dato' CHIU, David, Mr. CHAN, Chi Hing, Mr. SHEK, Lai Him Abraham, Mr. TO, Peter and Dr. LIU, Ngai Wing. The Nomination Committee is chaired by Tan Sri Dato' CHIU, David.

In the process of nominating and assessing the new candidates for appointment as Director of the Company, the Chairman of the Board may assist in and make recommendations in respect of such appointment. The Nomination Committee assesses the candidates based on their educational backgrounds, professional qualifications, work experience and integrity. In the case of candidates for Independent Director, the Nomination Committee will also consider the independence and the number of directorships of the candidates.

Since the Listing Date and up to 31st March, 2011, no meeting was held by Nomination Committee.

Model Code for Securities Transactions

The Company has adopted the Model Code as its model code for securities transactions by Directors. Having made specific enquiry, all the Directors confirmed that they have complied with the Model Code since the Listing Date and up to the date of this annual report.

Financial Reporting and Internal Control

Financial reporting

The Board, supported by the finance department of the Company, is responsible for the preparation of the consolidated financial statements of the Group. The Board has prepared the financial statements in accordance with HKFRS. Appropriate accounting policies have also been used and applied consistently. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the Shareholders, and make appropriate disclosure and announcements in a timely manner.

The Directors consider that the Group has adequate resources to continue the business for the foreseeable future and are not aware of any material uncertainties which may cast significant doubt upon the Group's ability to continue as going concern.

Independent auditor

During the year, the professional fees paid or payable to the independent auditor, Deloitte Touche Tohmatsu ("DTT") for auditing the Group's financial statements for the six months ended 30th September, 2010 and for the year ended 31st March, 2011, amounts to approximately HK$4.4 million. Further fees for non-audit services to DTT amounting to HK$5.0 million of which HK$4.9 million is related to the initial public offerings of the Group.

The independence of the external auditor of the Company is monitored by the Audit Committee which is also responsible for making recommendations to the Board on the appointment of the external auditor of the Company as well as approving their terms of engagement and remuneration.

Internal controls

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed to safeguard the assets of the Company and ensure maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations.

The Board has reviewed the effectiveness of the Group's internal control system. The Board considers that the internal control system is effective and adequate for the Group as a whole. The Board further considers that (i) there was no issue relating to the material controls, including financial, operational and compliance controls and risk management functions, of the Group; and (ii) that there were adequate staff with appropriate qualifications and experience, resources and budget of its accounting and financial reporting function, and adequate training programmes have been provided for during the Year.

Directors' Responsibility on the Consolidated Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements for the Year, and confirm that the consolidated financial statements give a true and fair view of the results of the Group and are prepared in accordance with the applicable accounting standards and statutory requirements. The statement made by the external auditor regarding their responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report on page 59 of this annual report.

Communication with Shareholders

The Company endeavours to maintain an on-going dialogue with the Shareholders and in particular, through annual general meetings or other general meetings to communicate with the Shareholders and encourage their participation. The Chairman of the Board will make himself available at the AGM to answer any questions from the Shareholders.

The Group's website www.kosmohotels.com contains an "Investor Relations" section which offers timely access to the Company's press releases, financial reports and announcements. The Company will continue to maintain an open and effective investor communication policy and to update investors with relevant information of the Group in a timely manner.

Report of the Directors

The Directors have pleasure in presenting to the Shareholders their report together with the audited consolidated financial statements of the Group for the year ended 31st March, 2011.

Principal Activities

The Company is an investment holding company. The principal activities of the Group comprise developing, owning and operating value, mid-scale, upscale and boutique hotels in Asia, and property investment, development and trading. The principal activities and other particulars of the subsidiaries are set out in note 43 to the consolidated financial statements.

Results

The results of the Group for the Year and the state of the Group's affairs as at that date are set out in the consolidated financial statements on pages 60 to 113 of this annual report.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the latest four financial years is set out on pages 118 and 119 of this annual report.

Dividends

The Board has not recommended the payment of any interim dividend for the six months ended 30th September, 2010.

The Board recommends the payment of a final dividend (the "Final Dividend") of HK4.00 cents per ordinary share for the Year which represents a dividend payout ratio of approximately 38.5% based on the Company's distributable profit.

Subject to the approval of the Shareholders at the AGM, the Final Dividend will be distributed on or about 7th October, 2011 to the Shareholders whose names appear on the Register of Members of the Company as at the close of business on 15th September, 2011.

Closure of Register of Members

For the purpose of determining the entitlement of the Shareholders to attend the AGM, the Register of Members of the Company will be closed from 7th September, 2011 to 8th September, 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the right to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not later than 4.30 p.m. on 6th September, 2011.

For the purpose of determining the entitlement of the Shareholders to the proposed Final Dividend, the Register of Members of the Company will be closed from 16th September, 2011 to 19th September, 2011, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the proposed Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not later than 4.30 p.m. on 15th September, 2011.

Reserves

Movements in reserves are set out in the Consolidated Statement of Changes in Equity on page 63 to the consolidated financial statements.

Property, Plant and Equipment, Prepaid Lease Payments and Investment Properties

Movements in property, plant and equipment, prepaid lease payments and investment properties during the Year are set out in notes 20 to 22 to the consolidated financial statements.

Bank Borrowings

Particulars of the bank borrowings of the Group as at 31st March, 2011 are set out in note 31 to the consolidated financial statements.

Share Capital

Movements in the share capital of the Company during the Year are set out in note 33 to the consolidated financial statements.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Directors

The Directors who served during the Year and up to the date of this report were as follows:

Executive directors

Mr. MOK, Kwai Pui Bill	
Mr. CHU, Chee Seng	(appointed on 8th June, 2010)
Mr. LAI, Wai Keung	(appointed on 8th June, 2010)
Ms. CHIU, Wing Kwan Winnie	(appointed on 8th June, 2010)
Mr. TANG, Seng Mun	(appointed on 8th June, 2010 and resigned on 8th July, 2010)

Non-executive directors

Tan Sri Dato' CHIU, David	
Mr. CHAN, Chi Hing	
Mr. HOONG, Cheong Thard	(appointed on 8th June, 2010)
Mr. IP, Hoi Wah Edmond	(appointed on 8th June, 2010 and resigned on 1st May, 2011)

Independent non-executive directors

Mr. SHEK, Lai Him Abraham	(appointed on 10th September, 2010)
Mr. TO, Peter	(appointed on 10th September, 2010)
Dr. LIU, Ngai Wing	(appointed on 10th September, 2010)

Pursuant to article 16.18 of the Articles of Association, every Director shall be subject to retirement by rotation at the annual general meeting of the Company at least once every three years. Pursuant to article 16.2 of the Articles of Association, any newly appointed Director shall hold office only until the next following annual general meeting of the Company.

Tan Sri Dato' CHIU, David, Mr. MOK, Kwai Pui Bill and Mr. CHAN, Chi Hing will retire at the AGM pursuant to article 16.18 of the Articles of Association. Furthermore, Mr. CHU, Chee Seng, Mr. LAI, Wai Keung, Ms. CHIU, Wing Kwan Winnie, Mr. HOONG, Cheong Thard, Mr. SHEK, Lai Him Abraham, Mr. TO, Peter and Dr. LIU, Ngai Wing will retire at the AGM pursuant to article 16.2 of the Articles of Association. All the retiring Directors, being eligible, offer themselves for re-election as Directors at the AGM.

Directors' Service Contracts

Each of the executive Directors (namely Mr. MOK, Kwai Pui Bill, Mr. CHU, Chee Seng, Mr. LAI, Wai Keung and Ms. CHIU, Wing Kwan Winnie) has entered into a service contract with the Company. The executive Director's service contracts have a term ending on the third anniversary of the Listing Date and may be terminated with three months' notice.

Each of the non-executive Directors (namely Tan Sri Dato' CHIU, David, Mr. HOONG, Cheong Thard and Mr. CHAN, Chi Hing) and each of the independent non-executive Directors (namely Mr. SHEK, Lai Him Abraham, Mr. TO, Peter and Dr. LIU, Ngai Wing) have been appointed for an initial term ending on the third anniversary of the Listing Date and may be terminated with three months' notice and such notice may only expire after one year from the Listing Date.

No Director proposed for re-election at the AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Directors' fees are subject to Shareholders' approval at the general meetings of the Company. Other emoluments are determined by the Board with reference to the duties and responsibilities of the Directors and the performance and results of the Group.

Particulars of the emoluments paid or payable to each of the Directors for the Year are set out in note 19 to the consolidated financial statements.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31st March, 2011, the interests and short positions of the Directors and/or chief executives of the Company in any Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or which were notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Directors' interest in Shares and underlying Shares

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

Notes:

(i) All interests of the Directors in the Shares or underlying Shares were long positions.

(ii) 7,773,254 Shares were directly held by Sumptuous Assets Limited ("Sumptuous"), a company fully controlled by Tan Sri Dato' CHIU, David, and 1,462,000,000 Shares were directly held by Ample Bonus Limited, a wholly-owned subsidiary of FECIL. By virtue of the shares in FECIL held by Sumptuous and Modest Secretarial Services Limited ("Modest"), a company fully controlled by Tan Sri Dato' CHIU, David, Tan Sri Dato' CHIU, David is deemed to be interested in the Shares directly owned by Sumptuous and Ample Bonus Limited.

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

(iv) Further information on the options granted by the Company to the Directors is set out in the section headed "Share Option Scheme" of this Report of the Directors and note 41 to the consolidated financial statements.

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

	Shares in FECIL				Options granted by FECIL[iv]		
Name of Director	Personal Interests	Corporate Interests	Family Interests	Other Interests	Personal Interests	Total	Approximate % of Issued Share Capital of FECIL
Tan Sri Dato' CHIU, David	13,034,698	657,003,028[ii]	557,000	–	–	670,594,726	34.96%
CHAN, Chi Hing	208,586	–	–	–	4,300,000	4,508,586	0.24%
MOK, Kwai Pui Bill	–	–	–	–	5,000,000	5,000,000	0.26%
HOONG, Cheong Thard	586,771	–	–	369,756[iii]	7,400,000	8,356,527	0.44%
LAI, Wai Keung	–	–	–	–	1,300,000	1,300,000	0.07%
LIU, Ngai Wing	4,490	–	–	–	–	4,490	0.00%

Notes:

(i) All interests of the Directors in the shares or underlying shares of FECIL were long positions.

(ii) 656,991,225 shares in FECIL were held by Sumptuous and 11,803 shares in FECIL were held by Modest.

(iii) 369,756 shares in FECIL were jointly held by HOONG, Cheong Thard and TENG, Pei Chun.

(iv) Further information on the options granted by FECIL is set out in note 41 to the consolidated financial statements.

Save as disclosed above, none of the Directors or chief executive of the Company was interested or had any short position in any shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as at 31st March, 2011.

Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

As at 31st March, 2011, the interests or short positions of every person in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange were as follows:

Name of substantial shareholders	Capacity	Nature of interests(i)	Shares in the Company	Approximate % of Issued Share Capital of the Company
Tan Sri Dato' CHIU, David	Interests in controlled corporation(ii)	Long	1,469,773,254	
	Family Interests	Long	8,355	
			1,469,781,609	73.49%
Nancy Ng	Personal Interests	Long	8,355	
	Family Interests(iii)	Long	1,469,773,254	
			1,469,781,609	73.49%
Sumptuous Assets Limited	Beneficial Owner(ii)	Long	7,773,254	
	Interests in controlled corporation(ii)	Long	1,462,000,000	
			1,469,773,254	73.49%
FECIL	Interests in controlled corporation(ii)	Long	1,462,000,000	73.10%
Ample Bonus Limited	Beneficial Owner(ii)	Long	1,462,000,000	73.10%
Credit Suisse AG	Interests in controlled corporation(iv)	Long	162,000,000	8.10%
		Short	81,000,000	4.05%
Credit Suisse (Hong Kong) Limited ("Credit Suisse HK")	Interests held jointly with another entity(v)	Long	162,000,000	8.10%
		Short	81,000,000	4.05%
Penta Investment Advisers Limited	Investment manager(vi)	Long	120,115,543	6.01%

Notes:

(i) "Long" refers to the long position in the Shares or underlying Shares held by such person/entity, while "Short" refers to short position in the Shares or underlying Shares held by such person/entity.

