DORSETT
HOSPITALITY INTERNATIONAL
帝 盛 酒 店 集 团

Incorporated in the Cayman Islands with limited liability
於開曼群島註冊成立之有限公司
HKEx Stock Code 香港交易所股份代號：2266

年報
ANNUAL REPORT
2012-2013

Silka hotels

d. COLLECTION

DORSETT HOTELS & RESORTS

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Corporate Information

Executive Directors

Ms. CHIU, Wing Kwan Winnie *(President)*
Mr. LAI, Wai Keung

Non-Executive Directors

Tan Sri Dato' CHIU, David *(Chairman)*
Mr. HOONG, Cheong Thard
Mr. CHAN, Chi Hing

Independent Non-Executive Directors

Mr. SHEK, Lai Him Abraham
Mr. TO, Peter
Dr. LIU, Ngai Wing
Mr. ANGELINI, Giovanni

Audit Committee

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

Corporate Governance Committee

Ms. CHIU, Wing Kwan Winnie *(Chairman)*
Mr. LAI, Wai Keung
Mr. HOONG, Cheong Thard
Mr. CHAN, Chi Hing

Remuneration Committee

Mr. TO, Peter *(Chairman)*
Mr. SHEK, Lai Him Abraham
Dr. LIU, Ngai Wing
Mr. ANGELINI, Giovanni
Tan Sri Dato' CHIU, David
Ms. CHIU, Wing Kwan Winnie

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

Ms. MUI, Ngar May Joel

Registered Office

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

Headquarters and Principal Place of Business in Hong Kong

6th Floor, Unicorn Trade Centre
127-131 Des Voeux Road Central
Central
Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road
George Town
Grand Cayman KY1-1110
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

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Solicitors

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

Cayman Islands
Maples and Calder

Malaysia
Syed Alwi, Ng & Co.

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

United Kingdom
Oversea-Chinese Banking Corporation
Limited

Listing Information

Ordinary Shares (Stock Code: 2266)
Bonds due 2018 (Bond Stock Code: 85917)
The Stock Exchange of Hong Kong Limited

Website

http://www.dorsett.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

		2013 HK$'000	2012 HK$'000
Revenue		1,152,942	1,096,097
Profit for the year		647,456	605,092
Earnings per share – basic and diluted	HK$	0.3237	0.3025
Net operating profit (1)		498,892	509,419
Net operating margin (2)		43.3%	46.5%
After adjustment for hotel revaluation surplus (3)			
Net assets attributable to shareholders		13,245,168	11,169,716
Net debt to equity		22.6%	24.6%
Net assets attributable to shareholders per share	HK$	6.62	5.58
Proposed final dividend	HK$	0.08	0.10

Notes:

(1) Net operating profit = profit before taxation, interest income, finance costs, depreciation and amortisation, pre-opening expenses, change in fair value of investment properties, change in fair value of derivative financial instruments, change in fair value of financial assets at fair value through profit or loss and other non-recurring items

(2) Net operating margin = Net operating profit/revenue

(3) Revaluation surplus for its hotel properties was not recognised in the consolidated financial statements as the Group has elected the cost model instead of revaluation model as its accounting policy

Highlights of the Final Results

- Revenue for the Year grew to HK$1,152.9 million, up 5.2% from last year, primarily driven by continued revenue growth in Hong Kong and the PRC.

- During the Year, the Group recorded a gain of HK$458.4 million on disposal of a property holding subsidiary.

- Profit for the Year increased by 7.0% to HK$647.5 million from HK$605.1 million last year.

- Hotel revaluation surplus as at 31 March 2013 of HK$9,459.3 million was not reflected in the Group's consolidated financial statements. This compared to HK$7,749.9 million revaluation surplus at the end of the last financial year. The significant increase in revaluation surplus is predominantly attributable to the appreciation of hotel properties in Hong Kong and Singapore.

- Adjusting for hotel revaluation surplus, net assets attributable to shareholders per share increased to HK$6.62 as at 31 March 2013, representing 18.6% increase as compared to last year.

- The Board proposes a final dividend of HK8 cents per share, together with the interim dividend of HK4 cents per share, bringing the total dividend payout for the Year to HK12 cents per share. This represents 36.8% of total distributable profit, which compares with 39.7% last year. Shareholders of the Company have an option to receive cash in lieu of the new shares of the Company for the proposed final dividend.

Chairman's Statement and President's Report

Chairman's Statement

Dear Shareholders,

I am delighted to report that Dorsett Hospitality International Limited ("Dorsett", together with its subsidiaries, the "Group") has achieved another year of outstanding financial and operational performance. Not only did the Group achieve a record profit, the Group made significant progress in opening new hotels and developing our internal infrastructure. During the past financial year, we added Dorsett Kwun Tong, Hong Kong, Dorsett Grand Chengdu, and Dorsett Singapore to our list of operating hotels. With these new hotel openings, Dorsett now owns and operates over 5,000 rooms.

Our pipeline of new hotels continues to be robust as more hotels are scheduled to open for business. With these additions, we will have a total room inventory of over 7,000 across Asia Pacific and in London.

The significant increase in mainland Chinese travellers has driven expansion in the travel industry. Although there are signs of an economic slowdown, the growth in the mainland China middle class, which is the driving force for outbound tourism, remains strong. More than ever, I believe our "Chinese Wallet" strategy, and our focus on the 3-4 star segment, is the right strategy.

We have developed a bespoke business model of developing, owning and operating hotels. Over the years, we have gained significant skillsets in designing and developing hotels. This wealth of experience enables us to deliver hotel products at lower cost than our competitors, making our business more sustainable. We have also accumulated significant surplus over book cost in our hotel portfolio. As a result, I believe our ability to withstand any downturn in the economy will be stronger than other operators.

As international travel by our mainland Chinese customers grow, we too are expanding abroad. We made the decision a number of years ago to enter the Singapore and London markets. We continue to see good opportunities in the London market where we believe we can repeat our business model creating significant value as we develop hotels. In Hong Kong, although high land price is making it more difficult to achieve the significant value creation that we were able to enjoy, the barrier of entry is higher for our competitors. We will continue to be prudent in screening new investment opportunities and selective in making investment decisions. In mainland China, we will focus our efforts in acquiring distressed hotel assets in primary cities.

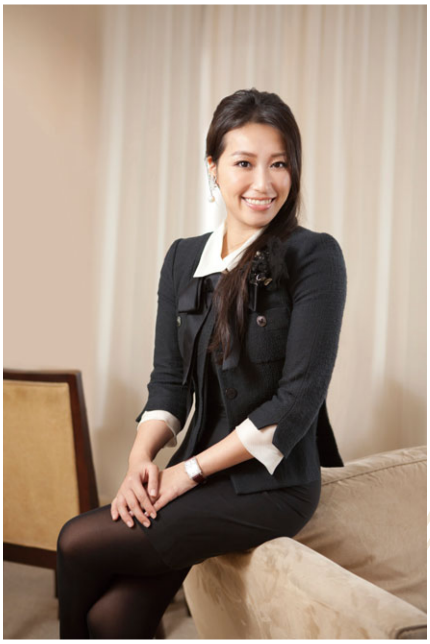
As we have demonstrated in the past, we are able to recycle capital by disposing assets which lack critical mass or are non-strategic in location. When opportunities arise, we will consider re-balancing our portfolio and I believe the significant value embedded in our hotel assets can be unlocked in the process.

Our success would not have been possible without the dedication and commitment of our management team and employees. We will continue to keep a lean and efficient structure but reward our staff well.

Finally, on behalf of the Board, I would like to thank the management and staff members of Dorsett for their contribution and loyal service throughout the year.

Tan Sri Dato' CHIU, David
Chairman

President's Report



I am pleased to announce our annual consolidated financial results and outlook of the Group for the financial year 2013.

The Group's revenue increased to HK$1,152.9 million, representing a 5.2% growth from the year prior. Profit for the year increased by 7% year-on-year, reaching HK$647.5 million, primarily driven by continued revenue growth in Hong Kong and Mainland China. Hong Kong, in particular, achieved an occupancy rate of 93.3% for the last financial year, which outperformed the market average of 89% for all hotels in Hong Kong for 2012 (announced by Hong Kong Tourism Board). The Group recorded a gain of HK$458.4 million on assets disposal. Earnings per share (basic and diluted) amounted to HK$0.3237, versus HK$0.3025 from the year prior.

Hotel revaluation surplus as at 31 March, 2013, stood at HK$9,459.3 million, compared to HK$7,749.9 million at the end of the last financial year. The significant increase in revaluation surplus is predominately attributable to the appreciation of value in hotel properties in Hong Kong and Singapore. Taking into consideration the substantial revaluation surplus, which is not reflected in the financial statements, we maintain a low net debt to total equity of 22.6%.

We officially announced the rebranding of the Group to Dorsett Hospitality International Limited (HKSE:2266), creating three distinct brands: Dorsett Hotels & Resorts (upscale and midscale hotels), d.Collection (boutique hotels), and Silka (value hotels). We strongly believe in our multi-brand strategy and we continue our quest to create more value for our guests.

Our business continues to be supported by our "Chinese Wallet" strategy, as mainland Chinese travellers aspire to travel to more global destinations. Rapid urbanization, rising disposable income and the relaxation of government restrictions on foreign travel have contributed to the growing demand in the hospitality sector. According to the Hong Kong Tourism Board, between January and March of 2013, Hong Kong saw 12.74 million total visitors, reflecting a 13.5% growth from the same period last year. Of that 12.74 million, 9.5 million were from Mainland China.

Six new projects are under development in the pipeline over the next three years, spanning our presence in Hong Kong, Malaysia, Mainland China, Singapore, and the United Kingdom. The Group will continue to look for new expansion opportunities that will further enhance shareholder value.

In April 2013, the Group successfully completed its inaugural bond issue by raising RMB850 million of a 5-year issue with 6% coupon. This allows the Group to diversify its financing source at an attractive funding level.

At Dorsett, we pride ourselves for being innovative and at the forefront of the hospitality business. Reflective of this mantra was the signing of an affiliation agreement with Diamond Resorts International Limited ("Diamond Resorts"). Diamond Resorts is one of the largest vacation-ownership companies in the world, and we believe the affiliation agreement between Dorsett and Diamond Resorts will help expand our brand's reach by tapping Diamond Resorts' existing network of members, bringing more tourism related business to Asia.

Our people are our most important assets. The Group's growth and competitiveness depend on attracting qualified, committed, dynamic employees, so that our strategic objectives can be achieved. Recognition and accolades to our staff's hard work are shown through the many hotel awards we've won this year, including 9 of the coveted "Certificate of Excellence Award" by TripAdvisor. Our Group was also selected for the "Best Managed Company in Hong Kong – Small Cap Company Award 2012" by Asiamoney Magazine.

Our achievements would not be possible without the teamwork and dynamic synergy within the Group and our hotels. I gratefully acknowledge the hard work, dedication and loyalty of all our employees, as well as the support and guidance provided by my fellow Board members. Furthermore, I'd like to thank all our stakeholders for their continuous support of Dorsett. We look forward to delivering more value and growth, as demonstrated by our successful track record.

CHIU, Wing Kwan Winnie
President and Executive Director

Profile of Directors

Ms. CHIU, Wing Kwan Winnie

Aged 33, has been an Executive Director since 8 June 2010 and the President of the Company since 1 November 2011. She is a member of the Remuneration Committee and Executive Committee, and the Chairman of the Corporate Governance Committee. She 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.