(ii) Ample Bonus Limited directly owned 1,462,000,000 Shares. Ample Bonus Limited is a wholly owned subsidiary of FECIL and accordingly FECIL is deemed to be interested in the Shares held by Ample Bonus Limited.

Sumptuous directly owned 7,773,254 Shares. By virtue of the shares in FECIL owned by Sumptuous, Sumptuous is deemed to be interested in the Shares owned by Ample Bonus Limited. Sumptuous is fully controlled by Tan Sri Dato' CHIU, David and therefore Tan Sri Dato' CHIU, David is deemed to be interested in the Shares directly owned by Ample Bonus Limited and Sumptuous.

(iii) Nancy Ng is the spouse of Tan Sri Dato' CHIU, David and is deemed to be interested in the shares in which Tan Sri Dato' CHIU, David is interested.

(iv) Credit Suisse HK is fully controlled by Credit Suisse AG and accordingly pursuant to SFO Credit Suisse AG is deemed to be interested in the Shares of which Credit Suisse HK is interested.

(v) 81,000,000 Shares were jointly held by Credit Suisse HK and Morgan Stanley Asia Limited, and 81,000,000 Shares were jointly held by Credit Suisse HK and The Royal Bank of Scotland N.V., Hong Kong Branch. The long position of Credit Suisse HK in 81,000,000 Shares were in respect of unlisted physically settled derivatives.

(vi) The long position of Penta Investment Advisers Limited in 23,244,910 Shares were in respect of unlisted cash settled derivatives.

Save as disclosed above, no other interest or short position in the Shares or underlying Shares of the Company were recorded in the register required to be kept under section 336 of the SFO as at 31st March, 2011.

Major Customers and Suppliers

Less than 30% in value of supplies purchased during the Year was attributable to the Company's five largest suppliers. Less than 30% in value of the Company's turnover during the Year was attributable to the Company's five largest customers combined by value.

None of the Directors or any of their associates or any Shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's major customers and suppliers during the Year.

Share Option Scheme

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

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

As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 170,300,010, representing approximately 8.52% of the issued share capital of the Company as at the date of this annual report. The maximum number of Shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). In addition, where any grant of share options to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, in a 12-month period up to and including the date of grant, such grant of share options are subject to Shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price for Shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of:

(i) the closing price of Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and

(iii) the nominal value of the Shares.

Details of the movement of share options under the Option Scheme during the Year were as follows:

	Number of share options					
	Outstanding at 1.4.2010	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31.3.2011	Exercise period
Directors						
MOK, Kwai Pui Bill	–	3,545,454	–	–	3,545,454	11th October, 2011 – 10th October, 2018
CHU, Chee Seng	–	3,522,727	–	–	3,522,727	11th October, 2011 – 10th October, 2016
LAI, Wai Keung	–	1,590,909	–	–	1,590,909	11th October, 2011 – 10th October, 2018
CHIU, Wing Kwan Winnie	–	2,272,727	–	–	2,272,727	11th October, 2011 – 10th October, 2018
HOONG, Cheong Thard	–	2,836,363	–	–	2,836,363	11th October, 2011 – 10th October, 2018
CHAN, Chi Hing	–	3,545,454	–	–	3,545,454	11th October, 2011 – 10th October, 2018
Employees (in aggregate)	–	3,522,727	–	–	3,522,727	11th October, 2011 – 10th October, 2016
	–	9,772,719	–	909,090	8,863,629	11th October, 2011 – 10th October, 2018
Total	–	30,609,080	–	909,090	29,699,990	

No share options were cancelled during the Year. Further information on the Share Option Scheme of the Company and the options granted by the Company is set out in note 41 to the consolidated financial statements.

Arrangements to Purchase Shares or Debentures

Save as disclosed above, at no time during the Year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Contract of Significance

Save as disclosed in note 42 (Related Party Transactions) to the consolidated financial statements, no contracts of significance in relation to the Company's business to which the Company, or its subsidiaries was a party and in which a Director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Save as disclosed in the above-mentioned note 42 to the consolidated financial statements, no contract of significance had been entered into between the Company or any of its subsidiaries and a Controller or any of its subsidiaries during the Year.

Management Contracts

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Continuing Connected Transaction

Far East Consortium Limited ("FECL"), a wholly owned subsidiary of FECIL, entered into a tenancy agreement (the "Tenancy Agreement") with Cosmopolitan Hotel Limited, a wholly owned subsidiary of the Company, as landlord on 10th November, 2009 for the lease of the first floor of Cosmopolitan Hotel (the "Property") for a monthly rental of HK$200,000 inclusive of government rent, government rates, air-conditioning charges and management fees. The duration of the tenancy is three years commencing from 1st October, 2009 to 30th September, 2012 (both days inclusive) with an option to extend for another three years. FECL is a connected person by virtue of it being a wholly owned subsidiary of FECIL, a controlling shareholder of the Company, and accordingly the leasing of the Property (the "Continuing Connected Transactions") pursuant to the Tenancy Agreement constitutes continuing connected transactions for the Company.

The actual amount of the rental received by Cosmopolitan Hotel Limited from FECL for the Year pursuant the Tenancy Agreement and the approved annual cap are HK$2,200,000 and HK$2,400,000 respectively.

Pursuant to mutual agreement between FECL and Cosmopolitan Hotel Limited, the Tenancy Agreement was terminated with effect from 1st March, 2011.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with Rule 14A.38 of the Listing Rules, the auditor has provided a letter to the Board confirming that the Continuing Connected Transactions entered into by the Group for the Year:

(a) have been approved by the Directors;

(b) were in accordance with the pricing policies of the Company;

(c) were in accordance with the terms of the relevant agreements governing such transactions; and

(d) have not exceeded the maximum aggregate annual value disclosed in the Prospectus in the section headed "Connected Transactions".

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Board, including the independent non-executive Directors, have reviewed the Continuing Connected Transaction and the above-mentioned letter from the Company's auditor. The Board confirmed that the Continuing Connected Transactions were entered into:

(a) in the ordinary and usual course of business of the Company;

(b) on normal commercial terms no less favourable to the Company than terms available to or from independent third parties;

(c) in accordance with the Tenancy Agreement governing the Continuing Connected Transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

(d) have not exceeded the relevant cap disclosed in the Prospectus in the section headed "Connected Transactions".

Save as disclosed above, related party transactions that did not constitute connected transactions or continuing connected transactions of the Company made during the Year are disclosed in note 42 to the consolidated financial statements.

Directors' Interests in Competing Businesses

During the Year, the following Directors have interests in the following businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or the Group:

Businesses which are considered to compete or likely to compete with the businesses of the Group			
Name of entity	**Description of businesses**	**Name of Director**	**Nature of interest of the Director in the entity**
Malaysia Land Properties Sdn. Bhd. ("Mayland")	Mayland is an unlisted property developer with more than 20 existing mixed development projects in Kuala Lumpur and Johor Bahru, Malaysia, including Plaza Damas 3, a mixed development with shop-office units and service apartment units; and Cheras Central, a property development including a shopping and leisure complex in Cheras, Kuala Lumpur, Malaysia. Both of Plaza Damas 3 and Cheras Central have a small portion of area includes a hotel.	Tan Sri Dato' CHIU, David CHIU, Wing Kwan Winnie	Chief executive officer Director
Far East Hotels and Entertainment Limited ("Far East Hotels")	Far East Hotels is listed on the Main Board of the Stock Exchange and the principal activities of the group are hotel operation, property letting, securities investment and trading and investment holding. Its portfolio of properties includes Cheung Chau Warwick Hotel in Hong Kong and Beijing Warwick Suite Hotel in PRC.	Tan Sri Dato' CHIU, David	Non-executive director and holder of approximately 0.64% of the issued share capital of Far East Hotels
Tokai Kanko Co., Ltd. ("Tokai")	Tokai is listed on the first section of the Tokyo Stock Exchange and its principal activities are, inter alia, the operation of two Japanese-style spa resort hotels targeting local families and couples under the names Imaiso (今井莊) and Nanzanso (南山莊), property investment and treasury operations.	Tan Sri Dato' CHIU, David HOONG, Cheong Thard	Owner of approximately 50.4% of Tokai and chairman of the board of directors President and director
RC Hotel and Resort JV Holdings (BVI) Company Limited ("RC Hotel")	RC Hotel was incorporated in the British Virgin Islands and is an unlisted company. The principal business of RC Hotel is the development and operation of Ritz-Carlton Reserve Maldives, a resort which is expected to be completed in mid 2013.	Tan Sri Dato' CHIU, David	Owner of approximately 10% of RC Hotel

Businesses which are considered to compete or likely to compete with the businesses of the Group			
Name of entity	**Description of businesses**	**Name of Director**	**Nature of interest of the Director in the entity**
Land & General Berhad	Land & General Berhad is listed on the main market of Bursa Malaysia, the principal activities of the group are property development, investment and management, and investment in the plantation, education, leisure and hospitality sectors.	CHIU, Wing Kwan Winnie	Non-independent and non-executive director and holder of approximately 16.9% of the issued share capital of Land & General Berhad
		HOONG, Cheong Thard	Non-independent and non-executive director

Notwithstanding the interests of the relevant Directors in the competing businesses as disclosed above, given that the Board of the Company is independent of the board of the above-mentioned entities and the Company has established corporate governance procedures to ensure investment opportunities are independently assessed and reviewed, the Group is able to carry on its business independent of, and at arm's length from, the competing businesses. The relevant Directors are fully aware of their fiduciary duty to the Company and will abstain from voting on any matter where there is, or there may be, a conflict of interest. The Directors therefore consider that the Group's interests are adequately safeguarded. Save as disclosed above, there are no other competing businesses interest between the Directors and his/her respective associates and the Group.

Non-Competition Undertakings

Each of FECIL (for and on behalf of FECIL Group) and Tan Sri Dato' CHIU, David (collectively the "Covenantors") has executed a Deed of Non-Competition Undertaking (the "Undertaking") dated 10th September, 2010 in favour of the Company. Under the Undertaking, FECIL has undertaken and covenanted that, among other matters, so long as FECIL Group and/or their respective associates, whether individually or taken together, remain the Controlling Shareholder of the Company, FECIL or member of FECIL Group would not directly or indirectly be involved in any business that is, directly or indirectly, in competition with or is likely to be in competition with any Restricted Activity. Tan Sri Dato' CHIU, David has also undertaken and covenanted that, among other matters, so long as he and/or his associates, whether individually or taken together, remain the Controlling Shareholder of the Company, Tan Sri Dato' CHIU, David or his associates would not directly or indirectly be involved in any business that is in competition with or is likely to be in competition with any Restricted Activity in the countries in the Asia-Pacific region including but not limited to Australia, Hong Kong, Malaysia, PRC and Singapore but excluding Japan.

Relevant information on the Undertaking was disclosed in the Prospectus in the section headed "Relationship with our Controlling Shareholders and Directors".

The Company has received declaration from the Covenantors of their compliance with the terms of the Undertaking. The Covenantors declared that they have fully complied with the Undertaking since the effective date of the Undertaking and up to the date of this report. The independent non-executive Directors have also reviewed the compliance of the Undertaking by the Covenantors and formed the opinion that the Covenantors have not breached any terms of the Undertaking during the Year.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules.

Retirement and Pension Schemes

The Group operate a Mandatory Provident Fund scheme for the employees in Hong Kong and certain retirement benefit schemes which cover the Group's eligible employees in the PRC, Malaysia and Singapore.

Further information on the retirement and pension schemes of the Group is set out in note 40 to the consolidated financial statements.

Confirmation of Independence

The Company has received from each of Mr. SHEK, Lai Him Abraham, Mr. TO, Peter and Dr. LIU, Ngai Wing, the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors meet the independence criteria set out in Rule 3.13 of the Listing Rules.