Ms. Chiu has accumulated over 10 years of experience in the property development business covering various aspects of project development and retail management. Since 2002, she has been a director of Malaysia Land Properties Sdn. Bhd. ("Mayland") responsible for the overall project development and retail management of Mayland. She led all stages of development for Plaza Damas, an iconic mixed used development of Mayland in Kuala Lumpur, Malaysia. Since 2005 and up to the Listing Date, Ms. Chiu was a director of property development of FECIL where she had responsibility for overall project development and oversaw FECIL's hotels development in Hong Kong, PRC, Malaysia and Singapore. Prior to joining Mayland and FECIL, she worked for few major international banks where she gained financial management experience. Since 17 July 2008, she 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 and is principally engaged in property development and investment in plantation, education and leisure sectors.

Ms. Chiu is a member of the board of governors of the Hong Kong Philharmonic Society Limited. She is the daughter of Tan Sri Dato' David Chiu, a Non-executive Director, the Chairman of the Board and a substantial shareholder of the Company within the meaning of Part XV of the SFO.

Mr. LAI, Wai Keung

Aged 48, has been an Executive Director since 8 June 2010 and the Chief Operating Officer, Hong Kong and China since 1 June 2010. He is a member of the Corporate Governance Committee and Executive Committee. He 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.

Mr. Lai has more than 10 years of experience in the hotel industry. In 1989, he joined the finance and accounting department of FECIL as an accountant and internal auditor. In 2002, he was appointed as financial controller of Kosmopolito Hotels International Services Limited (presently known as Dorsett Hospitality International Services Limited) and was responsible for the overall finance and accounting matters of the company, and in 2006, he became the director of hotel operations, where major duties included managing the group's operations, 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.

Profile of Directors

Tan Sri Dato' CHIU, David

Aged 59, is a Non-executive Director, the Chairman of the Board, the Chairman of the Nomination Committee and a member of the Remuneration Committee. He was appointed as Director on 23 January 2007 and is also a director of certain subsidiaries of the Company. 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 the SFO.

Tan Sri Dato' David Chiu graduated from the University of Sophia in Japan with a double degree of Bachelor of Science in Business Administration and Economics in 1975.

Tan Sri Dato' David Chiu has over 30 years of experience in property development and extensive experience in hotel development. In his business career, he established a number of highly successful business operations through organic growth and acquisitions, covering mainland China, Hong Kong, Japan, Malaysia, Singapore and Australia. He is the chief executive officer, an executive director and the chairman of FECIL. He has also been the chairman of the board of directors of Agora Hospitality Group Co., Ltd. (formerly known as Tokai Kanko Co., Ltd.), a company listed on the first section of the Tokyo Stock Exchange, since September 1997. He is the chairman and founder of Malaysia Land Properties Sdn. Bhd., which is one of the largest condominium developers in Malaysia.

With regard to Tan Sri Dato' David Chiu's devotion to the community, he is a trustee member of "The Better Hong Kong Foundation" and the former chairman of "the Festival Celebration for the Chinese People's Liberation Army Force" in Hong Kong. He is the counsellor of the China-United States Exchange Foundation. He is also a member of the "Concerted Efforts Resource Centre", a member of "Hong Kong General Chamber of Commerce", a member of the "Constitutional Reform Synergy" and a member of "The Real Estate Developers Association of Hong Kong". He is the director and school management committee member of Ju Ching Chu School (Kwai Chung) (Yuen Long) (Tuen Mun) in Hong Kong. He is also the honorary President of Hong Kong Guangdong Chamber of Foreign Investors and a member of the 12th National Committee of the Chinese People's Political Consultative Conference.

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 and the President of the Company.

Profile of Directors

Mr. HOONG, Cheong Thard

Aged 44, has been a Non-executive Director since 8 June 2010 and is a member of the Corporate Governance Committee. He is also a director of certain subsidiaries of the Company.

Mr. Hoong 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.

Mr. Hoong has over 12 years of experience in the corporate finance and investment banking industry in Asia. 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, he worked for Deutsche Bank AG, Hong Kong Branch as a director. From 2006 to 2008, he 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. He is currently a non-executive director of China LotSynergy Holdings Limited. He joined FECIL as managing director in September 2008 and has been appointed as an executive director of FECIL with effect from 31 August 2012. He is the president and director of Agora Hospitality Group Co., Ltd. (formerly known as Tokai Kanko Co., Ltd.), a company listed on the first section of the Tokyo Stock Exchange, since 27 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 1 June 2010. He is a member of the Institute of Chartered Accountants in England and Wales.

Mr. CHAN, Chi Hing

Aged 49, is a Non-executive Director and a member of each of the Nomination Committee and Corporate Governance Committee. He was appointed as Director on 23 January 2007 and is also 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 the SFO.

Mr. Chan has over 10 years of experience in the hotel industry. He 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 has been appointed as an executive director of FECIL with effect from 31 August 2012. He is responsible for the Hong Kong and the Mainland China based activities of FECIL with emphasis on commercial management, property development and investment, and project development. He is also responsible for the industrial and infrastructure businesses of FECIL in the PRC. 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 21 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. He is a member of the Hong Kong Institute of Project Management. He is also a fellow member of the Hong Kong Institute of Directors.

Profile of Directors

Mr. SHEK, Lai Him Abraham

Aged 67, has been an Independent Non-executive Director since 10 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 is currently a member of Legislative Council for the Hong Kong Special Administrative Region, the Court and Council of The University of Hong Kong and the Court of The Hong Kong University of Science & Technology, and the vice chairman of Independent Police Complaints Council.

Mr. Shek is currently a non-executive director of The Hong Kong Mortgage Corporation Limited. He is also the chairman and an independent non-executive director of Chuang's China Investments Limited, the vice chairman and an independent non-executive director of ITC Properties Group Limited, 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 Real 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 Ltd., China Resources Cement Holdings Limited and Lai Fung Holdings Limited, all of which are companies listed on the Main Board of the Stock Exchange.

Mr. TO, Peter

Aged 65, has been an Independent Non-executive Director since 10 September 2010 and is the Chairman of the Remuneration Committee, and a member of each of the Audit Committee and Nomination Committee.

Mr. To 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 3 August 1999 to 30 June 2002, its deputy chairman from 3 August 1999 to 10 June 2001 and served as its consultant from 11 June 2001 to 31 October 2003. He was the chief executive officer and executive director of Pacific Century Regional Developments Limited, a company listed on the Singapore Stock Exchange, from 1997 to 2002. He was also a non-executive director of the Urban Renewal Authority from 1 May 2007 to 30 April 2013. He has been active in the property development and investment industry for more than 30 years.

Profile of Directors

Dr. LIU, Ngai Wing

Aged 62, has been an Independent Non-executive Director since 10 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, a Doctor of Business Administration Degree from Curtin University of Technology, a Master of Arts Degree in China Studies from The Hong Kong University of Science and Technology, a Master of Arts Degree in Asian and International Studies from City University of 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 1 November 1998 to 22 May 2008 and chief executive officer from 1 November 1998 to 9 March 2000. He has been an independent non-executive director of Daiwa Associate Holdings Limited, a company listed on the Main Board of the Stock Exchange, since 17 September 2004.

Mr. ANGELINI, Giovanni

Aged 67, has been an Independent Non-executive Director since 6 March 2012 and is a member of the Remuneration Committee.

Mr. Angelini is a senior and well respected professional within the hospitality industry world-wide with experience of over 46 years.

Before retirement, Mr. Angelini has spent 19 years with Shangri-La Hotels and Resorts including over 9 years as chief executive officer and managing director of the Global Management Group and executive director of Shangri-La Asia Limited, a company listed on the Main Board of the Stock Exchange. During his term of service, the group expanded from 17 hotels to 65 operating hotels plus over 35 new projects under development in various locations.

Before joining Shangri-La, Mr. Angelini has worked for 15 years with Westin Hotels and Resorts holding several key positions including the senior vice president for Asia-Pacific supervising the operating hotels and the development activities within the region.

Prior to Westin, Mr. Angelini was associated with a number of prestigious hotels and well known groups including the Americana Hotels, the Hong Kong and Shanghai Hotels and several other well known hotels in North and Central America, Europe and his native country Italy.

Mr. Angelini holds memberships of many industry-related organizations and quality management groups. He is a recipient of Lifetime Achievement Awards multiple times, Corporate Hotelier of the World (2006), an Honorary Degree of Doctor of Business Administration in Hospitality Management by the Johnson & Wales University (Honoris Causa) in the USA, and, in particular, a knighthood from the Italian Government and several others. He is currently an independent consultant to the travel and tourism industry.

Management Discussion and Analysis

Management Discussion and Analysis

Business and Operational Review

The global economy continued to be uncertain during the reporting year. Despite a challenging macro-economic environment, the Group achieved growth in revenue for the financial year ended 31 March 2013 with net profit for the Year reaching HK$647.5 million (2012: HK$605.1 million). Hong Kong operations continued to be the key driver of the Group's performance amongst all regions.

Acquisitions and Disposals

The Group has completed the following significant transactions during the Year:

In April 2012, the Group acquired the Big Orange industrial building located at Kwai Chung, Hong Kong from an independent third party at a consideration of HK$210.0 million. Located at the densely populated Kwai Chung district and well served by public transportation, the Group intends to convert the property into a 420-guestroom hotel, which will be branded as an additional member to the Group's three-star Silka series of hotels, namely "Silka Tsuen Wan, Hong Kong".

To demonstrate the value of the Group's assets, in September 2012, the Group monetised and completed the disposal of Hong Kong (SAR) Hotel Limited ("HKSAR Hotel") holding Dorsett Regency Hotel, Hong Kong ("Dorsett Regency HK") which is located in Kennedy Town, Hong Kong for an aggregate consideration of approximately HK$801.5 million. The disposal resulted in a gain of approximately HK$458.4 million. Further to the disposal, the Group entered into a management contract with HKSAR Hotel to manage the Dorsett Regency HK.

Pursuing the "Chinese Wallet" strategy, the Group continued to expand its hotel portfolio in selected strategic regions in the United Kingdom ("UK") with the acquisition of a property which is currently an office building situated above the Aldgate underground station on London underground's Circle Line and Metropolitan Line for a consideration of approximately £14.1 million (equivalent to approximately HK$178.4 million) in October 2012. The Group intends to redevelop the property into a hotel, to be named "Dorsett City, London".

Business & Project Development

On the existing portfolio, Dorsett Kwun Tong, Hong Kong (361 rooms) commenced operations in August 2012, whilst Dorsett Grand Chengdu (556 rooms) and Dorsett Singapore (285 rooms) also started trial operations during the Year.

The six owned hotels under development are largely progressing as planned:

Company Owned Hotels For/Under Development[1]	Location	Target market segments[1]	Total rooms[1]	Commencement[1]
Dorsett Tsuen Wan, Hong Kong	Hong Kong	mid-scale	547	3rd quarter of FY2014
Dorsett Shepherds Bush, London[2]	UK	mid-scale	317	4th quarter of FY2014
Dorsett Grand Zhuji[3]	PRC	up-scale	200	3rd quarter of FY2015
Dorsett Zhongshan[4]	PRC	mid-scale	416	4th quarter of FY2015
Silka Tsuen Wan, Hong Kong	Hong Kong	value	420	2nd quarter of FY2016
Dorsett City, London[5]	UK	mid-scale	275[6]	3rd quarter of FY2016

(1) The hotel names, target market segments, total rooms and commencement may change.
(2) Previously known as Dorsett London.
(3) The Group owns 25% interest of the hotel.
(4) The Group is in the process of obtaining the title certificates for Dorsett Zhongshan.
(5) Previously known as The Matrix.
(6) Total rooms of approximately 275 are subject to planning approval and finalization of conversion plan.