Donations

During the Year, the Group made charitable and other donations amounting to HK$1,130,000.

Auditor

Deloitte Touche Tohmatsu will retire at the AGM and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the AGM.

By Order of the Board

MOK, Kwai Pui Bill
President and Executive Director

Hong Kong, 23rd June, 2011

Deloitte.
德勤

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

We have audited the consolidated financial statements of Kosmopolito Hotels International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 60 to 113, which comprise the consolidated statement of financial position as at 31st March, 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st March, 2011 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23rd June, 2011

Consolidated Statement of Comprehensive Income

For the Year Ended 31st March, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	9	**867,100**	616,253
Depreciation and amortisation		**(98,166)**	(68,325)
Operating costs		**(296,648)**	(213,944)
Management fee	10	**–**	(2,239)
Gross profit		**472,286**	331,745
Other income		**3,036**	3,162
Administrative expenses		**(208,626)**	(166,886)
Management fee	10	**–**	(28,169)
Pre-opening expenses	11	**(1,403)**	(6,517)
Other gains and losses	12	**(18)**	(1,104)
Gain on disposal of a subsidiary	34	**81,385**	–
Listing expenses	13	**(22,506)**	–
Finance costs	14	**(88,430)**	(76,612)
Profit before taxation		**235,724**	55,619
Income tax expense	15	**(27,320)**	(9,806)
Profit for the year	16	**208,404**	45,813
Other comprehensive income for the year			
Exchange differences on translation of foreign operations		**71,651**	32,760
Gain on revaluation of prepaid lease payments on transfer to investment properties		**3,176**	8,843
Deferred tax on revaluation gain		**(794)**	(2,211)
		74,033	39,392
Total comprehensive income for the year		**282,437**	85,205
Earnings per share	18		
– Basic (HK cents)		**11.22**	2.65
– Diluted (HK cents)		**11.22**	2.65

Consolidated Statement of Financial Position

As at 31st March, 2011

	NOTES	31.3.2011 HK$'000	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	20			
Hotels		**3,031,803**	2,765,302	2,464,870
Hotels under development		**1,361,657**	1,570,741	1,324,665
		4,393,460	4,336,043	3,789,535
Leasehold improvement, furniture, fixtures and equipment		**159,504**	78,165	56,022
		4,552,964	4,414,208	3,845,557
Prepaid lease payments	21	**579,918**	716,328	329,266
Investment properties	22	**390,915**	363,954	358,276
Deposits for acquisition of property, plant and equipment		**121,357**	110,079	73,450
Utility and other deposits paid		**7,269**	4,234	4,127
Pledged deposits	23	**5,158**	4,647	4,028
		5,657,581	5,613,450	4,614,704
Current assets				
Properties for sale				
– under development		**217,816**	–	–
Other inventories		**5,480**	3,898	3,448
Debtors, deposits and prepayments	24	**104,046**	51,693	45,971
Amounts due from Parent Entities	25	**–**	556,487	538,112
Amount due from a related company	26	**–**	180	–
Investment held-for-trading	27	**2,365**	2,280	2,260
Derivative financial instruments	28	**377**	1,678	8,255
Prepaid lease payments	21	**12,443**	13,108	8,463
Tax recoverable		**391**	3,918	433
Pledged deposits	23	**171,300**	430	430
Bank balances and cash	23	**720,506**	93,637	66,784
		1,234,724	727,309	674,156

Consolidated Statement of Financial Position (continued)

As at 31st March, 2011

	NOTES	31.3.2011 HK$'000	31.3.2010 HK$'000 (restated)	1.4.2009 HK$'000 (restated)
Current liabilities				
Creditors and accruals	29	**179,662**	123,558	86,678
Amounts due to Parent Entities	30	**–**	2,416,299	2,090,004
Amounts due to related companies		**–**	–	3,943
Secured bank borrowings	31	**464,136**	528,629	198,032
Sales deposits received		**145,716**	–	–
Derivative financial instruments	28	**680**	–	–
Tax payable		**17,187**	151	4,335
		807,381	3,068,637	2,382,992
Net current assets (liabilities)		**427,343**	(2,341,328)	(1,708,836)
Total assets less current liabilities		**6,084,924**	3,272,122	2,905,868
Non-current liabilities				
Secured bank borrowings	31	**3,097,534**	3,005,054	2,728,372
Rental and other deposits received		**6,094**	4,869	3,904
Deferred tax liabilities	32	**84,562**	78,194	74,792
		3,188,190	3,088,117	2,807,068
NET ASSETS		**2,896,734**	184,005	98,800
Share capital	33	**200,000**	10,160	10,160
Share premium		**2,237,153**	–	–
Reserves		**459,581**	173,845	88,640
TOTAL EQUITY		**2,896,734**	184,005	98,800

The consolidated financial statements on pages 60 to 113 were approved and authorised for issue by the Board of Directors on 23rd June, 2011 and are signed on its behalf by:

BILL KWAI PUI MOK
DIRECTOR

CHEE SENG CHU
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2011

	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Property revaluation reserve HK$'000	Merger reserve HK$'000 (note a)	Share options reserve HK$'000	Other reserve HK$'000 (note b)	Retained profits HK$'000	Total HK$'000
As at 1st April, 2009	10,160	–	8,775	–	(201,048)	–	207,440	73,473	98,800
Profit for the year	–	–	–	–	–	–	–	45,813	45,813
Other comprehensive income for the year	–	–	32,760	6,632	–	–	–	–	39,392
Total comprehensive income for the year	–	–	32,760	6,632	–	–	–	45,813	85,205
As at 31st March, 2010	**10,160**	**–**	**41,535**	**6,632**	**(201,048)**	**–**	**207,440**	**119,286**	**184,005**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**208,404**	**208,404**
Other comprehensive income for the year	**–**	**–**	**71,651**	**2,382**	**–**	**–**	**–**	**–**	**74,033**
Total comprehensive income for the year	**–**	**–**	**71,651**	**2,382**	**–**	**–**	**–**	**208,404**	**282,437**
Elimination of share capital of Combined Entities upon group reorganisation	**(10,160)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,160)**
Capitalisation of amounts due to Parent Entities	**173,000**	**1,686,812**	**–**	**–**	**–**	**–**	**–**	**–**	**1,859,812**
Issue of shares for cash	**27,000**	**567,000**	**–**	**–**	**–**	**–**	**–**	**–**	**594,000**
Share issue expenses	**–**	**(16,659)**	**–**	**–**	**–**	**–**	**–**	**–**	**(16,659)**
Recognition of equity-settled share based payments	**–**	**–**	**–**	**–**	**–**	**3,299**	**–**	**–**	**3,299**
As at 31st March, 2011	**200,000**	**2,237,153**	**113,186**	**9,014**	**(201,048)**	**3,299**	**207,440**	**327,690**	**2,896,734**

Notes:

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

(b) Other reserve represents fair value adjustment of business acquired from Parent Entities and gain on disposal of a subsidiary to the Parent Entities deemed to be capital contributed by the Parent Entities.

Consolidated Statement of Cash Flows

For the year ended 31st March, 2011

	NOTE	2011 HK$'000	2010 HK$'000
Operating activities			
Profit before taxation		**235,724**	55,619
Adjustments for:			
Depreciation and amortisation		**98,166**	68,325
Change in fair value of investment properties		**(2,612)**	(3,486)
Change in fair value of derivative financial instruments		**1,949**	6,577
Allowance for (reversal of) bad and doubtful debts		**575**	(1,322)
(Gain) loss on disposal of furniture, fixture and equipment		**(25)**	52
Gain on disposal of a subsidiary		**(81,385)**	–
Listing expenses		**22,506**	–
Equity-settled share based payments		**3,299**	–
Interest income		**(1,725)**	(2,467)
Finance costs		**88,430**	76,612
Operating cash flows before movements in working capital		**364,902**	199,910
Increase in properties for sale		**(13,323)**	–
Increase in other inventories		**(1,582)**	(450)
Increase in investment held-for-trading		**–**	(20)
Decrease (increase) in amount due from related companies		**180**	(4,123)
Increase in debtors, deposits and prepayments		**(42,569)**	(1,252)
Increase in sales deposits received		**138,610**	–
Increase in utility and other deposits paid		**(3,035)**	(109)
Increase in creditors and accruals		**21,533**	30,838
Increase in utility and other deposits received		**1,225**	965
Cash generated from operations		**465,941**	225,759
Income tax paid		**(5,127)**	(16,284)
Net cash from operating activities		**460,814**	209,475
Investing activities			
Payment for acquisition of hotel properties		**–**	(82,056)
Development expenditure on hotel properties		**(231,895)**	(227,479)
Acquisition of property, plant and equipment		**(75,715)**	(30,896)
Additions of prepaid lease payments		**(24,509)**	(604,286)
Net cash inflow from disposal of a subsidiary	34	**289,044**	–
Proceeds from disposal of furniture, fixture and equipment		**50**	216
Advance to Parent Entities		**–**	(15,946)
Interest received		**507**	38
Increase in pledged bank deposits		**(171,021)**	–
Net cash used in investing activities		**(213,539)**	(960,409)

For the year ended 31st March, 2011

	NOTE	2011 HK$'000	2010 HK$'000
Financing activities			
(Repayment to) Advance from Parent Entities		**(31,842)**	299,761
New bank borrowings raised		**141,150**	604,195
Repayments of bank borrowings		**(193,135)**	(47,764)
Proceeds from issue of shares		**594,000**	–
Share issue and IPO expenses		**(39,165)**	–
Interest paid		**(98,940)**	(82,867)
Net cash from financing activities		**372,068**	773,325
Increase in cash and cash equivalents		**619,343**	22,391
Cash and cash equivalents at beginning of the year		**93,637**	66,784
Effect of foreign exchange rate changes		**7,526**	4,462
Cash and cash equivalents at end of the year		**720,506**	93,637
Represented by			
Bank balances and cash		**720,506**	93,637

1. General

The Company was incorporated as an exempted company with limited liability under the Companies Law of Cayman Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section to the 2010-11 annual report issued by the Company. The shares of the Company have been listed on the Main Board of the Stock Exchange with effect from 11th October, 2010.

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

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

The principal activities of the Group are hotel operation, property investment, property development and trading.

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

2. Basis of Preparation of Consolidated Financial Statements

Pursuant to the corporate reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company acquired from the Parent Entities certain companies (the "Combined Entities") and became the holding company of the companies comprising the Group on 17th September, 2010. The Company and the Combined Entities are controlled by FECIL before and after the acquisition and therefore, the consolidated financial statements have been prepared on a merger basis in accordance with Accounting Guidance 5 "Merger Accounting for Common Control Combinations". Accordingly, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows have been prepared to include the results, changes in equity and cash flows of the companies comprising the Group as if the group structure after the corporate reorganisation had been in existence since 1st April, 2009 or since the respective date of incorporation of the relevant entities, where this is a shorter period. The comparative amounts disclosed in the consolidated statements of financial position present the assets and liabilities of the companies comprising the Group as if the group structure had been in existence at the end of the preceding financial reporting period. Detail of the group reorganisation were set out in section headed "History, Reorganisation and Corporate structure" of the prospectus dated 28th September, 2010 issued by the Company.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

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

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

Amendment to HKAS 17

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

In accordance with the transitional provisions of HKAS 17 Leases, the Group reassessed the classification of land elements of unexpired leases at 1st April, 2010 based on information which existed at the inception of these leases. Leasehold lands which met finance lease classification have been reclassified from prepaid lease payments to property, plant, and equipment retrospectively. As a result of the reclassification of prepaid lease payments with carrying amounts of HK$1,025,318,000 and HK$1,199,210,000 as at 1st April, 2009 and 31st March, 2010 respectively to property, plant and equipment, the carrying amounts of property, plant and equipment are increased from HK$2,820,239,000 and HK$3,214,998,000 to HK$3,845,557,000 and HK4,414,208,000, and the prepaid lease payments are decreased from HK$1,363,047,000 and HK$1,928,646,000 to HK$337,729,000 and HK$729,436,000 as at 1st April, 2009 and 31st March, 2010 respectively. The carrying amount of HK$1,047,600,000 of the leasehold land at 31st March, 2011 that qualifies for finance lease classification has been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 3 (Revised 2008) and HKAS 27 (Revised 2008)

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

As no business combination occurred during the current year, the application of HKFRS 3 (Revised) had no effect on the consolidated financial statements of the Group for the current or prior financial periods.

The application of HKAS 27 (Revised) had no effect on the consolidated financial statements for the current or prior financial periods.

Results of the Group for the future years may be affected by future transactions for which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable.

Hong Kong Interpretation 5

Hong Kong Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" ("HK Int 5") clarifies that term loans that include a clause giving the lender the unconditional right to call for repayment of the loans at any time ('repayment on demand clause') should be classified by the borrower as current liabilities. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

The Group did not, as at the end of the reporting period, have any non-current bank loans that could be demanded for immediate repayment and therefore reclassification of non-current bank loans to current liabilities is not required. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Amendments to HKAS 12

Amendments to HKAS 12 "Income Taxes" titled Deferred Tax: Recovery of Underlying Assets have been applied in advance of their mandatory effective date (which is the annual periods beginning on or after 1st January, 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The Group has rebutted such presumption as its investment properties are held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Accordingly, the measurement of the deferred tax liabilities reflect the tax consequences of recovering the carrying amount of the investment properties through use. The adoption of the amendments have no impact on the results and the financial position of the Group.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

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

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

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

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

HKFRS 9 Financial Instruments (as issued in November, 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November, 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

HKFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 may not have any significant impact on the measurement and classification of the Groups' financial assets and financial liabilities.

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

4. Principal Accounting Policies

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

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

Basis of consolidation

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

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

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

Merger accounting

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

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

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

4. Principal Accounting Policies (Continued)

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than hotels under development less their residual values over their estimated useful lives, using the straight-line method. No depreciation is provided on hotels under development which have not been in use. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

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 year in which they arise.

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

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

Inventories

Properties for sale

Properties for sale are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated selling price less selling expenses.

4. Principal Accounting Policies (Continued)

Inventories (Continued)

Other inventories

Other inventories comprising food and beverages are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method.

Properties under development

Hotels 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 and the leasehold land component is accounted for as operating lease, the amortisation for the leasehold land is included as part of the costs of the buildings under construction during the construction period. If the leasehold land is accounted for as finance lease, the cost of land is included within hotel properties under development.

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

Leases

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

4. Principal Accounting Policies (Continued)

Leases (Continued)

Leasehold land and building (Continued)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) 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.

Loans and receivables

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

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

4. Principal Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 year 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 the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

Objective evidence of impairment could include:

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

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

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

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

4. Principal Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Financial liabilities and equity

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

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.

Transaction costs for the issue of shares are accounted for as a deduction from equity to the extent that they are incremental costs directly attributable to issue of shares that otherwise would have been avoided. Transaction costs that relate jointly to the issue of shares and listing of the shares or other transactions are allocated amongst the transactions using a rational basis. Expense allocated to the listing of shares are recognised as an expense in profit or loss.

Financial liabilities

The Group's financial liabilities are classified into financial liabilities held for trading and other financial liabilities.

Financial liabilities held-for-trading

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing 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.

Financial liabilities held for trading are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

4. Principal Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Other financial liabilities

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in profit or loss for the year 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 in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity 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.

Revenue recognition

Revenue is 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 terms of the respective tenancies.

- Revenue from sale of properties is recognised when the relevant properties have been completed and delivered to the buyers. Payments received from purchasers prior to meeting the revenue recognition criteria are recorded as sales deposits under current liabilities.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. Principal Accounting Policies (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, 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 year 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.

Equity-settled share-based payment

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in share options reserve.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

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 retranslation of monetary items, are recognised in profit or loss in the year 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 year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

4. Principal Accounting Policies (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, 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 year 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 consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax liabilities are calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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 year 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.

4. Principal Accounting Policies (Continued)

Taxation (Continued)

For the purposes of measuring deferred tax liabilities for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property, such properties are presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Impairment losses on tangible assets

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

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

5. Key Sources of Estimation Uncertainty

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

Fair value of investment properties

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

Deferred tax

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 year in which such a recognition or reversal takes place.

6. Capital Risk Management

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

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

The Group's overall strategy remains unchanged from prior year.

7. Financial Instruments

a. Categories of financial instruments

	31.3.2011 HK$'000	31.3.2010 HK$'000
Financial assets		
Investment held-for-trading	**2,365**	2,280
Derivative financial instruments	**377**	1,678
Loans and receivables		
Trade and other debtors	**51,534**	50,857
Amounts due from related companies	**–**	180
Amounts due from Parent Entities	**–**	556,487
Pledged deposits	**176,458**	5,077
Bank balance and cash	**720,506**	93,637
	951,240	710,196
Financial liabilities		
Derivative financial instruments	**680**	–
Financial liabilities at amortised cost		
Trade and other creditors	**134,353**	118,228
Amounts due to Parent Entities	**–**	2,416,299
Secured bank borrowings	**3,561,670**	3,533,683
	3,696,703	6,068,210

7. Financial Instruments (Continued)

b. Financial risk management objectives and policies

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

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

Interest rate risk

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

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates risk for its variable rate borrowings. The sensitivity analysis does not consider the exposure of the bank deposits because the impact is not significant. The variable rate borrowings include those loans which carry interest at Hong Kong Interbank Offered Rates ("HIBOR"), People's Bank of China Prescribed Interest Rate, Malaysia Base Lending Rates and Singapore Dollars Swap Offered Rate.

The analysis is prepared assuming that the bank borrowings outstanding at the end of the reporting periods were outstanding for the whole year. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in the interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after taxation for the year would decrease or increase by HK$11,035,000 (2010: HK$10,179,000) and the interest capitalised to the Group's properties under development would increase/decrease by HK$4,256,000 (2010: HK$4,413,000).

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 year.

Price risk

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

Price risk sensitivity analysis

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

If the price of the respective securities has been changed by 10% higher/lower, the profit after taxation for the year ended 31st March, 2011 would increase/decrease by HK$237,000 (2010: HK$228,000).

7. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

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

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

The Group's concentration of credit risk by geographical locations of customers are mainly in Hong Kong and Malaysia which accounted for 48% and 47% of trade receivables as at 31st March, 2011 (2010: 49% and 50%).

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

Liquidity risk

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

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

7. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate %	On demand or 0-180 days HK$'000	181-365 days HK$'000	One to three years HK$'000	Three to five years HK$'000	Over five years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31st March, 2011								
Non-interest bearing	N/A	134,353	–	–	–	–	134,353	134,353
Variable interest rate financial liabilities	2.71	467,647	72,896	2,650,811	415,208	287,764	3,894,326	3,561,670
		602,000	72,896	2,650,811	415,208	287,764	4,028,679	3,696,023

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

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

7. Financial Instruments (Continued)

c. Fair value of financial instruments

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

- the fair value of interest rate swap (classified as Level 2 below) is determined based on a discounted cash flow analysis using the applicable yield curve observable from the market over the duration of the instruments;

- the fair value of listed investments with standard terms and conditions and trade on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

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

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

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

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

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

	As at 31st March, 2011			As at 31st March, 2010		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets						
Derivative financial instruments	–	377	377	–	1,678	1,678
Investment held-for-trading	2,365	–	2,365	2,280	–	2,280
	2,365	377	2,742	2,280	1,678	3,958
Financial liabilities						
Derivative financial instruments	–	680	680	–	–	–

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

8. Segment Information

For the management purpose, the Group is currently organised into four operating segments. Operating segments represent the components of the Group whose operating results are regularly reviewed by the chief operating decision maker, who are the executive directors of the Company.

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

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

(a) Segment revenue and results

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

	Segment revenue		Segment profit (loss)	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**517,073**	339,913	**230,761**	33,717
Malaysia	**266,323**	241,782	**43,481**	40,938
PRC	**83,704**	34,558	**(28,378)**	(18,862)
Singapore	**–**	–	**(10,140)**	(174)
	867,100	616,253	**235,724**	55,619

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

No revenue from any single customer 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 the reporting period:

	31.3.2011	31.3.2010
	HK$'000	HK$'000
Hong Kong	**3,629,833**	3,405,803
Malaysia	**1,078,213**	1,011,459
PRC	**1,587,593**	1,457,332
Singapore	**596,666**	466,165
Total assets	**6,892,305**	6,340,759

8. Segment Information (Continued)

(b) Segment assets (Continued)

Information about segment liabilities are not regularly reviewed by the chief operating decision maker. Accordingly, no such segment information is presented.

The accounting policies adopted in preparing the segment information are the same as the accounting policies described in note 4.

(c) Other information

	For the year ended 31st March, 2011				
	Hong Kong HK$'000	**Malaysia HK$'000**	**PRC HK$'000**	**Singapore HK$'000**	**Consolidated HK$'000**
Allowance for bad and doubtful debts	**–**	**575**	**–**	**–**	**575**
Depreciation and amortisation	**50,784**	**19,669**	**27,558**	**155**	**98,166**
Change in fair value of investment properties	**–**	**–**	**(2,612)**	**–**	**(2,612)**
Change in fair value of derivative financial instruments	**1,302**	**–**	**–**	**647**	**1,949**
Interest income	**(1,521)**	**(180)**	**(24)**	**–**	**(1,725)**
Finance costs	**45,736**	**16,251**	**24,809**	**1,634**	**88,430**
Additions to property, plant and equipment, prepaid lease payments and investment properties	**235,274**	**18,337**	**78,577**	**44,167**	**376,355**
Gain on disposal of a subsidiary	**81,385**	**–**	**–**	**–**	**81,385**
Listing expenses	**22,506**	**–**	**–**	**–**	**22,506**

	For the year ended 31st March, 2010				
	Hong Kong HK$'000	Malaysia HK$'000	PRC HK$'000	Singapore HK$'000	Consolidated HK$'000
(Reversal of) allowance for bad and doubtful debts	(1,543)	221	–	–	(1,322)
Depreciation and amortisation	41,762	19,136	7,427	–	68,325
Change in fair value of investment properties	–	–	(3,486)	–	(3,486)
Change in fair value of derivative financial instruments	6,577	–	–	–	6,577
Interest income	(2,150)	(279)	(38)	–	(2,467)
Finance costs	45,089	13,643	17,880	–	76,612
Additions to property, plant and equipment, prepaid lease payments and investment properties	360,300	134,287	22,010	418,229	934,826

8. Segment Information (Continued)

(d) Geographical information

The following table sets out information about the geographical location of the Group's non-current assets (excluding pledged deposits).

	31.3.2011 HK$'000	**31.3.2010 HK$'000 (restated)**
Hong Kong	**2,803,375**	2,830,914
Malaysia	**1,013,531**	937,271
PRC	**1,535,392**	1,426,505
Singapore	**300,125**	414,113
	5,652,423	5,608,803

9. Revenue

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

	2011 HK$'000	**2010 HK$'000**
Hotel room revenue, food and beverage	**825,533**	580,050
Gross rental income from properties	**41,567**	36,203
	867,100	616,253

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

10. Management Fee

Prior to September, 2009, the Group paid hotel management fee to an external hotel operator for managing the operation of one of the Group's hotel situated in Malaysia. The management service was terminated upon the expiry of the management contract on 30th September, 2009.

Certain companies also paid management fee to fellow subsidiaries for corporate management and office support services provided, as disclosed in note 42. Such arrangement was terminated on 31st March, 2010.