Management Discussion and Analysis

Rebranding

In order to further strengthen the Group's brand awareness and reinforce competitive advantage, several high level changes to the overall brand architecture were made. The English name of the Company has been changed from "Kosmopolito Hotels International Limited" to "Dorsett Hospitality International Limited" and the Chinese name of the Company has been changed from "麗悅酒店集團有限公司" to "帝盛酒店集團有限公司" with effect from 31 August 2012. The change of name is an important part of the brand alignment exercise which will strengthen the brand awareness for marketing efficiency and will be essential to the Group's further expansion through development, acquisition and management contracts. Furthermore, individual hotels are also under a tentative timetable to change their names.

To enhance our brand architecture, the Group has consolidated the hotel portfolio and divided it into three brands that cover different market segments – boutique range "d. Collection", a series of upscale, charismatic hotels in prime locations carefully chosen for their proximity to the pulse of each city, focusing on business travellers; "Dorsett Hotels & Resorts", comprising the upscale Dorsett Grand hotels which offer tasteful and rich hospitality experience, midscale Dorsett Hotels which are contemporary urban hotels in central locations, focusing on business and leisure travellers; and the value-led "Silka Hotels" famed for convenience, speedy service and attractive room rates, focusing on leisure travellers.

Review of Consolidated Statement of Comprehensive Income

(a) Revenue

The Group generates revenue primarily from operating income from hotel guest rooms, food & beverage outlets, meeting/conference facilities as well as rental income from leasing of various types of commercial space to hotel customers and lease tenants. All revenue is presented on an ex-business tax basis (where such taxes are levied in the countries at which the hotels are situated).

Overall revenue of the Group grew by 5.2% to HK$1,152.9 million for the Year (2012: HK$1,096.1 million) primarily driven by continued revenue growth in Hong Kong and the PRC.

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

	2013		2012	
	HK$'000	% of Total	HK$'000	% of Total
Hong Kong				
Room revenue	689,676		656,512	
Food and beverage revenue	21,403		14,853	
Leasing revenue	14,198		12,627	
Other revenue	19,435		23,874	
Total	744,712	64.6%	707,866	64.6%
PRC				
Room revenue	73,131		51,498	
Food and beverage revenue	15,484		12,553	
Leasing revenue	29,453		28,089	
Other revenue	2,022		1,929	
Total	120,090	10.4%	94,069	8.6%
Malaysia				
Room revenue	168,040		172,560	
Food and beverage revenue	101,605		104,484	
Leasing revenue	3,897		4,155	
Other revenue	14,598		12,963	
Total	288,140	25.0%	294,162	26.8%
Group Total				
Room revenue	930,847	80.8%	880,570	80.4%
Food and beverage revenue	138,492	12.0%	131,890	12.0%
Leasing revenue	47,548	4.1%	44,871	4.1%
Other revenue	36,055	3.1%	38,766	3.5%
Total	1,152,942	100.0%	1,096,097	100.0%

The average room rate ("ARR") of owned hotels in Hong Kong in the Year increased by 2.9% year-on-year while the occupancy ("OCC") recorded a 2.7% point year-on-year decrease. The overall revenue per available room ("RevPAR") was HK$930, maintaining at a similar level to that of the previous financial year. Dorsett Kwun Tong, Hong Kong commenced operations in August 2012 and has a comparably lower than average OCC and ARR during its ramp up period which adversely impacted the overall RevPAR in Hong Kong region. In addition, following the devastating earthquake in Japan and the floods in Thailand in year 2011, the Group's Hong Kong operations achieved exceptionally high OCC of 96.0% for the last financial year as Hong Kong attracted more inbound demand. The Group achieved a more normalized OCC of 93.3% for the Year which outperformed the market average OCC of 89% for all hotels in Hong Kong for year 2012 announced by Hong Kong Tourism Board.

For the financial year under review, the momentum of revenue growth in the PRC region continued from last year. Dorsett Wuhan achieved better results with RevPAR growth of 40.4% over the last financial year which was primarily driven by a 17.4% point increase in OCC. Dorsett Shanghai continued to register a remarkable year-on-year growth in RevPAR and OCC of 31.4% and 15.1% point respectively. Overall RevPAR for the PRC region attained an encouraging increase of 32.3% over the same period of the last financial year.

In Malaysia, the decrease in international events and downscaling of service by national carriers and budget airlines led to a drop in leisure travellers, which affected the performance of our hotels. Although the Group managed to increase the overall ARR by a slight increase of 0.8% for the reporting year, OCC recorded a year-on-year decrease of 6.2% point resulting in overall decrease in RevPAR by 7.3% as compared to the last financial year.

Management Discussion and Analysis

The key revenue indicators for the reporting year are as follows:

	2013	2012
Owned		
Hong Kong		
Available Room Nights	740,220	705,512
Occupied Room Nights	690,566	677,103
Occupancy rate	93.3%	96.0%
Average room rate (HK$)	997	969
RevPAR (HK$)	930	930
PRC		
Available Room Nights	201,480	192,500
Occupied Room Nights	141,524	103,714
Occupancy rate	70.2%	53.9%
Average room rate (HK$)	549	541
RevPAR (HK$)	385	291
Malaysia		
Available Room Nights	491,111	468,759
Occupied Room Nights	336,032	349,523
Occupancy rate	68.4%	74.6%
Average room rate (HK$)	498	494
RevPAR (HK$)	341	368
Managed		
Hong Kong		
Available Room Nights	47,215	37,454
Occupied Room Nights	39,148	29,854
Occupancy rate	82.9%	79.7%
Average room rate (HK$)	1,441	1,534
RevPAR (HK$)	1,195	1,223
Group Total		
Available Room Nights	1,480,026	1,404,225
Occupied Room Nights	1,207,270	1,160,194
Occupancy rate	81.6%	82.6%
Average room rate (HK$)	820	802
RevPAR (HK$)	668	663

(b) Segment results

Details of the segment information are provided in Note 8 to the consolidated financial statements. Consolidated profit before taxation for the Year rose 2.8% to HK$692.3 million (2012: HK$673.4 million).

Hong Kong operations continued to be the key profit contributor of the Group generating segment profit of HK$702.9 million, representing 6.5% year-on-year increase (2012: HK$660.3 million). During the Year, the Group disposed of HKSAR Hotel which owns Dorsett Regency HK, resulting in a gain of approximately HK$458.4 million while the Group disposed of Central Park Hotel resulting in a gain of HK$380.3 million last year. These disposals are consistent with the Group's strategy of value creation by monetising the assets and recycling its capital.

During the Year, our hotels in Malaysia region generated segment profit at a level similar to that of last year. PRC and Singapore operations recorded an increase in segment losses of HK$15.6 million and HK$7.1 million respectively, primarily due to the increase in pre-opening expenses which consist of staff costs and other miscellaneous expenses incurred prior to the commencement of operation of hotels. Dorsett Grand Chengdu went into trial operations in August 2012 while Dorsett Singapore in March 2013.

(c) Net operating profit

Net operating profit decreased by 2.1% to HK$498.9 million (2012: HK$509.4 million). Net operating margin on the operating earnings decreased from 46.5% last financial year to 43.3% in the financial year under review, primarily due to the net operating loss arising from the trial operations of Dorsett Grand Chengdu and increase in marketing and promotional expenses, including rebranding costs.

The following table sets forth the reconciliation of net operating margin from profit before taxation:

	2013 HK$'000	2012 HK$'000
Profit before taxation	692,323	673,367
Interest income	(3,288)	(1,652)
Finance costs	100,005	90,703
Depreciation and amortisation	137,879	118,545
EBITDA	926,919	880,963
Pre-opening expenses	26,107	8,651
Change in fair value of investment properties	–	(1,818)
Change in fair value of derivative financial instruments	8,307	1,911
Change in fair value of financial assets at fair value through profit or loss	(4,083)	–
Other non-recurring items[1]	(458,358)	(380,288)
Net operating profit	498,892	509,419
Net operating margin[2]	43.3%	46.5%

Notes:

(1) Other non-recurring items consist of gain from disposal of Central Park Hotel in the last financial year and gain from disposal of the Group's interest in HKSAR Hotel in the Year.

(2) Net operating margin = Net operating profit/revenue

Management Discussion and Analysis

(d) Distributable profit

Before the change in fair value of the Group's derivative financial instruments, change in fair value of financial assets at fair value through profit or loss and change in fair value of investment properties and its related deferred taxation, the distributable profit attributable to the Group's shareholders for the Year is HK$651.7 million (2012: HK$605.2 million), representing an increase of 7.7%.

	2013 HK$'000	2012 HK$'000
Profit for the Year	647,456	605,092
Adjusted for:		
Change in fair value of derivative financial instruments	8,307	1,911
Change in fair value of financial assets at fair value through profit or loss	(4,083)	–
Change in fair value of investment properties	–	(1,818)
Distributable profit	651,680	605,185

Financial Resources and Liquidity

Analysis of the Group's borrowings and liquidity is as follows:

	2013 HK$'000	2012 HK$'000
Bank balances and cash	729,519	533,647
Time deposits	12,500	–
Pledged deposits	140,029	340,917
	882,048	874,564
Bank loans	3,881,455	3,646,443
Less: front-end fee	(10,827)	(19,062)
	3,870,628	3,627,381
Analysis for reporting purpose as		
Current liabilities	3,287,936	858,877
Non-current liabilities	582,692	2,768,504
	3,870,628	3,627,381
Net debt	2,988,580	2,752,817
Total equity	3,785,823	3,419,797
Revaluation surplus of hotel properties	9,459,345	7,749,919
Total equity after revaluation surplus	13,245,168	11,169,716
Net debt to equity (adjusting for hotel revaluation surplus)	22.6%	24.6%

The Group's borrowings are secured over certain properties of the Group. The Group's bank loans carry interest at floating rates, with a range of effective interest rates of 1.45% to 8.00% per annum (2012: 1.31% to 8.81% per annum). Effective cost of borrowings during the Year increased from 3.3% to 3.9%.

Current portion of bank borrowings included an amount of HK$839.0 million which is not repayable within one year but is shown under current liabilities in accordance with HKFRSs as the counterparties have discretionary rights to demand immediate repayment. Balance of the current portion of bank borrowings primarily reflected a syndicated loan for the amount of HK$1.7 billion ("Outstanding Syndicated Loan") which is repayable in full on maturity in September 2013 and is currently secured over 6 Hong Kong hotel properties owned by the Group.

As disclosed in the "Events After the Reporting Period" section below, on 17 June 2013, the Group executed a 5-year loan facility amounting to HK$1.75 billion to refinance the Outstanding Syndicated Loan in full. With an increase in valuation of the Group's hotel properties, the new loan facility only requires pledging of 2 Hong Kong hotel properties of the Group. With the refinancing, 4 Hong Kong hotel properties can be released and become unencumbered.

On 3 April 2013, the Company issued 5-year bonds due 2018 (the "Bonds") in an aggregate principal amount of RMB850 million at a fixed rate of 6% per annum. The net proceeds of the issue, after deduction of commission and administrative expenses, amounted to approximately RMB840 million (approximately HK$1.05 billion). The Company intends to use the net proceeds for the Group's future acquisition(s) and expansion, and for general corporate purposes.