11. Pre-Opening Expenses

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

12. Other Gains and Losses

	2011 HK$'000	2010 HK$'000
Change in fair value of investment properties	**2,612**	3,486
Gain (loss) on disposal of furniture, fixture and equipment	**25**	(52)
Change in fair value of derivative financial instruments	**(1,949)**	(6,577)
Net foreign exchange (loss) gain	**(131)**	717
(Allowance for) reversal of bad and doubtful debts	**(575)**	1,322
	(18)	(1,104)

13. Listing Expenses

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

14. Finance Costs

	2011 HK$'000	2010 HK$'000
Interest on bank borrowings		
– wholly repayable within five years	**59,308**	66,244
– not wholly repayable within five years	**36,983**	16,501
Interest on amounts due to fellow subsidiaries		
– wholly repayable within five years	**237**	1,237
Amortisation of front-end fee	**10,252**	8,449
Others	**1,046**	122
	107,826	92,553
Less: amount capitalised to hotels and properties under development	**(19,396)**	(15,941)
	88,430	76,612

15. Income Tax Expense

	2011 HK$'000	2010 HK$'000
Current year income tax		
Hong Kong	**20,513**	8,516
Other jurisdictions	**1,233**	99
	21,746	8,615
Deferred taxation (note 32)	**5,574**	1,191
	27,320	9,806

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

15. Income Tax Expense (Continued)

Income tax expense is reconciled to the profit (loss) before taxation per the consolidated statement of comprehensive income as follows:

	Year ended 31st March, 2011				
	Hong Kong HK$'000	Malaysia HK$'000	PRC HK$'000	Singapore HK$'000	Total HK$'000
Profit (loss) before taxation	230,761	43,481	(28,378)	(10,140)	235,724
Applicable income tax rate	16.5%	25%	25%	17%	
Tax at the applicable income tax rate	38,075	10,870	(7,095)	(1,724)	40,126
Tax effect of expenses not deductible for tax purpose	4,992	2,181	1,274	–	8,447
Tax effect of income not taxable	(13,962)	(14)	–	–	(13,976)
Tax effect of utilisation of deductible temporary difference previously not recognised	(320)	–	–	–	(320)
Tax effect of tax losses not recognised	102	–	6,473	1,724	8,299
Utilisation of tax loss previously not recognised	(4,079)	(11,859)	–	–	(15,938)
Underprovision of income tax of prior years	219	374	–	–	593
Others	–	89	–	–	89
Income tax expense for the year	25,027	1,641	652	–	27,320

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

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

16. Profit for the Year

	2011 HK$'000	2010 HK$'000 (restated)
Profit for the year is arrived at after charging:		
Auditor's remuneration	**4,180**	2,329
Staff costs		
Directors' emoluments (note 19(a))	**8,330**	–
Other staff		
Salaries and other benefits	**204,761**	157,390
Retirement benefit scheme contributions	**14,144**	9,869
Share-based payment expenses	**1,138**	–
	228,373	167,259
Depreciation	**97,115**	66,582
Amortisation of prepaid lease payments	**9,167**	9,106
Less: amount capitalised to hotels under development and properties for sale under development	**(8,116)**	(7,363)
	1,051	1,743
and after crediting:		
Rental income	**41,567**	36,203
Less: Direct operating cost	**(3,848)**	(3,508)
	37,719	32,695
Interest income from ultimate holding company	**1,518**	2,429
Bank interest income	**207**	38

17. Dividends

A final dividend for the year ended 31st March, 2011 of HK4 cents (2010: nil) per share, amounting to HK$80,000,000 (2010: nil) have been proposed by directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

18. Earnings Per Share

The calculation of basic earnings per share for the year ended 31st March, 2011 is based on the consolidated profit for the year of HK$208,404,000 and the weighted average number of shares of 1,857,232,877 in issue during the year.

The calculation of basic earnings per share for the year ended 31st March, 2010 is based on the consolidated profit for that year of HK$45,813,000 and on 1,730,000,000 shares, which were issued pursuant to the capitalisation of the amounts due to Parent Entities as detailed in note 33(c) and deemed to have been issued since the beginning of the preceding year.

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price of the Company's shares since their listing.

19. Directors' and Employees' Emoluments

(a) Directors' emoluments

The emoluments paid or payable to each of the directors for the year ended 31st March, 2011 were as follows:

Name of directors	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary incentive payments HK$'000	Retirement benefit schemes contributions HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Executive directors						
Mr. Bill Kwai Pui Mok	–	1,558	155	10	424	2,147
Mr. Chee Seng Chu	–	1,350	98	53	512	2,013
Mr. Wai Keung Lai	–	605	180	10	190	985
Ms. Winnie Wing Kwan Chiu	–	282	40	7	272	601
Non-executive directors						
Tan Sri Dato' David Chiu	–	297	–	–	–	297
Mr. Edmond Hoi Wah Ip	–	1,265	–	10	–	1,275
Mr. Cheong Thard Hoong	–	–	–	–	339	339
Mr. Chi Hing Chan	–	–	–	–	424	424
Independent non-executive directors						
Mr. Abraham Lai Him Shek	83	–	–	–	–	83
Mr. Peter To	83	–	–	–	–	83
Dr. Ngai Wing Liu	83	–	–	–	–	83
	249	5,357	473	90	2,161	8,330

19. Directors' and Employees' Emoluments (Continued)

(a) Directors' emoluments (Continued)

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

Certain executive and non-executive directors of the Company were granted options to subscribe for shares of the Company and FECIL under the share option schemes adopted by the Company and FECIL. Details of the share option schemes are disclosed in note 41.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2010: none) were directors whose emoluments are disclosed above. The emoluments of the remaining three (2010: five) individuals, were as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	**4,215**	4,510
Discretionary or performance-based incentive payments (note)	**902**	751
Contributions to retirement benefit scheme	**110**	60
Share-based payment expense	**729**	–
	5,956	5,321

Note: The performance-based incentive payment is determined as a percentage of the revenue of certain subsidiaries for the two years ended 31st March, 2011.

The employees' emoluments were within the following bands:

	Number of employees 2011	2010
Not exceeding HK$1,000,000	**–**	3
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**2**	–
	3	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 both years. No directors waived any of their emoluments.

20. Property, Plant and Equipment

	Hotels		Leasehold improvement, furniture, fixtures and equipment	
	Completed HK$'000	Under development HK$'000	HK$'000	Total HK$'000
COST				
At 1st April, 2009				
– as originally stated	2,237,191	648,426	83,987	2,969,604
– prior year adjustment	375,502	676,239	–	1,051,741
– as restated	2,612,693	1,324,665	83,987	4,021,345
Addition	47,856	446,558	29,117	523,531
Reclassification on completion of development	204,575	(204,575)	–	–
Reclassified from investment properties	33,205	–	–	33,205
Reclassified to investment properties	(10,366)	–	–	(10,366)
Disposal	–	–	(577)	(577)
Exchange alignment	84,069	4,093	8,134	96,296
At 31st March, 2010 (restated)	**2,972,032**	**1,570,741**	**120,661**	**4,663,434**
Addition	**–**	**283,242**	**68,604**	**351,846**
Reclassification on completion of development	**446,491**	**(504,632)**	**58,141**	**–**
Reclassified to investment properties	**(2,126)**	**–**	**–**	**(2,126)**
Disposal	**–**	**–**	**(1,358)**	**(1,358)**
Disposal of a subsidiary	**(178,699)**	**–**	**(34,870)**	**(213,569)**
Exchange alignment	**86,032**	**12,306**	**11,232**	**109,570**
At 31st March, 2011	**3,323,730**	**1,361,657**	**222,410**	**4,907,797**
DEPRECIATION				
At 1st April, 2009				
– as originally stated	121,400	–	27,965	149,365
– prior year adjustment	26,423	–	–	26,423
– as restated	147,823	–	27,965	175,788
Provided for the year	54,839	–	11,743	66,582
Eliminated on reclassification to investment properties	(1,485)	–	–	(1,485)
Eliminated on disposal	–	–	(309)	(309)
Exchange alignment	5,553	–	3,097	8,650
At 31st March, 2010 (restated)	**206,730**	**–**	**42,496**	**249,226**
Provided for the year	**78,799**	**–**	**18,316**	**97,115**
Eliminated on disposal	**–**	**–**	**(1,333)**	**(1,333)**
Eliminated on disposal of a subsidiary	**(543)**	**–**	**–**	**(543)**
Eliminated on reclassification to investment properties	**(206)**	**–**	**–**	**(206)**
Exchange alignment	**7,147**	**–**	**3,427**	**10,574**
At 31st March, 2011	**291,927**	**–**	**62,906**	**354,833**
CARRYING VALUES				
At 31st March, 2011	**3,031,803**	**1,361,657**	**159,504**	**4,552,964**
At 31st March, 2010 (restated)	2,765,302	1,570,741	78,165	4,414,208
At 1st April, 2009 (restated)	2,464,870	1,324,665	56,022	3,845,557

20. Property, Plant and Equipment (Continued)

The carrying amounts of hotels shown above comprises:

	31.3.2011 HK$'000	31.3.2010 HK$'000 (restated)
Leasehold land and buildings in Hong Kong:		
Long lease	**120,357**	157,554
Medium-term lease	**2,617,325**	2,639,896
Freehold land and buildings outside Hong Kong	**802,684**	774,957
Buildings on leasehold land outside Hong Kong:		
Long lease	**137,557**	101,328
Medium-term lease	**715,537**	662,308
	4,393,460	4,336,043

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

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

The carrying amounts of hotels under development at the end of the reporting period includes capitalised interest expense of HK$45,940,000 (2010: HK$38,679,000).

The Group is in the process of obtaining the title of certain completed hotel properties located in Malaysia with carrying amount of HK$318,317,000 (2010: HK$312,337,000).

During the year ended 31st March, 2011, the Group changed the use of certain floors of a hotel/ commercial complex, which were accordingly transferred from hotel properties (classified as property, plant and equipment and prepaid lease payments) to investment properties at their fair value on the date of transfer.

Hotel properites with carrying amount of HK$4,075,143,000 (2010: HK$3,885,612,000) are under charge to secure bank borrowings of the relevant group entities.

21. Prepaid Lease Payments

	31.3.2011 HK$'000	31.3.2010 HK$'000 (restated)
At 1st April		
– as originally restated	**1,928,646**	1,363,047
– prior year adjustments	**(1,199,210)**	(1,025,318)
– as restated	**729,436**	337,729
Gain on revaluation of prepaid lease payments on transfer to investment properties	**3,176**	8,843
Reclassify to investment properties	**(6,235)**	(14,002)
Reclassify to properties for sale – under development	**(180,608)**	–
Additions	**24,509**	400,146
Amortisation	**(9,167)**	(9,106)
Exchange alignment	**31,250**	5,826
At 31st March	**592,361**	729,436

The carrying value represents leasehold land outside Hong Kong:

Long-term lease with lease period ranging from 83 to 99 years	**297,439**	436,282
Medium-term lease with lease period ranging from 33 to 37 years	**294,922**	293,154
	592,361	729,436

Analysed for reporting purposes as:

Current asset	**12,443**	13,108
Non-current asset	**579,918**	716,328
	592,361	729,436

During the year ended 31st March, 2011, the Group had finalised the development plan in respect of certain leasehold land for hotel development and for residential development, at which time the portion of land costs attributable to the latter amounting to HK$180,608,000 is reliably determinable and allocated to properties for sale.

Pursuant to the change of use of certain floors of a building as disclosed in note 20, the fair value of the leasehold land attributable to these floors was transferred to investment properties at their fair value of HK$6,235,000 (2010: HK$14,002,000). Revaluation gain attributable to these floors recognised in property revaluation reserve upon the transfer to investment properties amounts to HK$3,176,000 (2010: HK$8,843,000) net of deferred tax of HK$794,000 (2010: HK$2,211,000).

Leasehold land with carrying value of HK$592,361,000 (2010: HK$729,436,000) are under charge to secure bank borrowings of the relevant group entities.

22. Investment Properties

	31.3.2011 HK$'000	31.3.2010 HK$'000
At the beginning of the year	**363,954**	358,276
Reclassified from property, plant and equipment and prepaid lease payments	**8,155**	22,883
Increase in fair value	**2,612**	3,486
Reclassified to hotel properties	**–**	(33,205)
Exchange adjustments	**16,194**	12,514
At the end of the year	**390,915**	363,954

The investment properties which are stated at fair value are situated outside Hong Kong under medium-term lease and are under charge to secure bank borrowings of the relevant group entities.