The Group has entered into interest rate cap and interest rate swap contracts 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. The Group has further entered into currency swap contracts in relation to the Bonds which reduce overall financing costs. These derivative financial instruments are not accounted for under hedge accounting. The Group recorded a change in fair value of derivative financial instruments of HK$8.3 million for the Year (2012: HK$1.9 million).

Capital Expenditures

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

For the Year, the Group's capital expenditures amounted to HK$962.1 million (2012: HK$744.8 million), an increase of HK$217.3 million, or 29%. These capital expenditures were funded by bank borrowings and internal resources. The capital expenditure for the Year was mainly attributable to the acquisition of Silka Tsuen Wan, Hong Kong and Dorsett City, London as well as the construction work for Dorsett Grand Chengdu, Dorsett Singapore and Dorsett Tsuen Wan, Hong Kong.

As the Group continues to expand on the planned construction work and to seek new acquisitions, the Group plans to incur approximately HK$893.3 million in capital expenditures in the financial year 2014. Management expects to fund the planned capital expenditures by bank borrowings and internal resources.

Capital Commitments

The following table summarises the Group's capital commitments as at 31 March 2013 and 2012:

	2013 HK$'000	2012 HK$'000
Capital expenditure in respect of acquisition, development and refurbishment of hotel properties and acquisition of other property, plant and equipment:		
– contracted for but not provided in the financial statements	768,622	585,760
– authorised but not contracted for	27,673	319,593

Management Discussion and Analysis

Contingent Liabilities

During the financial year ended 31 March 2010, HKSAR Hotel initiated a lawsuit against the contractor for unsatisfactory performance in relation to the construction of a hotel in an amount of HK$14,356,000. In response to the claim, the contractor has filed counterclaims against HKSAR Hotel for an amount of HK$25,841,000. HKSAR Hotel was disposed of during the current year but the Group undertakes to use all reasonable endeavours to procure the full and final settlement of the litigation. The trial commenced on 30 July 2012 and further adjourned to August 2013. In the opinion of the Directors, there is a fair chance of winning the lawsuit after consultation with the lawyer. Accordingly, no provision for potential liability has been made in the consolidated financial statements.

Human Resources

As at 31 March 2013, the Group had 2,394 employees (2012: 2,039) with total employee cost for the Year of HK$335.6 million (2012: HK$268.4 million). Staff to room ratio for owned operating hotels improved to approximately 0.44 for the Year (2012: 0.46). In order to attract and retain talents to ensure smooth operations 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 consist of basic salary plus discretionary and performance related annual bonus.

Certain 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 Group recognises a fair value of HK$18.0 million on these options, of which HK$2.6 million is charged as share option expense for the financial year under review.

Properties

As at 31 March 2013, the Group owned 23 hotels in operation and under development across the world: 10 in Hong Kong, 5 in the PRC, 5 in Malaysia, 1 in Singapore and 2 in UK.

For the purpose of financial statement presentation, management has selected the cost model instead of revaluation model under the HKFRSs to account for its hotel properties. Under the cost model, hotel properties, completed and under development 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 changes in the value of the properties which are considered irrelevant for the measurement of the underlying economic performance of the Group's principal business activities.

Together with the residential complex of Dorsett Singapore, which is classified as "Properties for/under development for sale" in the Consolidated Statement of Financial Position stated at the lower of cost and net realizable value under the HKFRSs, our property portfolio and investment properties were carried at HK$6,854.4 million (2012: HK$6,268.0 million) in the consolidated financial statements.

While the fair value increase has not been recognised in the consolidated financial statements, in order to provide users of the consolidated financial statements with the fair value of the Group's net assets, management has commissioned independent property valuers to perform a valuation on the Group's properties. In this regard, the Group's property portfolio was valued at HK$16,313.7 million (2012: HK$14,017.9 million), representing a hotel revaluation surplus of HK$9,459.3 million as at 31 March 2013 (2012: HK$7,749.9 million), or an increase of 22.1% in hotel revaluation surplus as compared with last year.

Hotels in Operation

As at the end of the current financial year, the Group was operating 17 hotels representing 4,894 rooms across Hong Kong, the PRC, Malaysia and Singapore.

Company Owned Hotel Properties	Location	Total rooms	Commencement
Dorsett Hotels and Resorts			
Cosmopolitan Hotel Hong Kong[1]	Hong Kong	454	January 2005
Cosmo Hotel Mongkok[2]	Hong Kong	285	July 2010
Dorsett Kwun Tong, Hong Kong	Hong Kong	361	August 2012
Dorsett Regency Kuala Lumpur[3]	Malaysia	320	April 1998
Dorsett Grand Subang	Malaysia	478	February 2007
Dorsett Grand Labuan	Malaysia	178	September 2007
Dorsett Wuhan	PRC	329	June 2008
Dorsett Shanghai	PRC	264	February 2010
Dorsett Grand Chengdu	PRC	556	August 2012
Dorsett Singapore	Singapore	285	March 2013
d. Collection			
Cosmo Hotel Hong Kong	Hong Kong	142	October 2005
Lan Kwai Fong Hotel@Kau U Fong	Hong Kong	162	March 2006
Silka Hotels			
Silka Seaview, Hong Kong	Hong Kong	268	January 2001
Silka West Kowloon, Hong Kong	Hong Kong	141	May 2005
Silka Far East, Hong Kong	Hong Kong	240	October 2006
Silka Maytower Hotel & Serviced Residences	Malaysia	179	October 2008
Silka Johor Bahru	Malaysia	252	October 2008
		4,894	

(1) To be re-branded as Dorsett Wan Chai, Hong Kong
(2) To be re-branded as Dorsett Mongkok, Hong Kong
(3) To be re-branded as Dorsett Kuala Lumpur

Management Discussion and Analysis

Other Financial Information

The fair value of the Company's hotel portfolio exceeded its carrying amount by approximately HK$9,459.3 million based on valuation on 31 March 2013. The revaluation surplus has not been accounted for in the consolidated financial statements. Net assets attributable to shareholders per share after adjusting revaluation surplus as at 31 March 2013 was HK$6.62.

Events After the Reporting Period

To strengthen the Group's capital base and diversify financing sources, on 3 April 2013, the Company issued 5-year bonds due 2018 in an aggregate principal amount of RMB850 million at a fixed rate of 6% per annum. The net proceeds of the issue, after deduction of commission and administrative expenses, amounted to approximately RMB840 million (approximately HK$1.05 billion). The Company intends to use the net proceeds for the Group's future acquisition(s) and expansion, and for general corporate purposes.

Whilst the Group continues to pursue the "Chinese Wallet" strategy, it is also important to focus on market segments in other continents with growth potential as well. On 9 April 2013, the Group entered into an affiliation agreement with Diamond Resorts International Limited ("Diamond Resorts"), which is one of the world's largest vacation ownership companies with more than 300 vacation destinations in 33 countries. Through this affiliation, the Group will be able to tap into the customer base of Diamond Resorts.

On 17 June 2013, the Group executed a 5-year loan facility amounting to HK$1.75 billion to refinance the Outstanding Syndicated Loan in full. The new loan facility only requires pledging of 2 Hong Kong hotel properties of the Group instead of 6 Hong Kong hotel properties for the Outstanding Syndicated Loan. With the refinancing, 4 Hong Kong hotel properties can be released and become unencumbered.

Final Dividend

The Board recommends the payment of a final dividend (the "Proposed Final Dividend") of HK8 cents per ordinary share for the Year. The Proposed Final Dividend will be paid in the form of a scrip dividend to Shareholders who are given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements (the "Scrip Dividend Scheme"). The Proposed Final Dividend together with the interim dividend of HK4 cents per ordinary share already paid represents a dividend payout ratio for the whole year of approximately 36.8% based on the Company's distributable profit. The total amount of the Proposed Final Dividend, if all elected for receipt of cash, based on the number of issued ordinary shares of the Company as at the date of this annual report, will therefore be approximately HK$160 million.

The Scrip Dividend Scheme will be subject to (i) Shareholders' approval of the Proposed Final Dividend at the AGM; and (ii) the Stock Exchange granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the 5 trading days prior to and including 19 September 2013. Full details of the Scrip Dividend Scheme will be set out in a circular which is expected to be sent to Shareholders together with a form of election on or around 30 September 2013. Dividend warrants and/or new share certificates will be posted on or around 31 October 2013.

Use of Proceeds

As at 31 March 2013, 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 with the purposes stated in the Prospectus, 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	13,171	97,796
Total		554,835	457,039	97,796

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

Corporate Vision and Core Values

Corporate Vision

"Dorsett Hospitality International will be a global hotel company in the Value and Midscale Segment bringing Asian Inspired Hospitality to the World."

Core Values

The 4I's represent the pillars that make up our corporate culture. They serve as guiding principles upon which we perform our work and conduct ourselves.

- **Inspiration** (Knowledge and Care)
  We consistently create an inspirational work environment that is intellectually stimulating and emotionally engaging.

- **Innovation** (Innovate and Passion)
  We embrace and encourage new ideas and will go beyond expectations to be the best in class.

- **Integrity** (Respect, Empathy and Accountability)
  We are accountable to our internal and external stakeholders for the highest standards of behaviour, honesty and fairness in all aspects of our work.

- **Initiative** (Empowerment and Openness)
  We empower and equip our associates to excel, while encouraging flexibility and increased efficiency through open communication.

We believe it is imperative to exhibit the highest standards – as a company and as individuals. We realise that success in the long run relies upon a vibrant and diverse workforce performing at their best for the company, results in which will be reflected in guest satisfaction and financial performance.

Our Business Strategy

Branding

The newly developed brand architecture has been successfully implemented and officially announced to all stakeholders in October 2012.

DORSETT HOSPITALITY INTERNATIONAL

DORSETT HOTELS & RESORTS

- Dorsett Grand Chengdu
- Dorsett Grand Zhuji
- Dorsett Grand Labuan
- Dorsett Grand Subang
- Dorsett Regency Hong Kong
- Dorsett Kwun Tong, Hong Kong
- Dorsett Tsuen Wan, Hong Kong
- Cosmo Hotel Mongkok*
- Cosmopolitan Hotel Hong Kong**
- Dorsett Shanghai
- Dorsett Wuhan
- Dorsett Zhongshan
- Dorsett Regency Kuala Lumpur***
- Dorsett Singapore
- Dorsett City, London
- Dorsett Shepherds Bush, London

Silka hotels

- Silka Far East, Hong Kong
- Silka Seaview, Hong Kong
- Silka Tsuen Wan, Hong Kong
- Silka West Kowloon, Hong Kong
- Silka Johor Bahru
- Silka Maytower Hotel & Serviced Residences

d. COLLECTION

- Cosmo Hotel Hong Kong
- Lan Kwai Fong Hotel@Kau U Fong
- The Mercer

* Will be rebranded as Dorsett Mongkok, Hong Kong
** Will be rebranded as Dorsett Wan Chai, Hong Kong
*** Will be rebranded as Dorsett Kuala Lumpur

Rooms Sale Distribution & Marketing Strategy

Dorsett Group has been very cautious in planning and selecting vendors to provide the most suitable solutions for digital distribution and marketing. To optimise revenue and profit, it is the Group's utmost goal to drive as much business as possible to our direct channels, primarily dorsett.com and its affiliated destinations and local websites.

The Group's strategy is to maintain a good flexible balance, which can respond quickly to business environment changes, using different digital distribution techniques taking revenue potential, cost, audience reach and operational effectiveness in consideration.