The fair values of the investment properties at the end of the reporting period 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 capitalisation of rental which is estimated by reference to comparable rental as available in the relevant market.

23. Bank Deposits

Pledged deposits carry fixed interest at rates ranging from 0.001% to 0.01% (2010: 0.001% to 0.01%) per annum with maturity date ranging from 1 to 6 months.

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

Bank deposits with maturity of less than three months and bank balances carry floating interest at market rates ranging from 0% to 0.63% (2010: 0% to 2.22%) per annum.

24. Debtors, Deposits and Prepayments

	31.3.2011 HK$'000	31.3.2010 HK$'000
Trade debtors	**45,150**	37,688
Advance to contractors	**17,679**	2,298
Prepayments and other receivables	**41,217**	11,707
	104,046	51,693

The following is an aged analysis of trade debtors based on the invoice date:

	31.3.2011 HK$'000	31.3.2010 HK$'000
0–60 days	**40,546**	30,722
61–90 days	**1,199**	2,084
Over 90 days	**3,405**	4,882
	45,150	37,688

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

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

In determining the recoverability of trade debtors, the Group considers the subsequent settlement and any change in the credit quality of the debtors from the date credit was initially granted up to the end of each reporting period. There is no concentration of credit risk due to the customer base being large and unrelated. The management believes 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 for doubtful debts on the trade debtors provided and the movement during the year are as follow:

	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	**753**	4,408
Impairment losses recognised	**575**	221
Amounts written off as uncollectible	**(164)**	(2,495)
Amounts recovered during the year	**–**	(1,543)
Exchange alignment	**76**	162
Balance at end of the year	**1,240**	753

25. Amounts Due From Parent Entities

	31.3.2011 HK$'000	31.3.2010 HK$'000
Amounts due from ultimate holding company		
Interest free	–	76,790
Interest bearing at 0.5% per annum	–	479,152
	–	555,942
Amounts due from fellow subsidiaries		
Interest free	–	545
	–	556,487

The amount due from ultimate holding company and fellow subsidiaries were unsecured and repayable on demand. During the current year, these amounts, together with those due to the fellow subsidiaries were transferred to immediate holding company.

26. Amount Due From A Related Company

The amount was unsecured, interest free and repayable on demand and had been repaid during the year.

27. Investment Held-for-Trading

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

28. Derivative Financial Instruments

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

Derivative financial instruments are analysed for financial reporting purpose as:

	31.3.2011 HK$'000	31.3.2010 HK$'000
Current assets	377	1,678
Current liabilities	(680)	–
	(303)	1,678

28. Derivative Financial Instruments (Continued)

The major terms of interest rate cap and interest rate swap contracts are set out below.

(a)	Notional amount:	Aggregate total of HK$1,900,000,000
	Maturity:	September, 2013 with an option of early termination by the Group
	Interest payment:	Pay interest at 3 months HIBOR with a maximum capped at 7.5% per annum and receive interest at 3 months HIBOR with upfront payment of HK$19,949,000
	Date of contract:	25th September, 2008
	Effective date:	25th September, 2008
(b)	Notional amount:	Singaporean Dollar ("S$")10,000,000
	Maturity:	December, 2013
	Interest payment:	Pay interest at a fixed rate of 1.46% and receive interest at 3 months Singaporean Dollar Swap Offer Rate
	Date of contract:	28th July, 2010
	Effective date:	7th October, 2010

29. Creditors and Accruals

	31.3.2011 HK$'000	31.3.2010 HK$'000
Trade creditors	**37,869**	24,393
Construction cost and retention payable	**62,217**	19,452
Reservation deposit and receipt in advance	**16,471**	18,803
Other payable and accrued charges	**63,105**	60,910
	179,662	123,558

The following is an aged analysis of the trade creditors:

	31.3.2011 HK$'000	31.3.2010 HK$'000
0–60 days	**28,972**	14,170
61–90 days	**6,983**	8,795
Over 90 days	**1,914**	1,428
	37,869	24,393

30. Amounts Due to Parent Entities

	31.3.2011 HK$'000	31.3.2010 HK$'000
Unsecured amounts due to fellow subsidiaries		
Interest free	–	2,008,730
Interest bearing at 0.5% per annum	–	350,380
	–	2,359,110
Unsecured amount due to ultimate holding company	–	57,189
	–	2,416,299

The repayment of an aggregate amount of HK$423,013,000 at 31st March, 2010 due to Parent Entities is subordinated to the repayment of bank loans which are due in September, 2013, the remaining are repayable on demand.

During the year, these amounts together with those due from the ultimate holding company and fellow subsidiaries were transferred to the immediate holding company and of which HK$1,859,812,000 were capitalised by the issue of ordinary shares as disclosed more fully in note 33(c).

31. Secured Bank Borrowings

	31.3.2011 HK$'000	31.3.2010 HK$'000
Bank loans	**3,588,243**	3,569,012
Less: front-end fee	**(26,573)**	(35,329)
	3,561,670	3,533,683
Analysis for reporting purpose as		
Current liabilities	**464,136**	528,629
Non-current liabilities	**3,097,534**	3,005,054
	3,561,670	3,533,683
The loans are repayable:		
On demand or within one year	**464,136**	528,629
More than one year but not exceeding two years	**253,356**	163,496
More than two years but not exceeding five years	**2,620,867**	2,519,243
More than five years	**249,884**	357,644
	3,588,243	3,569,012

31. Secured Bank Borrowings (Continued)

The ranges of effective interest rates is 0.93% to 7.92% (2010: 1.01% to 7.13%) per annum. The bank loans carry interest at prevailing market rates as follows.

Denominated in	Interest rates	31.3.2011 HK$'000	31.3.2010 HK$'000
HK$	Hong Kong Interbank Offered Rates ("HIBOR") plus 0.85% to HIBOR plus 1.5% (2010: HIBOR plus 0.89% to HIBOR plus 1.5%)	**2,542,655**	2,552,171
Renminbi ("RMB")	110% of 1-year People's Bank of China ("PBOC") Prescribed Interest Rate to 120% of 1 to 3-year PBOC Prescribed Interest Rate (2010: 110% of 1-year PBOC Prescribed Interest Rate to 120% of 1 to 3-year PBOC Prescribed Interest Rate)	**424,518**	410,745
S$	S$ Swap Offered Rate ("SOR") plus 1.85% (2010: S$ SOR plus 1.85%)	**269,430**	271,995
Ringgit Malaysia ("RM")	Malaysia Base Lending Rates ("BLR") plus 1.25% to 1.5% (2010: Malaysia BLR plus 1.25% to 1.5%)	**325,067**	298,772
		3,561,670	3,533,683

32. Deferred Taxation

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

	Accelerated tax depreciation HK$'000	Fair value adjustment of hotel properties HK$'000	Revaluation of investment properties HK$'000	Tax losses HK$'000	Total HK$'000
At 1st April, 2009	39,581	42,085	3,874	(10,748)	74,792
Charge (credit) to profit or loss	2,209	(977)	871	(912)	1,191
Charge to property revaluation reserve	–	–	2,211	–	2,211
At 31st March, 2010	**41,790**	**41,108**	**6,956**	**(11,660)**	**78,194**
Charge (credit) to profit or loss	**5,736**	**(977)**	**653**	**162**	**5,574**
Charge to property revaluation reserve	**–**	**–**	**794**	**–**	**794**
At 31st March, 2011	**47,526**	**40,131**	**8,403**	**(11,498)**	**84,562**

32. Deferred Taxation (Continued)

At 31st March, 2011, the Group had unused tax losses of HK$649,114,000 (2010: HK$684,620,000) available for offset against future profits. A deferred tax asset of HK$11,498,000 (2010: HK$11,660,000) has been recognised in respect of HK$69,685,000 (2010: HK$70,667,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses HK$579,429,000 (2010: HK$613,953,000) due to the unpredictability of future profit streams. Tax loss can be carried forward indefinitely.

As at 31st March, 2011, the Group has deductible temporary differences in relation to accelerated depreciation of property, plant and equipment amounted to HK$261,740,000 (2010: HK$263,679,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

33. Share Capital

	HK$'000
Authorised:	
5,000,000,000 ordinary shares of HK$0.1 each	500,000
Issued and fully paid:	
2,000,000,000 ordinary shares of HK$0.1 each	200,000

At the beginning of the year, the authorised share capital of the Company was HK$390,000 divided into 50,000 ordinary shares of US$1 each with 1 share issued and fully paid at par. The movements of the share capital during the year are as follows:

(a) Pursuant to the resolutions of the shareholders of the Company passed on 10th September, 2010, the authorised share capital of the Company was increased on 11th October, 2010 by the creation of 5,000,000,000 ordinary shares with par value of HK$0.10 each.

(b) On 11th October, 2010, the one issued share of US$1 was repurchased at par by the Company and the unissued shares were cancelled.

(c) On 11th October, 2010, an amount of HK$1,859,812,000 due to the Parent Entities was capitalised by the issuance of 1,730,000,000 ordinary shares of HK$0.1 each at HK$1.075 per share.

(d) On 11th October, 2010, 270,000,000 ordinary shares of HK$0.1 each were issued at HK$2.2 per share giving a total consideration of HK$594,000,000 pursuant to the initial public offering of the Company's shares.

All the shares issued during the year rank pari passu in all respects.

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

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities other than those disclosed above.

34. Disposal of A Subsidiary

On 31st March, 2011, the Group has completed the disposal of its entire interest in Excel Chinese International Limited ("Excel Chinese") to an independent third party at a consideration of HK$290,000,000. Excel Chinese is the owner of a hotel named the Mercer by Kosmopolito, which has commenced operation subsequent to the disposal in April 2011.

Below is an analysis of assets and liabilities of Excel Chinese over which control was lost:

	HK$'000
Property, plant and equipment	213,026
Deposits and prepayments	2,090
Bank balances and cash	171
Creditors and accruals	(7,457)
Net assets disposed of	207,830
Gain on disposal:	
Consideration net of expenses	289,215
Net assets disposed of	(207,830)
Gain on disposal	81,385
Net cash inflow arising from disposal	
Consideration received	289,215
Bank balances and cash disposed of	(171)
	289,044

35. Non-Cash Transaction

1,730,000,000 shares of HK$0.1 each were issued at HK$1.075 per share by capitalisation of an amount of HK$1,859,812,000 due to the Parent Entities as disclosed in note 33(c).

36. Charges on Assets

Bank borrowings with aggregate carrying amount of HK$3,588,243,000 (2010: HK$3,569,012,000) outstanding at the end of the reporting period are secured by a fixed charge over the Group's properties (presented under property, plant and equipment, investment properties, prepaid lease payments and properties for sale) and pledged bank deposits with aggregate carrying values of HK$5,276,235,000 (2010: HK$4,979,002,000) and HK$176,458,000 (2010: HK$4,647,000) respectively together with a floating charge over other assets of property owning subsidiaries and benefits accrued to these properties.

37. Contingent Liabilities

During the year ended 31st March, 2010, a subsidiary of the Company initiated a law suit against the contractor for the unsatisfactory performance in relation to the construction of a hotel in an amount of HK$14,356,000 and in response to the claim, the contractor has filed counterclaims against the subsidiary for an amount of HK$25,841,000. The lawyer of the Company considers that these is a fair chance of winning the lawsuit and accordingly, no provision for potential liability has been made in the consolidated financial statements.

38. Capital Commitments

	2011 HK$'000	2010 HK$'000
Capital expenditure in respect of acquisition, development and refurbishment of hotel properties and other property, plant and equipment:		
– contracted but not provided in the financial statements	**595,557**	315,527
– authorised but not contracted for	**28,177**	271,948

39. Operating Lease Arrangements

The Group as lessor

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

	2011 HK$'000	2010 HK$'000
Within one year	**33,796**	28,757
In the second to fifth years inclusive	**100,657**	81,064
Over five years	**109,335**	120,569
	243,788	230,390

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

The Group as lessee

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

	2011 HK$'000	2010 HK$'000
Within one year	**1,413**	360
In the second to fifth years inclusive	**42**	270
	1,455	630

Included in the amount of operating lease commitment within one year is HK$360,000 with a fellow subsidiary. Leases are negotiated and rentals are fixed for terms ranging from one to three years.

40. Retirement Benefits Schemes

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

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

The Group makes defined contributions to the Employees Provident Fund for qualifying employees in Malaysia under which the Group is required to make fixed contributions under the defined contribution plans to separate entities. The Group has no legal or constructive obligations of further contributions to make up any deficiencies of fund assets to cover all employees benefits relating to their services to the Group.

The Group makes defined contribution to the Singapore Central Provident Fund, whereby the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Total retirement benefit expense charged to profit or loss for the year amounted to HK$14,234,000 (2010: HK$9,869,000).

41. Share Option Scheme

(a) Share option scheme of the Company

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

Without prior approval from the Company's shareholders, (i) the total number of shares to be issued under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue on 11th October, 2010; (ii) the number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company then in issue.

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

41. Share Option Scheme (Continued)

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

As at 31st March, 2011, the number of options which remained outstanding under the share option scheme was 29,699,990 which, if exercise in full, represents 1.46% of the enlarged capital of the Company.

Details of share options, which were granted on 11th October, 2010 at an initial exercise price of HK$2.20 per share, are as follows:

Option type	Vesting period	Exercisable period	Exercise price HK$
Tranche 1	11.10.2010 to 10.10.2011	11.10.2011 to 10.10.2014	2.20
Tranche 2	11.10.2010 to 10.10.2012	11.10.2012 to 10.10.2015	2.20
Tranche 3	11.10.2010 to 10.10.2013	11.10.2013 to 10.10.2016	2.20
Tranche 4	11.10.2010 to 10.10.2014	11.10.2014 to 10.10.2017	2.20
Tranche 5	11.10.2010 to 10.10.2015	11.10.2015 to 10.10.2018	2.20

The movements of the share options during the year are as follows:

Grantee	Option type	Granted during the year	Lapsed during the year	At 31.3.2011
Directors				
Mr. Bill Kwai Pui Mok	Tranche 1	709,090	–	**709,090**
	Tranche 2	709,090	–	**709,090**
	Tranche 3	709,090	–	**709,090**
	Tranche 4	709,090	–	**709,090**
	Tranche 5	709,094	–	**709,094**
		3,545,454	–	**3,545,454**
Mr. Chee Seng Chu	Tranche 1	1,056,818	–	**1,056,818**
	Tranche 2	1,056,818	–	**1,056,818**
	Tranche 3	1,409,091	–	**1,409,091**
		3,522,727	–	**3,522,727**
Mr. Wai Keung Lai	Tranche 1	318,181	–	**318,181**
	Tranche 2	318,181	–	**318,181**
	Tranche 3	318,181	–	**318,181**
	Tranche 4	318,181	–	**318,181**
	Tranche 5	318,185	–	**318,185**
		1,590,909	–	**1,590,909**
Ms. Winnie Wing Kwan Chiu	Tranche 1	454,545	–	**454,545**
	Tranche 2	454,545	–	**454,545**
	Tranche 3	454,545	–	**454,545**
	Tranche 4	454,545	–	**454,545**
	Tranche 5	454,547	–	**454,547**
		2,272,727	–	**2,272,727**

41. Share Option Scheme (Continued)

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

Grantee	Option type	Granted during the year	Lapsed during the year	At 31.3.2011
Mr. Cheong Thard Hoong	Tranche 1	567,272	–	**567,272**
	Tranche 2	567,272	–	**567,272**
	Tranche 3	567,272	–	**567,272**
	Tranche 4	567,272	–	**567,272**
	Tranche 5	567,275	–	**567,275**
		2,836,363	–	**2,836,363**
Mr. Chi Hing Chan	Tranche 1	709,090	–	**709,090**
	Tranche 2	709,090	–	**709,090**
	Tranche 3	709,090	–	**709,090**
	Tranche 4	709,090	–	**709,090**
	Tranche 5	709,094	–	**709,094**
		3,545,454	–	**3,545,454**
Other employees in aggregate	Tranche 1	3,011,357	(181,818)	**2,829,539**
	Tranche 2	3,011,357	(181,818)	**2,829,539**
	Tranche 3	3,363,630	(181,818)	**3,181,812**
	Tranche 4	1,954,539	(181,818)	**1,772,721**
	Tranche 5	1,954,563	(181,818)	**1,772,745**
		13,295,446	(909,090)	**12,386,356**
		30,609,080	(909,090)	**29,699,990**

The fair value of the options at the date of grant determined using the Binomial model is approximately HK$18,001,000. The Group recognised a total expense of approximately HK$3,299,000 in relation to the options granted by the Company during the year.

The variables and assumptions used in computing the fair value of the share options are based on the management's best estimate. The value of an option varies with different variables of a number of subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

The major inputs into the models at the grant date were as follows:

Share price as at grant date	HK$1.88
Exercise price	HK$2.20
Expected volatility	41% – 43%
Expected life	5 years
Risk-free rate	0.886% – 1.739%
Dividend yield	1.5%
Trigger price multiple	2.75 times

The risk-free rate has made reference to the yield of HK Exchange Fund Notes (EFN) as at the grant date. The volatility of the Company's stock was determined by reference to the share price volatilities of companies in similar line of business of the Company and assumed to be constant throughout the option life.

41. Share Option Scheme (Continued)

(b) Share option scheme of FECIL

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

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

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

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

Options granted on 21st October, 2004

Option type	Vesting period	Exercisable period	Exercise price HK$
Tranche 3	21.10.2004 to 31.12.2006	1.1.2007 to 31.12.2014	2.075
Tranche 4	21.10.2004 to 31.12.2007	1.1.2008 to 31.12.2014	2.075
Tranche 5	21.10.2004 to 31.12.2008	1.1.2009 to 31.12.2014	2.075

Options granted on 8th May, 2009

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

41. Share Option Scheme (Continued)

(b) Share option scheme of FECIL (Continued)

The movements in FECIL scheme during the year are as follows:

Grantee	Date of grant	Option type	At 1.4.2009	Granted during the year	Lapsed during the year	At 31.3.2010	Lapsed during the year	At 31.3.2011
Mr. Bill Kwai Pui Mok	21.10.2004	Tranche 3	1,200,000	–	–	1,200,000	–	**1,200,000**
		Tranche 4	1,800,000	–	–	1,800,000	–	**1,800,000**
		Tranche 5	2,000,000	–	–	2,000,000	–	**2,000,000**
			5,000,000	–	–	5,000,000	–	**5,000,000**
Mr. Wai Keung Lai	21.10.2004	Tranche 3	300,000	–	–	300,000	–	**300,000**
		Tranche 4	475,000	–	–	475,000	–	**475,000**
		Tranche 5	525,000	–	–	525,000	–	**525,000**
			1,300,000	–	–	1,300,000	–	**1,300,000**
Mr. Cheong Thard Hoong	8.5.2009	Tranche 1	–	1,850,000	–	1,850,000	–	**1,850,000**
		Tranche 2	–	1,850,000	–	1,850,000	–	**1,850,000**
		Tranche 3	–	1,850,000	–	1,850,000	–	**1,850,000**
		Tranche 4	–	1,850,000	–	1,850,000	–	**1,850,000**
			–	7,400,000	–	7,400,000	–	**7,400,000**
Mr. Chi Hing Chan	21.10.2004	Tranche 3	500,000	–	–	500,000	–	**500,000**
		Tranche 4	1,800,000	–	–	1,800,000	–	**1,800,000**
		Tranche 5	2,000,000	–	–	2,000,000	–	**2,000,000**
			4,300,000	–	–	4,300,000	–	**4,300,000**
Other employees in aggregate	21.10.2004	Tranche 3	300,000	–	–	300,000	–	**300,000**
		Tranche 4	675,000	–	–	675,000	–	**675,000**
		Tranche 5	925,000	–	–	925,000	–	**925,000**
			1,900,000	–	–	1,900,000	–	**1,900,000**
			12,500,000	7,400,000	–	19,900,000	–	**19,900,000**
Weighted average exercise price			2.075	1.500	–	1.861	–	**1.861**
Number of options exercisable at the end of the year								**16,200,000**

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

42. Related Party Transactions

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

	2011 HK$'000	2010 HK$'000
Rental expense to a fellow subsidiary for the use of the latter's office premises	**360**	360
Management fee to fellow subsidiary for provision of corporate management services and office support	**–**	26,429
Service fee to fellow subsidiary for provision of engineering services	**740**	1,740
Interest expense on amounts due to fellow subsidiaries	**237**	1,237
Rental income from a jointly controlled entity of ultimate holding company for the use of the Group's properties	**2,200**	2,400
Interest income on amount due from ultimate holding company	**1,518**	2,429

The related party transactions were carried out on terms mutually agreed between the Group and the relevant related companies. Management services from fellow subsidiary were terminated on 31st March, 2010 and, other related party services have been discontinued upon listing of the shares of the Company on the Stock Exchange. The lease arrangement with a jointly controlled entity of the ultimate holding company was terminated during the year.

In addition,

(a) FECIL has provided guarantees for the Group's bank borrowings of which HK$63,736,000 (2010: HK$3,450,148,000) was outstanding at the end of the reporting period.

(b) A director has provided personal guarantee for the Group's bank loan of which HK$33,522,000 (2010: HK$38,248,000) was outstanding at the end of the reporting period.

Details of the balances with related parties as at the end of the preceding reporting period are set out in the consolidated statement of financial position and their related notes. The amounts were either capitalised or settled during the year.

The remuneration paid and payable to the members of key management who are the five highest paid individuals during the year are disclosed in note 19.

43. Particulars of Principal Subsidiaries

Particulars of the principal subsidiaries, which are wholly-owned by the Company, at the end of the reporting period are as follows:

Name of company	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital*	Principal activities
Direct subsidiaries:			
Caragis Limited	Hong Kong ("HK")	1,000 shares of HK$1 each	Operation of Central Park Hotel
Charter Joy Limited	HK	2 shares of HK$1 each	Operation of Dorsett Seaview Hotel
Complete Delight Limited	The British Virgin Islands (the "BVI")/HK	1 share of USD1	Operation of Dorsett Far East Hotel
Cosmopolitan Hotel Limited	HK	10,000 shares of HK$1 each	Operation of Cosmopolitan Hotel
Dorsett Regency Hotel (M) Sdn. Bhd.	Malaysia	5,000,000 shares of RM1 each	Operation of Dorsett Regency Hotel Kuala Lumpur
Double Advance Group Limited	BVI/HK	1 share of USD1	Operation of Dorsett Kowloon Hotel
Grand Expert Limited	HK	10,000 shares of HK$1 each	Operation of Cosmo Hotel Hong Kong
Hong Kong Hotel REIT Finance Company Limited	HK	1 share of HK$1	Loan financing
Kosmopolito Hotels International (Singapore) Pte. Limited	Singapore	1 share of S$1	Hotel management and consultancy services
Kosmopolito Hotels International Services Limited	HK	2 shares of HK$1 each	Hotel management
Tang Hotel Investments Pte. Ltd.	Singapore	2 shares of S$1 each	Investment holding and development of residential property and Dorsett Regency "On New Bridge", Singapore
The Hotel of Lan Kwai Fong Limited	HK	10,000 shares of HK$1 each	Operation of Lan Kwai Fong Hotel @ Kau U Fong
Vicsley Limited	HK	1,000 shares of HK$1 each	Operation of Central Park Hotel

43. Particulars of Principal Subsidiaries (Continued)

Name of company	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital*	Principal activities
Indirect subsidiaries:			
Ching Chu (Shanghai) Real Estate Development Company Limited*	People's Republic of China ("PRC")	USD8,800,000*	Hotel management services
Esmart Management Limited	HK	2 shares of HK$1 each	Hotel management services
Everkent Development Limited	HK	2 shares of HK$1 each	Development of Dorsett Regency Hotel, Kwun Tong
Hong Kong (SAR) Hotel Limited	HK	10,000 shares of HK$1 each	Development of Dorsett Regency Hotel, Hong Kong
Merdeka Labuan Sdn. Bhd.	Malaysia	105,000,000 shares of RM1 each	Operation of Grand Dorsett Labuan Hotel
Panley Limited	HK	1 share of HK$1	Development of Dorsett Regency Hotel, Kwai Chung
Richfull International Investment Limited	HK	1 share of HK$1	Bar operation
Ruby Way Limited	HK	2 shares of HK$1 each	Operation of Cosmo Hotel Mongkok
Subang Jaya Hotel Development Sdn. Bhd.	Malaysia	245,000,000 shares of RM1 each	Operation of Grand Dorsett Subang Hotel
Success Range Sdn. Bhd.	Malaysia	250,000 shares of RM1 each	Operation of Dorsett Johor Hotel
Tang Suite Pte. Ltd.	Singapore	1 share of S$1	Development of residential property
Venue Summit Sdn. Bhd.	Malaysia	250,000 shares of RM1 each	Operation of Maytower Hotel
武漢遠東帝豪酒店管理有限公司*	PRC	USD29,800,000*	Operation of Wuhan Cosmopolitan Hotel

43. Particulars of Principal Subsidiaries (Continued)

Name of company	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital*	Principal activities
Indirect subsidiaries: (Continued)			
武漢港澳中心物業管理有限公司#	PRC	RMB500,000*	Property management service
遠東帝豪酒店管理(成都)有限公司*	PRC	USD38,000,000*	Development of Kosmopolito City Centre, Chengdu
麗悦酒店管理(上海)有限公司#	PRC	RMB500,000*	Operation of Yue Shanghai Hotel

* Wholly owned foreign enterprise
\# Domestic wholly owned enterprise

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the director, result in particulars of excessive length.