Over the past year, the Group has been gradually migrating our existing properties to a single Central Reservation System (CRS) resulting in improved revenue. Additionally, the CRS eases up reporting and assists in real-time analysis to support business strategy planning and the decision-making process. As the CRS distributes real time inventory to a much wider network it also strengthens the Dorsett brand awareness further.

The investment and efforts we put in digital marketing and translations of our websites resulted in increased number of bookings through the Group's websites.

Our Business Strategy

Such growth and improvement shall continue and increase in the years to come by executing additional initiatives that includes but is not limited to:

1. migrate the rest of existing hotels key digital distribution channels to the CRS,
2. develop customers' behaviour focused website,
3. foster search and social media involvement,
4. improve the data quality for advanced and more relevant communication, and
5. improve data analytics for better reporting and strategic planning.

Last year, we initiated and introduced a revenue management system to hotels. The key purpose of implementing this system is to increase revenue and yield per room through an automatized, in-depth data analysis and forecasting mechanism.

Sales and Marketing/Communications Plan

Strategic Approach to the Business

- To create awareness and interest via newsworthy releases and marketing activities that would lead up to the existing portfolio and new hotel openings.
- To effectively position hotels that offers quality service and hospitality to both visiting travellers and local residents.
- To gain patronage of all hotel facilities at the time of its soft opening till opening and beyond; and establish credibility as the most preferred address for business, leisure, dining and entertainment.
- To sustain market interest and loyalty after the hotel's opening via strategic joint partnership with selected partners i.e. airlines and major tour operators, cross-marketing through sister properties, continuous eDM and e-News campaigns, seasonal offers and promotions, competitions, participation in tourism board activities or campaigns, continuous participation in both local and overseas trade shows, sales trips and road shows.

Outlook

Although there are signs of economic recovery in the United States, the global economy is likely to remain challenging in the mid-term. Despite ongoing economic challenges, the growth of international arrivals worldwide is expected to continue. The World Tourism Organisation's long-term outlook Tourism Towards 2030 currently projects an average growth for international arrivals worldwide of 3.8% per year between 2010 and 2020.

The growth of Chinese outbound travellers is likely to remain strong. The Annual Report of China Outbound Tourism Development 2013 announced that Chinese outbound travellers in 2012 achieved a year-on-year growth of 18.4%, reaching 83.2 million which has surpassed those of Germany and the United States in term of absolute number. The PRC became the country with the highest outbound travellers in the globe. China Outbound Tourism Research Institute further forecasts that Chinese outbound travellers will surge to 95.0 million in 2013, representing a year-on-year increase of 14.2%.

In Hong Kong, the Hong Kong Tourism Board announced that total visitor arrivals in 2012 reached 48.7 million, an increase of 16.0% over the 2011 yearly total. Out of which, arrivals from the PRC continued to increase with 24.2% year-on-year growth. Furthermore, projected year-on-year increase in total visitor arrivals and arrivals from the PRC for 2013 are 6.8% and 8.9% respectively.

To capture the Chinese outbound tourism boom, the Group will continue with its "Chinese Wallet" strategy to further drive growth. With the opening of Dorsett Kwun Tong, Hong Kong (361 rooms), Dorsett Grand Chengdu (556 rooms) and Dorsett Singapore (285 rooms), the Group is well positioned to benefit from the increase in the volume of travellers. The Group's total room inventory will exceed 7,000 rooms in the upcoming years with the completion of six additional hotel properties. The expansion in the portfolio of operating hotels will likely drive further growth in operational as well as recurring cash flow stream. Nevertheless, it is noteworthy that the overall group wide average per room benchmarks, including ARR, OCC and RevPAR, may be adversely impacted in the short-term as these new hotels would take time to ramp up and stabilise in term of operations.

The Group will continue to seek new opportunity to increase its room inventories. With its existing pipeline, the Group has laid a strong foundation to benefit from the growth in the tourism industry.

Corporate Social Responsibility

Corporate Social Responsibility

At Dorsett Group, our Corporate Social Responsibility (CSR) initiatives are fully integrated into our work culture and the way we manage our businesses; from "Caring for the Environment", "The local community" to "Our people".

Corporate Governance

Dorsett Group is committed towards upholding the highest international standards of corporate governance and corporate ethics through practice of accountability and transparency in the way we manage and operate our business.

People

In line with Dorsett Group's Core Values, we pride ourselves in caring for our people and uphold fair employment practices. We have in place balanced working hours for both our operation and administrative associates to ensure optimal quality of life and various inter-hotel activities are organised to strengthen team camaraderie.

Dorsett Group understands that education, skill enhancement and training not only play an important role in retaining our employees but are equally important in the development of future talents. As an organisation that cares, we continuously awards scholarships and financial assistance to deserving candidates; and participates in vocational training and career development talks to ensure that our next generation is well-equipped with practical industrial knowledge. Initiatives that we have undertaken to-date include:

– Participated in VTC's 30th Anniversary Fundraising Walkathon held on 9 December 2012 in aid of the Student Development Foundation.

Dorsett employees participated in the VTC 30th Anniversary Walkathon

Winnie Chiu presented a scholarship cheque to VTC students

- Participated in various career expos and talks organised by Hong Kong Institute of Vocational Education, Hong Kong United Youth Association, The Hong Kong Polytechnic University's School of Hotel Tourism Management and Taylor's University in Malaysia; and in Singapore.

- Continue to provide the Tan Sri Dato' David Chiu's scholarships for three schools under Ju Ching Chu Secondary School.

- Continue to support the Asian Youth Orchestra's cultural exchange programme by providing scholarships to outstanding students.

- Provided scholarship to a Malaysian student to pursue further studies at The Hong Kong Polytechnic University.

- Continue to offer internship programmes and have partnered with Hong Kong Sea School, Vocational Training Council in Hong Kong and INTI International College and Taylor's University, both in Malaysia.

Talent development and retention are the key focus in the organisation and Dorsett Group has in place self-development programmes and trainings such as succession planning, cross-exposure training, on-the-job training by both internal and external trainers. Employee-welfare projects such as Dorsett Family Scholarship for employees' family members who wish to pursue higher education and the setting up of a Dorsett Family Fund to provide financial assistance to family members of our associates.

Participated in the career expo organised by Hong Kong United Youth Association


Participated in the "Professor for a Day" organised by The Hong Kong Polytechnic University


Interns from Hong Kong Sea School at Cosmo Hotel Hong Kong

Corporate Social Responsibility

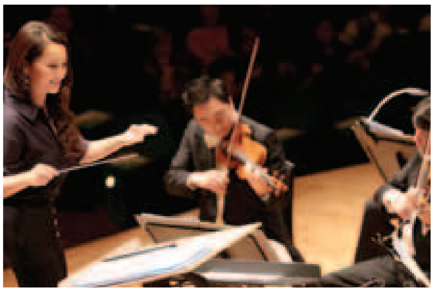
Charity and Community

Dorsett Group contributes to the communities in which we operate and work closely with non-profit organisations by providing assistance for those in need.

On 25 January 2013, Dorsett Group sponsored one of the two nights of the 'Classic Broadway' Concert organised by HK Phil. On 3 March 2013, President and Executive Director Winnie Chiu took to the stage for the first time ever as a music conductor and in the capacity as Chairperson for the annual HK Phil & Friends Fundraising Concert to raise over HK$3,000,000 for HK Phil's education and outreach projects.

Other community projects untaken include:

- Participated in a charity event in 2012 to raise funds for physically-challenged youth in Hong Kong.
- Distribution of mooncakes to the elderly folks by the Dorsett Volunteer Team in Hong Kong.
- The team at Dorsett Grand Chengdu provided assistance in the form of cash and in kind to survivors of the April 2013 quake-hit provinces.
- Partnered with local non-profit organisations in Malaysia to render support to the less fortunate children, old folks and the homeless.



Winnie Chiu debuted as music conductor to raise funds for HK Phil

Distributed mooncakes to the elderly of Hui Mok Tak Yu Care & Attention Home on 20 September 2012

Group photo with the children of Kiwanis Club of Bukit Kiara

Environment

Our hotels are committed to follow environmentally friendly operating standards that reduce waste, minimise carbon footprints, lower energy usage and we have in place hotel-specific environmental programmes.

Each year, our hotels participate in Earth Hour, a global environmental initiative in partnership with WWF and join millions of people around the world in turning off their lights for one hour.

Cosmo Hotel Hong Kong and Cosmo Hotel Mongkok are certified by Green Globe for their compliance with the Green Globe standards for Sustainable Travel and Tourism. Both properties support 100% indoor smoke-free policy, and Cosmo Hotel Hong Kong is the first 100% smoke-free boutique hotel in Hong Kong.

The team at The Mercer and Lan Kwai Fong Hotel@Kau U Fong participated in the Friends of the Earth (HK) – Tree Planting Challenge 2013 and successfully planted 30 seedlings.

Dorsett Singapore received the Green Mark certification awarded by Building Construction Authority of Singapore, endorsing us as a sustainable building that promotes greenery, energy and water savings; and healthier indoor environments.

Dorsett Group will continuously review our business processes and strategies to ensure that all our team members do their part in ensuring a sustainable operating environment now and for the betterment of our future generation.

Participated in Earth Hour – Switch off for good

Dorsett helps grow trees to restore the green beauty of Ma On Shan Country Park

Our Track Record of Success

2012 APRIL

2012

17 April

- Purchased Silka Tsuen Wan, Hong Kong at HK$210 million
- The property is expected to open in FY2016 with 420 rooms

2012 AUGUST

2012

31 August

- Changed Company name from "Kosmopolito Hotels International Limited" to "Dorsett Hospitality International Limited"

2012 SEPTEMBER

2012

28 September

- Sold Dorsett Regency Hotel, Hong Kong at HK$802 million resulting a gain of HK$458 million
- Signed a hotel management contract with China Construction Bank Group

2012

26 October

- Purchased Dorsett City, London at HK$178 million
- The property is expected to open in FY2016 with 275 rooms

2012 OCTOBER

2013 JUNE

2013

17 June

- Executed a 5-year loan facility of HK$1.75 billion to refinance existing syndicated loan expiring in September 2013

2013 APRIL

2013

3 April

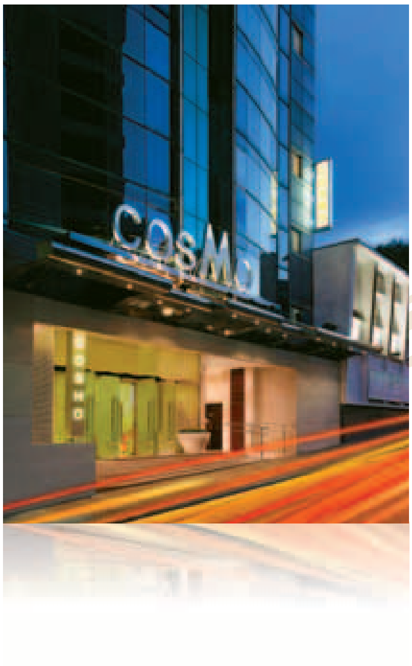
- Issued 5-year bonds of RMB850 million

9 April

- Formalised exclusive partnership with Diamond Resorts International

Our Hotel Portfolio

Hong Kong



Cosmo Hotel Hong Kong

375-377 Queen's Road East,
Wan Chai, Hong Kong

Located in the middle of one of Hong Kong's prime business areas, Cosmo Hotel Hong Kong is a smoke-free boutique hotel packed with cutting-edge design features. Renowned for its vibrant use of colour and contemporary design, as well as its sleek interiors, the hotel includes imaginative colour-coded rooms complemented by a wide selection of state-of-the-art amenities.