List of Principal Properties

Name of property and location		Lot number	Group's interest	Site area (m^2)
Hong Kong				
1.	Cosmopolitan Hotel No. 387 Queen's Road East Wan Chai	IL 1578RP	100%	1,093
2.	Central Park Hotel No. 263 Hollywood Road Sheung Wan	IL568 s.A. RP. and IL 8412	100%	317
3.	Dorsett Kowloon Hotel [(1)] No. 48 Anchor Street Tai Kok Tsui	KIL 6374	100%	357
4.	Cosmo Hotel No. 375 Queen's Road East Wan Chai	IL 1578 s.Ass1	100%	380
5.	Lan Kwai Fong Hotel @ Kau U Fong No. 3 Kau U Fong Central	IL 8852 RP	100%	377
6.	Dorsett Far East Hotel [(2)] Nos. 135-143 Castle Peak Road Tsuen Wan	Lot No. 2158 in DD 449	100%	632
7.	Dorsett Seaview Hotel [(3)] No. 268 Shanghai Street Yau Ma Tei	KIL 7429, 9701, 9705, 9727, 9769 & 9944	100%	502
8.	Cosmo Hotel Mongkok Nos. 35-43 Ivy Street Tai Kok Tsui	KIL 8050	100%	514
9.	Dorsett Regency Hotel, Hong Kong Nos. 12-22 Davis Street Kennedy Town	IL 905	100%	461
10.	Dorsett Regency Kwun Tong, Hong Kong No. 84 Hung To Road Kwun Tong	KTIL 162	100%	929
11.	Dorsett Regency Kwai Chung, Hong Kong No. 659 Castle Peak Road Kwai Chung	Lot No. 193 Kwai Chung Town	100%	2,323

Notes:

(1) To be rebranded as Silka West Kowloon Hotel, Hong Kong as of 8th July, 2011
(2) To be rebranded as Silka Far East Hotel, Hong Kong as of 8th July, 2011
(3) To be rebranded as Silka Seaview Hotel, Hong Kong as of 8th July, 2011

Approximate gross floor area (m^2)	Type	Stage of completion	Expected completion date
15,895	H	Completed	Existing
4,745	H	Completed	Existing
3,210	H	Completed	Existing
5,546	H	Completed	Existing
5,646	H	Completed	Existing
5,180	H	Completed	Existing
6,065	H	Completed	Existing
6,225	H	Completed	Existing
6,819	H	Completed	Existing
11,141	H	Under development	2011
21,694	H	Under development	2012

Name of property and location		Lot number	Group's interest	Site area (m^2)
China				
1.	Hotel Kosmopolito City Centre, Chengdu Nos. 124-177 Xiyulong Road Qingyang District Chengdu Sichuan Province	N/A	100%	5,866
2.	Wuhan Cosmopolitan Hotel No. 118 Jiang Han Road Jiang An District Wuhan City Hubei Province	N/A	100%	5,339
3.	Yue Shanghai Hotel Nos. 796 and 800 Huamu Road, Pudong New Area Shanghai	N/A	100%	3,990
Overseas				
1.	Dorsett Regency Hotel Kuala Lumpur 172, Jalan Imbi 55100 Kuala Lumpur Malaysia	Lot 1300 Seksyen 0067 held under Title No. GRN 49963 Town and District of Kuala Lumpur Wilayah Persekutuan KL	100%	1,270
2.	Grand Dorsett Subang Hotel Jalan SS 12/1, 47500 Subang Jaya Selangor Darul Ehsan Malaysia	Lot Nos 4244 and 4245 held under title was GRN 38842 and 38843 Mukim of Damansara District of Petaling Selangor	100%	37,782
3.	Grand Dorsett Labuan Hotel 462, Jalan Merdeka, 87029 Federal Territory of Labuan Malaysia	Lot TL No. 207531888, Town of Labuan Federal Territory of Labuan	100%	6,071
4.	Maytower Hotel No. 7, Jalan Munshi Abdullah, 50100 Kuala Lumpur	Lot No. 301 Section 40 held under Title No. GRN 54118 Town and District of Kuala Lumpur Wilayah Persekutuan	100%	2,162
5.	Dorsett Johor Hotel [1] Mukim of Plentong District of Johor Bahru State of Johor	Lot No. 66270 held under Title No. GRN 358714 Mukim of Plentong District of Johor Bahru	100%	4,370
6.	Dorsett Regency Hotel "On New Bridge", Singapore 5 at New Bridge Road Singapore	Lot Nos 777W & 782P Town Subdivision (TS)	100%	4,650

Note:

(1) To be rebranded as Silka Johor Hotel, Malaysia as of 8th July, 2011

Approximate gross floor area (m^2)	Type	Stage of completion	Expected completion date
67,617	H	Under development	2012
67,307	H	Completed	Existing
18,149	H	Completed	Existing
27,753	H	Completed	Existing
43,264	H	Completed	Existing
21,565	H	Completed	Existing
5,623	H	Completed	Existing
8,804	H	Completed	Existing
16,226	H&R	Under development	2013

H – Hotel R – Residential

Financial Summary

	For the year ended 31st March,			
	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**867,100**	616,253	681,905	633,635
Depreciation and amortisation	**(98,166)**	(68,325)	(65,027)	(56,290)
Operating costs	**(296,648)**	(213,944)	(207,829)	(187,782)
Management fee	**–**	(2,239)	(5,322)	(5,903)
Gross profit	**472,286**	331,745	403,727	383,660
Other income	**3,036**	3,162	2,406	3,645
Administrative expenses	**(208,626)**	(166,886)	(160,495)	(126,772)
Management fee	**–**	(28,169)	(29,537)	(31,691)
Pre-opening expenses	**(1,403)**	(6,517)	(1,876)	(1,432)
Other gains and losses	**(18)**	(1,104)	(25,375)	85,666
Gain on disposal of a subsidiary	**81,385**	–	–	–
Listing expenses	**(22,506)**	–	–	–
Finance costs	**(88,430)**	(76,612)	(90,225)	(56,185)
Profit before taxation	**235,724**	55,619	98,625	256,891
Income tax expense	**(27,320)**	(9,806)	(11,948)	(30,415)
Profit for the year	**208,404**	45,813	86,677	226,476

	For the year ended 31st March,			
	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
Profit before taxation	**235,724**	55,619	98,625	256,891
Interest income	**(1,725)**	(2,467)	(2,258)	(2,612)
Finance costs	**88,430**	76,612	90,225	56,185
Depreciation and amortisation	**98,166**	68,325	65,027	56,290
EBITDA	**420,595**	198,089	251,619	366,754
Pre-opening expenses	**1,403**	6,517	1,876	1,432
Management fees	**–**	30,408	34,859	37,594
Change in fair value of investment properties	**(2,612)**	(3,486)	6,304	(21,807)
Change in fair value of derivative financial instruments	**1,949**	6,577	11,694	–
Other non-recurring items[1]	**(58,879)**	–	7,200	(66,140)
Adjusted EBIDTA	**362,456**	238,105	313,552	317,833
Adjusted EBIDTA margin[2]	**42%**	39%	46%	50%

	At 31st March,			
	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES				
Total assets	**6,892,305**	6,340,759	5,288,860	3,852,279
Total liabilities	**(3,995,571)**	(6,156,754)	(5,190,060)	(3,586,445)
	2,896,734	184,005	98,800	265,834

Notes:

(1) Other non-recurring items consist of listing expenses and gain from the Group's sale of its interest in the hotel "The Mercer by Kosmopolito".

(2) Adjusted EBITDA margin = Adjusted EBITDA/revenue

Glossary

"AGM"	the forthcoming annual general meeting of the Company to be convened and held on 8th September, 2011 at 10:00 a.m. at Xinhua Room, Mezzanine Floor, Cosmopolitan Hotel, 387-397 Queen's Road East, Wan Chai, Hong Kong
"Articles of Association"	the articles of association of the Company, as amended from time to time
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"CG Code"	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
"Companies Law"	the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Company"	Kosmopolito Hotels International Limited, a company incorporated under the laws of the Cayman Islands and the Shares of which are listed on the Main Board of the Stock Exchange
"Controlling Shareholder"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	director(s) of the Company
"Excel Chinese"	Excel Chinese International Limited (卓雄國際有限公司), a limited liability company incorporated in Hong Kong and was previously a wholly owned subsidiary of the Company which owned and developed "The Mercer by Kosmopolito" hotel. The Group completed the disposal of its entire interests in Excel Chinese on 31st March, 2011, relevant information of which was disclosed in the announcements of the Company dated 1st December, 2010 and 31st March, 2011
"FECIL"	Far East Consortium International Limited, a company incorporated under the laws of the Cayman Islands and the shares of which are listed on the Main Board of the Stock Exchange, the indirect controlling shareholder of the Company within the meaning of the Listing Rules and a substantial shareholder of the Company within the meaning of Part XV of SFO
"FECIL Group" or "Parent Entities"	FECIL and its subsidiaries (other than the Group)
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"IPO"	the initial public offering of the Shares on the terms and conditions as described in the Prospectus
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	11th October, 2010, the date on which dealings in the Shares first commenced on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Permitted Mixed Development"	(i) the development of any hotel within Plaza Damas 3 and Cheras Central, both in Malaysia, which is currently being developed by one of Tan Sri Dato CHIU, David's associates, Malaysia Land Properties Sdn. Bhd., and (ii) a mixed development project (i.e. comprising both a residential and commercial development), which does not include a hotel development as part of its development plans
"PRC" or "China"	the People's Republic of China and, for the purpose of this annual report and unless otherwise stated, references in this annual report to the PRC do not include Taiwan, Hong Kong or Macau Special Administrative Region of the PRC
"Previous Year" or "FY2010"	the financial year of the Company from 1st April, 2009 to 31st March, 2010
"Prospectus"	the prospectus dated 28th September, 2010 published by the Company
"Restricted Activity"	hotel investment, operation, management and development (save for any Permitted Mixed Development)
"RevPAR"	revenue per available room, room revenue of a hotel or hotels (including related service charges) during a period divided by the Total Available Room Nights of such hotel or hotels during the same period
"S$"	Singapore dollars, the lawful currency of Singapore
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Year" or "FY2011"	the financial year of the Company from 1st April, 2010 to 31st March, 2011
"%"	per cent.

KOSMOPOLITO
Hotels International