Number of Rooms 142

Cosmo Hotel Mongkok

88 Tai Kok Tsui Road,
Tai Kok Tsui, Kowloon

Situated at the heart of the vibrant Kowloon Peninsula, Cosmo Hotel Mongkok is an eclectic hotel that has become a destination of choice for discerning business and leisure travellers. With a selection of refreshing, brightly-lit rooms and suites, each reflecting a modish blend of chic decor and functional design, the hotel is ideal for visitors in search of energy and excitement.

Number of Rooms 285
To be rebranded as Dorsett Mongkok, Hong Kong

Hong Kong

Cosmopolitan Hotel Hong Kong

387-397 Queen's Road East,
Wan Chai, Hong Kong

Balancing high standards of comfort and personalised service with an excellent location ideally placed between the commercial hub of Wan Chai and the shopping attractions of Causeway Bay. The midscale hotel is perfect for business and leisure travellers alike. Most guestrooms have views of the Happy Valley racecourse or the vibrant Causeway Bay skyline.

Number of Rooms 454
To be rebranded as Dorsett Wan Chai, Hong Kong

Dorsett Regency Hong Kong

18 Davis Street,
Kennedy Town, Hong Kong

Dorsett Regency Hong Kong provides the comfort and ease of a home away from home for the discerning business and leisure travellers. The hotel offers free Wi-Fi Internet access, a well-equipped business centre, and all day dining facilities.

Number of Rooms 182

Our Hotel Portfolio

Hong Kong

Dorsett Kwun Tong, Hong Kong

84 Hung To Road,
Kwun Tong, Kowloon

In the heart of Kowloon East, Dorsett Kwun Tong is a midscale hotel targeting both business and leisure travellers. The hotel offers 361 eclectically designed guestrooms, complemented by 24-hour free Wi-Fi Internet access, a range of technology-driven facilities and comprehensive concierge services. The hotel also offers all day dining, a gymnasium and an outdoor swimming pool.

Number of Rooms 361

Dorsett Tsuen Wan, Hong Kong

659 Castle Peak Road,
Kwai Chung, Kowloon

Dorsett Tsuen Wan features 547 well-appointed rooms and suites, each featuring a wide variety of amenities including free Wi-Fi Internet access and technology-driven facilities. The hotel's restaurant offers expertly prepared international dishes as well as local specialities. Guests can also relax at the fitness centre, which includes a swimming pool, spa and a fully equipped gymnasium. The ballroom and multi-function rooms are equipped with state-of-the-art convention facilities, providing the ideal venue for private and corporate events.

Number of Rooms 547
To be completed in FY2014

Hong Kong

Lan Kwai Fong Hotel@Kau U Fong

3 Kau U Fong,
Central, Hong Kong

Lan Kwai Fong Hotel@Kau U Fong is a boutique hotel uniquely designed to achieve a style that's cool and contemporary, with Chinese accents. Each room's furniture, fabrics and artefacts were meticulously selected to reflect a striking sense of individuality. The hotel is located in Hong Kong's Central Business District, just minutes away from prime dining and entertainment destinations.

Number of Rooms 162

Silka Far East, Hong Kong

135-143 Castle Peak Road,
Tsuen Wan, Kowloon

Silka Far East is a value hotel located in Tsuen Wan, a bustling bay on Kowloon side. Just steps away from the Tsuen Wan MTR station, the hotel provides easy access to and from the commercial centres of Central and Tsim Sha Tsui. Each guestroom is tastefully designed and well-equipped to offer guests a convenient, quality experience at the best value for money.

Number of Rooms 240

Our Hotel Portfolio

Hong Kong

Silka Seaview, Hong Kong
268 Shanghai Street,
Yau Ma Tei, Kowloon

Silka Seaview is nestled in Yau Ma Tei, just footsteps away from the Yau Ma Tei MTR station and right next to the popular tourist attractions of Temple Street Market and Jade Market. This prime location provides extremely convenient access to Hong Kong's dynamic commercial and entertainment destinations.

Number of Rooms 268

Silka West Kowloon, Hong Kong
48 Anchor Street,
Tai Kok Tsui, Kowloon

Silka West Kowloon is a contemporary value hotel situated in Tai Kok Tsui, a booming new city in Kowloon. The hotel offers guests both superior stay experiences and the best value for money, making it ideal for business and leisure travellers.

Number of Rooms 141

Hong Kong

Silka Tsuen Wan, Hong Kong

119 Wo Yi Hop Road,
Kwai Chung, Kowloon

In the midst of the bustling and densely populated Kwai Chung district, Silka Tsuen Wan is a value hotel comprising 420 guestrooms and multiple restaurants. It is currently being developed and is scheduled for completion in FY2016.

Number of Rooms 420
To be completed in FY2016

The Mercer

29 Jervois Street,
Sheung Wan, Hong Kong

Situated in Sheung Wan, at the heart of Hong Kong Island, The Mercer is a boutique hotel close to a wealth of premium dining options, with an abundance of Michelin-starred restaurants and other fine dining options. With its tasteful, contemporary design – spacious and luxurious with a touch of minimalist chic – The Mercer offers furnished rooms of first-class comfort and privacy, and provides business guests with a generous working space outside the office.

Number of Rooms 55

Our Hotel Portfolio

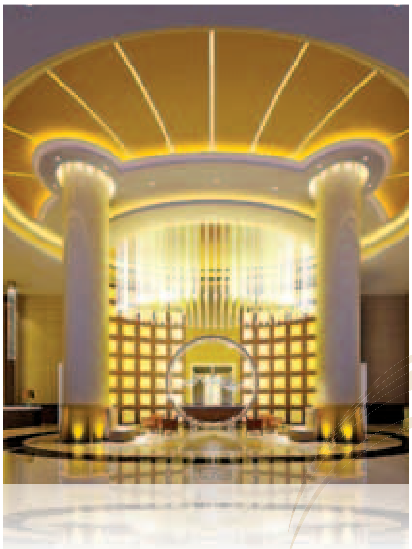
China

Dorsett Wuhan

118 Jianghan Road,
Hong Kong & Macao Centre,
Hankou, Wuhan, Hubei

Situated in the heart of downtown Wuhan, Dorsett Wuhan is in proximity to the area's most popular shopping areas, as well as a diverse range of dining and entertainment options. With its contemporary decor, stylish fixtures, state-of-the-art meeting and banquet facilities and comprehensive recreational facilities, Dorsett Wuhan successfully blends simplicity with elegance to offer a unique stay experience for its guests.

Number of Rooms 329



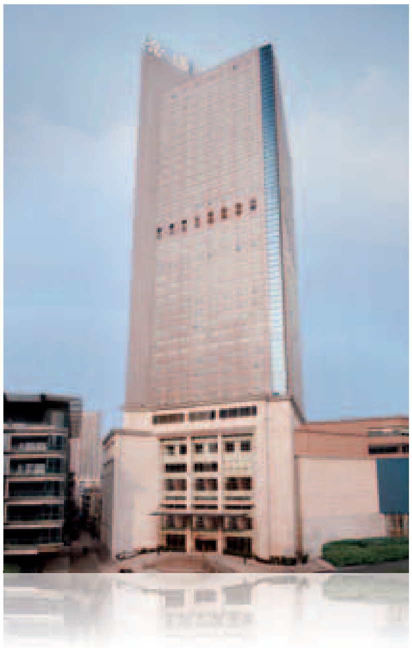
Dorsett Zhongshan

107 Zhongshan Yi Road,
Zhongshan, Guangdong

Centrally located in Zhongshan's main business district, Dorsett Zhongshan is a midscale business hotel with 416 rooms and suites, as well as restaurants and meeting facilities. It is currently being developed and is scheduled for completion in FY2015.

Number of Rooms 416
To be completed in FY2015

China

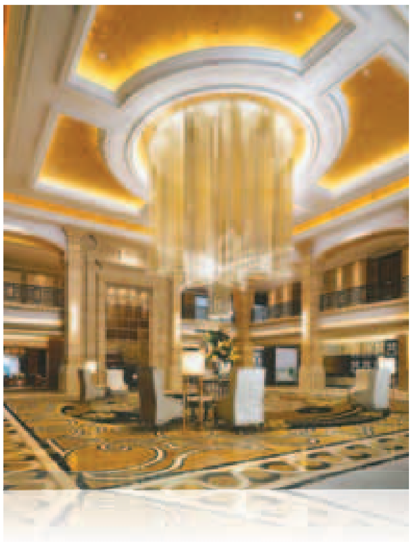


Dorsett Grand Chengdu

168 Xi Yulong Street,
Qingyang District, Chengdu, Sichuan

Next to the popular historical Luoma Market area in Chengdu, Dorsett Grand Chengdu is an upscale hotel that provides an intimate and luxurious environment for guests complemented by a full range of modern amenities. Each room is lavishly appointed with elegant furnishings and contemporary decor. The 700 square-metre ballroom and various meeting rooms are equipped with state-of-the-art facilities to meet the needs of its guests.

Number of Rooms 556



Dorsett Grand Zhuji

Wuxie Town,
Zhuji, Zhejiang

Located in Wuxie Town, Zhuji in Zhejiang Province, Dorsett Grand Zhuji features a full spectrum of modern facilities and services – from its well-appointed guestrooms and multiple restaurants to its meeting facilities and decadent banquet hall.

Number of Rooms 200
To be completed in FY2015

Our Hotel Portfolio

China

Dorsett Shanghai

800 Hua Mu Road,
Pudong New Area, Shanghai

Located in the middle of the dynamic Pudong district, Dorsett Shanghai is adjacent to Century Park, a peaceful oasis in the city. The hotel uniquely fuses modern design themes with Chinese elements and luxurious interiors. Guestrooms are ideally designed for relaxing or working, with comprehensive facilities complemented by the highest level of quality service. Over 80% of the rooms have balconies that offer stunning views of the city and Century Park.

Number of Rooms 264

Malaysia

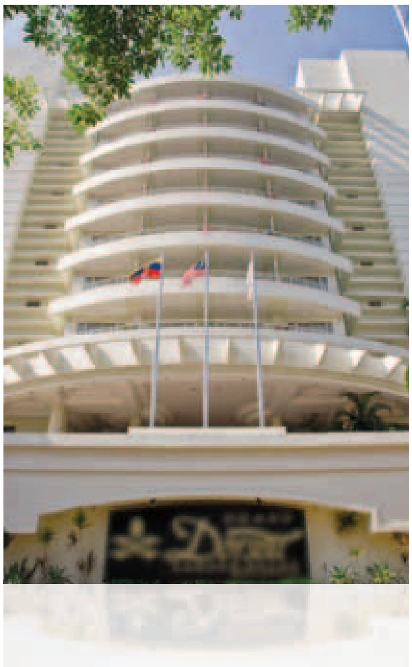
Dorsett Regency Kuala Lumpur

172 Jalan Imbi,
Kuala Lumpur

At the heart of Kuala Lumpur's Golden Triangle, Dorsett Regency Kuala Lumpur is surrounded by the city's busiest shopping malls, entertainment centres and tourist sites. A first-class choice for business and leisure travellers, Dorsett Regency Kuala Lumpur is fully equipped with a gymnasium and an outdoor swimming pool, as well as state-of-the-art business and event facilities to handle conferences, meetings, cocktail parties and weddings.

Number of Rooms 320
To be rebranded as Dorsett Kuala Lumpur

Malaysia



Dorsett Grand Labuan

462 Jalan Merdeka,
Labuan F.T.

In the heart of Labuan's revitalised business district, Dorsett Grand Labuan is just minutes from the bustling town centre and the Labuan Airport. The hotel includes 178 rooms with harbour or city views, as well as three distinct restaurants. 24-hour in-room dining services are also available for guests who prefer to dine in the comfort of their rooms.

Number of Rooms 178

Dorsett Grand Subang

Jalan SS12/1,
Subang Jaya

Situated in the commercial hub of Subang Jaya, Dorsett Grand Subang is an upscale urban resort offering 478 tastefully furnished rooms and suites, spacious conference rooms with hi-tech built-ins. The hotel is ideal for business, conference and leisure travellers.

Number of Rooms 478

Our Hotel Portfolio

Malaysia

Silka Johor Bahru

Lot 101375, Jalan Masai Lama,
Mukim Plentong, Johor Bahru

Silka Johor Bahru features 252 well-appointed rooms that are suitable for value-savvy families and business travellers. The hotel has a full range of food and beverage facilities, meeting rooms and a banquet hall that caters for all dining, function and event needs. Recreation facilities include a sparkling free-form swimming pool, a well-equipped gymnasium, tennis and squash courts.

Number of Rooms 252

Silka Maytower Hotel & Serviced Residences

7 Jalan Munshi Abdullah,
Kuala Lumpur

Centrally located in Kuala Lumpur, Silka Maytower Hotel & Serviced Residences is opposite the buzzing Capital Square Mall, and is within walking distance of Merdeka Square, KL Tower, Central Market, Chinatown, Petronas Twin Towers and Lake Garden. Ideal for those interested in exploring Malaysia's popular tourist attractions, history, shopping, street food, fine dining and local communities.

Number of Rooms 179
(plus 14 studio apartments)

Singapore

Dorsett Singapore
333 New Bridge Road,
Singapore

Located above the transport hub of Outram Park MRT interchange station, Dorsett Singapore offers easy accessibility to the city's commercial and tourist highlights, such as the Orchard Shopping Mall, Marina Bay Sands, HarbourFront, Resorts World Sentosa, Universal Studios Singapore, and Singapore's Central Business District. All 285 modern guestrooms and loft rooms are equipped with high-speed Internet access. The hotel offers a variety of facilities including meeting spaces, a fitness centre and an outdoor swimming pool with Jacuzzi.

Number of Rooms 285

United Kingdom

Dorsett Shepherds Bush, London
58 Shepherd's Bush Green,
Shepherd's Bush, London

In the heart of Shepherd's Bush in West London, Dorsett Shepherds Bush is close to Westfield Shopping Centre, Earls Court and the Olympia Exhibition Centres. The area boasts an excellent transport and communications network, served by four underground stations and rail, all within a 30-minute drive to Heathrow Airport.

Number of Rooms 317
To be completed in FY2014

Dorsett City, London
9 Aldgate High Street,
London

Converted from an office building "The Matrix", Dorsett City situated in the heart of the insurance and shipping district of the City of London, and above the Aldgate tube station. The hotel features 275 guestrooms and suites, food and beverage facilities, as well as a unique stay experience in the heart of bustling London.

Number of Rooms 275
To be completed in FY2016

Awards and Accolades

2012

Dorsett Hospitality International

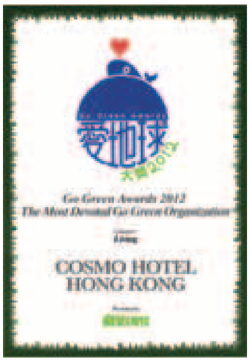
"Best Managed Company in Hong Kong – Small Cap Company Award" by Asiamoney Magazine

"Hong Kong's Most Valuable Company Award 2012" by Mediazone Group

Cosmo Hotel Hong Kong

"Certified Green Hotel" by Green Globe Certification

"2012 Certificate of Excellence" by TripAdvisor



"Go Green Awards 2012 – The Most Devoted Go Green Organisation" by Weekend Weekly

"Green City Hotel" by Hong Kong Business High Flyers Award 2012

"Best Elite Customer Satisfaction Score" in the Asia Pacific region in Q4 2012 by Expedia

Cosmo Hotel Mongkok, Hong Kong

"Certified Green Hotel" by Green Globe Certification

"2012 Certificate of Excellence" by TripAdvisor

"WebAward 2012 – Standard of Excellence in Hotel and Lodging Category" by The Web Marketing Association

"Green City Hotel" by Hong Kong Business High Flyers Award 2012

"Silver Adrian Award in Digital Marketing Category, Web Site" by Hospitality Sales & Marketing Association International

"Simply the Guest Awards – Top Rated Asia Hotel" by Laterooms.com

Cosmopolitan Hotel Hong Kong

"Caring Company Logo" by The Hong Kong Council of Social Services

"Outstanding Hotel Partner Award 2012" by Booking.com

"2012 Certificate of Excellence" by TripAdvisor

"Best Themed Hotels of China" and "Best General Managers of China" by 8th China Hotel Starlight Awards

Dorsett Regency Hong Kong

"2012 Certificate of Excellence" by TripAdvisor

Lan Kwai Fong Hotel@Kau U Fong, Hong Kong

"Hong Kong's Leading Boutique Hotel" by the World Travel Awards 2012

"HotelClub Hotel Awards 2012 – Hottest Spot to Discover Hong Kong Heritage" by HotelClub

Silka Far East, Hong Kong

"Gold Circle Award 2012" by Agoda

The Mercer, Hong Kong

"2012 Certificate of Excellence" by TripAdvisor

"HKIA Cross-Strait Architectural Design Awards Hotel Category" by The Hong Kong Institute of Architects

"Hong Kong's Outstanding Enterprises – Boutique Hotel" by Hong Kong Business High Flyers Award 2012

Dorsett Shanghai (Formerly Known As Yue Shanghai), China

"2012 Certificate of Excellence" by TripAdvisor

"2012 Best Cooperative Partner of the Greater China Award" by Booking.com

Dorsett Wuhan, China

"2012 Certificate of Excellence" by TripAdvisor

"Five-star Golden Award – The Best Business Hotel of the Year 2012" by China Association for Promoting the Development of Tourism Industry, China Hotel Association and; Chinese Foreign Tour and Hotel Periodical Office

Dorsett Grand Labuan, Malaysia

"2012 Certificate of Excellence" by TripAdvisor

Dorsett Grand Subang, Malaysia

"Large Service Industry Category – First Runner-up" by the Human Resources Development Conference and Awards

Dorsett Regency Kuala Lumpur, Malaysia

"2012 Certificate of Excellence" by TripAdvisor

2013

Cosmo Hotel Hong Kong

"Certified Green Hotel" by Green Globe Certification

"Caring Company Logo" by The Hong Kong Council of Social Services

"2013 Certificate of Excellence" by TripAdvisor

Cosmo Hotel Mongkok, Hong Kong

"Certified Green Hotel" by Green Globe Certification

"2013 Certificate of Excellence" by TripAdvisor

Cosmopolitan Hotel Hong Kong

"Caring Company Logo" by The Hong Kong Council of Social Services

"2013 Certificate of Excellence" by TripAdvisor

Dorsett Regency Hong Kong

"Travellers' Choice 2013 – Top 20 Bargain Hotels in China" by TripAdvisor

Lan Kwai Fong Hotel@Kau U Fong, Hong Kong

"2013 Certificate of Excellence" by TripAdvisor

The Mercer, Hong Kong

"2013 Certificate of Excellence" by TripAdvisor

Silka West Kowloon, Hong Kong

"The Most Outstanding Business Hotel 2013" by GHM Hotel General Managers Society

Dorsett Shanghai, China

"Best Service Hotel – Deluxe" in 2012-2013 China Hotel Awards by Life Style Magazine

"Top Ten Beautiful Hotels in China" by Asia Hotel Industry Leader Summit 2013

"2013 Certificate of Excellence" by TripAdvisor

Dorsett Wuhan, China

"China Top Ten Best Preferred Commercial Hotels 2013" by The Gold Cup Award

Dorsett Regency Kuala Lumpur, Malaysia

"2013 Certificate of Excellence" by TripAdvisor

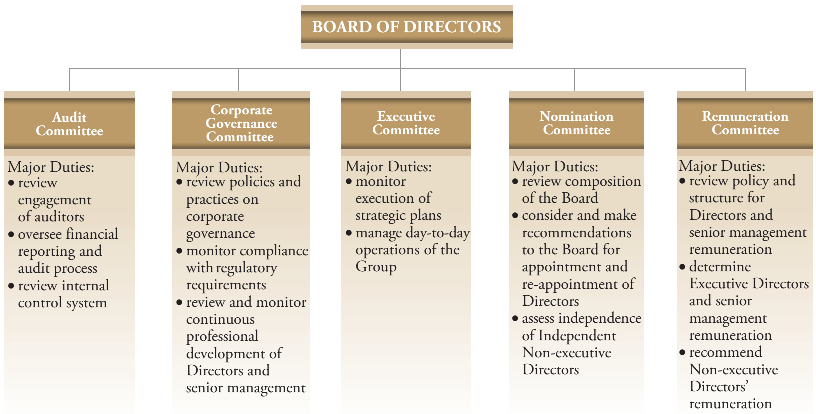
Corporate Governance Report

The Board and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize on professionalism, transparency and accountability to all Shareholders.

Throughout the Year, the Company has applied the principles of and complied with the code provisions and, where applicable, the recommended best practices of the CG Code. The key corporate governance principles and practices of the Company are summarized below.

A. The Board

A.1 Responsibilities and Delegation



The Board is responsible for providing effective leadership and direction in order to deliver value to Shareholders over the longer term and is accountable to the daily operations of the Company. The Board has set the parameters within which the Executive Committee conducts the business of the Company. The following major issues of the Company are reserved for the decision of the Board:

- approval of interim and annual financial statements of the Company;
- payment of dividend;
- approval of any transaction which is discloseable under the Listing Rules;
- extend the activities of the Company into new line of business or to cease to operate any material part of the business of the Company;
- changes in the capital structure of the Company;
- annual operating and capital expenditure budgets and any material change to them;
- appointment or removal of Directors, company secretary or auditors of the Company;
- establishment of any committees of the Board and the respective terms of reference;
- winding up of the Company.

In addition to the Executive Committee, the Board has also established Audit Committee, Nomination Committee, Remuneration Committee and Corporate Governance Committee to perform various responsibilities as delegated by the Board. Further details of these Board committees are set out below.

A.2 Board Composition

MEMBERS OF THE BOARD

Two Executive Directors	Three Non-executive Directors	Four Independent Non-executive Directors
Ms. CHIU, Wing Kwan Winnie *(President)* **Mr. LAI, Wai Keung**	**Tan Sri Dato' CHIU, David** *(Chairman)* **Mr. HOONG, Cheong Thard** **Mr. CHAN, Chi Hing**	**Mr. SHEK, Lai Him Abraham** **Mr. TO, Peter** **Dr. LIU, Ngai Wing** **Mr. ANGELINI, Giovanni**

The Board currently comprises nine Directors, two of whom are Executive Directors, three are Non-executive Directors and four are Independent Non-executive Directors. All the Directors have profound knowledge and extensive experience in the businesses of the Group. The profile of the Directors is set out in the "Profile of Directors" section of this annual report.

Tan Sri Dato' CHIU, David is the father of Ms. CHIU, Wing Kwan Winnie. Tan Sri Dato' CHIU, David is a Non-executive Director, the Chairman of the Board, the chairman of the Nomination Committee and a member of the Remuneration Committee. Ms. CHIU, Wing Kwan Winnie is an Executive Director, the President, member of the Executive Committee and Remuneration Committee, and the chairman of the Corporate Governance Committee. Save as disclosed, there is no other relationship among members of the Board.

The composition of the Board is reviewed from time to time to ensure the Board has a balance of skills and experience appropriate for the requirements of the business of the Company and there is a strong independent element on the Board to safeguard the interests of the Shareholders. There are four Independent Non-executive Directors on the Board and exceeds the minimum requirement of the Listing Rules.

During the Year, the Independent Non-executive Directors reviewed the connected and continuing connected transactions of the Company. As disclosed in the Report of the Directors of this annual report, Independent Non-executive Directors also reviewed the compliance of the Deed of Non-Competition Undertaking dated 10 September 2010 executed by Tan Sri Dato' CHIU, David and FECIL in favour of the Company.

Corporate Governance Report

A.3 Chairman and President

The Chairman of the Board is Tan Sri Dato' CHIU, David who is responsible for the management of the Board. The President of the Company is Ms. CHIU, Wing Kwan Winnie who leads the day-to-day management of the business of the Group. There is a clear and effective division of responsibilities between the Chairman and the President to ensure a balance of power and authority.

Major responsibilities of Chairman

- lead and oversee the functioning of the Board;
- encourage Directors to make active contribution to Board's affairs;
- primarily responsible for the practices and management of the proceedings of Board meetings;
- develop effective communication with the Shareholders.

Major responsibilities of President

- implement the strategies and development plans as established by the Board;
- manage the business of the Group and make day-to-day decisions;
- coordinate overall business operations.

A.4 Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association.

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 by rotation at least once every three years. Director 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 is given induction on the regulatory requirements and business operations of the Group.

All the Non-executive Directors and Independent Non-executive Directors are appointed for specific term and subject to retirement by rotation and re-election at annual general meetings according to the Articles of Association. The term of appointment of each of the Non-executive Directors and Independent Non-executive Directors is set out in the section headed "Directors' Service Contracts" in the Report of the Directors of this annual report.

A.5 Board Meetings

Pursuant to code provisions A.1.1 and A.1.3 of the CG Code, meetings of the Board should be held at least four times a year at approximately quarterly intervals and notice of at least 14 days should be given of a regular board meeting. During the Year, the Board held five Board meetings of which four Board meetings were regular Board meetings held at quarterly intervals.

Attendance record of each Board member at the Board meetings held during the Year is set out below:

Name of Board Member	Attendance/Number of Meetings Held
Executive Directors	
Ms. CHIU, Wing Kwan Winnie *(President)*	5/5
Mr. LAI, Wai Keung	5/5
Non-executive Directors	
Tan Sri Dato' CHIU, David *(Chairman)*	4/5
Mr. HOONG, Cheong Thard	5/5
Mr. CHAN, Chi Hing	4/5
Mr. MOK, Kwai Pui Bill(Note)	1/2
Independent Non-executive Directors	
Mr. SHEK, Lai Him Abraham	5/5
Mr. TO, Peter	5/5
Dr. LIU, Ngai Wing	5/5
Mr. ANGELINI, Giovanni	4/5

Note: Mr. MOK, Kwai Pui Bill retired as Non-executive Director at the conclusion of the Company's annual general meeting held on 31 August 2012. Before his retirement, there were two Board meetings held during the Year.

Agenda and Board papers are sent to the Directors in timely manner so that all the Directors had sufficient time to review the affairs to be discussed and make informed decisions. The Chairman will arrange the attendance of independent professional advisors at the Board meetings to advise the Directors where necessary and there are agreed procedures for the Directors to seek independent professional advice at the Company's expenses in appropriate circumstances. Directors have readily access to the senior management, Senior Vice President of Finance, Company Secretary and external legal advisors for advice on corporate governance, financial matters, operations and business development of the Group.

Transaction which involves a conflict of interest for a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. During the Year, the Independent Non-executive Directors were present at the Board meetings for considering connected and continuing connected transactions of the Group. Directors who had any interests in the matters considered in the Board meeting were not counted in the quorum and had abstained from voting at the Board meetings.

During the Year, one general meeting was held and all the existing Directors and Mr. MOK, Kwai Pui Bill were present at the meeting. Mr. MOK, Kwai Pui Bill retired as Director at the conclusion of the Company's annual general meeting held on 31 August 2012.

Corporate Governance Report

A.6 Model Code for Securities Transactions

The Company has adopted the Model Code as its own code of conduct governing securities transactions by Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the required standard set out in the Model Code throughout the Year.

The Company also established written guidelines regarding securities transactions on terms no less exacting than the Model Code for relevant employees who may have access to inside information in relation to the securities of the Company.

Directors and relevant employees are notified by the Company Secretarial Department of the Company of prohibitions on dealings in the securities of the Company whenever black-out periods arise.

A.7 Training for Directors

Each newly appointed Director is provided with induction and information to ensure that he has a proper understanding of the Company's operations and business as well as his responsibilities under the relevant statutes, laws, rules and regulations.

The Company provides regular updates on changes and developments relating to the Group's business and the legislative and regulatory environments to the Directors at the Board meetings. Trainings have been provided to the Directors to ensure a high standard of corporate governance is upheld and that the Directors possess up-to-date information to discharge their duties.

The Directors are committed to complying with code provision A.6.5 of the CG Code which came into effect on 1 April 2012 on Directors' training. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided a record of training they received for the Year to the Company. The Executive Directors, Ms. CHIU, Wing Kwan Winnie and Mr. LAI, Wai Keung, and the Independent Non-executive Directors, Mr. SHEK, Lai Him Abraham, Mr. TO, Peter and Dr. LIU, Ngai Wing, attended training conducted by professionals, while the Non-executive Directors, Tan Sri Dato' CHIU, David, Mr. HOONG, Cheong Thard and Mr. CHAN, Chi Hing, and the Independent Non-executive Director, Mr. ANGELINI, Giovanni, received training by reading relevant materials regarding regulatory updates.

B. Board Committees

As at 31 March 2013, the Board has established five Board committees, namely the Executive Committee, Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee for overseeing various aspects of the Company's affairs. All Board committees have been established with defined written terms of reference and report to the Board on their decisions or recommendations made.

Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expenses.

B.1 Executive Committee

Executive Committee currently comprises two members, namely Ms. CHIU, Wing Kwan Winnie and Mr. LAI, Wai Keung, the Executive Directors and senior management of the Company. Executive Committee operates as a general management committee under the direct authority of the Board to increase efficiency in the day-to-day management of the operations of the Group. It monitors the execution of the strategic plans formulated by the Board and coordinates business units of the Group.

During the Year, all the members of the Executive Committee were present at all meetings held.

B.2 Audit Committee

Audit Committee currently comprises three members, all of them are Independent Non-executive Directors, namely Dr. LIU, Ngai Wing, Mr. SHEK, Lai Him Abraham and Mr. TO, Peter. The chairman of the Audit Committee is Dr. LIU, Ngai Wing who possesses the appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The principal duties of the Audit Committee include reviewing and supervising the Group's financial reporting system, internal control procedures, financial information and the relationship with the external auditors of the Company. It also acts as an important link between the Board and the Company's external auditors.

Major work performed in the Year

- reviewed the annual financial statements for the year ended 31 March 2012 and the interim financial statements for the six months ended 30 September 2012, and the related accounting principles and practices adopted by the Company;

- reviewed the reports of the internal and external auditors and the response of the management to the recommendations of the auditors;

- reviewed the effectiveness of the internal control system and the adequacy of the accounting and financial reporting functions of the Group;

- approved the internal audit plans;

- reviewed the audit and non-audit services performed by the external auditors and the respective professional fees;

- assessed the independence of the external auditors and made recommendations on the re-appointment of the Company's auditor at the Company's annual general meeting;

- considered and adopted a policy on employees that can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters and investigation procedures.

During the Year, two Audit Committee meetings were held and all the members of the Audit Committee and representatives of the external auditors of the Company were present at the meetings.

Corporate Governance Report

B.3 Remuneration Committee

The Remuneration Committee currently comprises six members, namely:

1. Mr. TO, Peter (Independent Non-executive Director)
2. Mr. SHEK, Lai Him Abraham (Independent Non-executive Director)
3. Dr. LIU, Ngai Wing (Independent Non-executive Director)
4. Mr. ANGELINI, Giovanni (Independent Non-executive Director)
5. Tan Sri Dato' CHIU, David (Non-executive Director)
6. Ms. CHIU, Wing Kwan Winnie (Executive Director)

The chairman of the Remuneration Committee is Mr. TO, Peter. The primary duties of the Remuneration Committee are to make recommendations to the Board on the Group's policy and structure for the remuneration of the Directors and the senior management. Remuneration Committee has delegated responsibility to determine the remuneration package of individual Executive Director and senior management. It makes recommendations to the Board on the remuneration of Non-executive Directors. In accordance with the CG Code, no Director or any of his/her associates (as defined in the Listing Rules) involved in determining his/her own remuneration.

Major work performed in the Year

- reviewed and determined the policy and structure for the remuneration of the Directors;
- reviewed and approved the remuneration packages of individual Executive Director;
- approved increment in the annual salary and payment of discretionary bonus to the Executive Directors;
- reviewed and recommended the director's fee for all Independent Non-executive Directors and a Non-executive Director;
- reviewed, determined and approved the yearend bonus payout and salary increment to the employees of the Group.

During the Year, two Remuneration Committee meetings were held and all the members of the Remuneration Committee were present at the meetings.

Details of the remuneration of the members of the senior management by band for the Year are disclosed in note 17(a) to the consolidated financial statements.

B.4 Nomination Committee

The Nomination Committee currently comprises five members, namely:

1. Tan Sri Dato' CHIU, David (Non-executive Director)
2. Mr. CHAN, Chi Hing (Non-executive Director)
3. Mr. SHEK, Lai Him Abraham (Independent Non-executive Director)
4. Dr. LIU, Ngai Wing (Independent Non-executive Director)
5. Mr. TO, Peter (Independent Non-executive Director)

The chairman of the Nomination Committee is Tan Sri Dato' CHIU, David. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis, consider the retirement and re-election of the Directors and assess the independence of Independent Non-executive Directors.

In the process of nominating and assessing new candidates for appointment as Director, 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 Non-executive Director, the Nomination Committee will also consider the independence and the number of directorships of the candidates.

Major work performed in the Year

- reviewed and determined the policy and structure, size and composition of the Board;
- reviewed the biographical details of the Directors;
- assessed the independence of Independent Non-executive Directors;
- made recommendations to the Board on the re-appointment of retiring Directors at the Company's annual general meeting.

During the Year, one Nomination Committee meeting was held and all the members of the Nomination Committee were present at the meeting.

B.5 Corporate Governance Committee

The Corporate Governance Committee currently comprises four members, namely:

1. Ms. CHIU, Wing Kwan Winnie (Executive Director)
2. Mr. LAI, Wai Keung (Executive Director)
3. Mr. HOONG, Cheong Thard (Non-executive Director)
4. Mr. CHAN, Chi Hing (Non-executive Director)

The chairman of the Corporate Governance Committee is Ms. CHIU, Wing Kwan Winnie. The primary duties of the Corporate Governance Committee are to develop and review the Company's policies and practices on corporate governance, monitor the compliance with regulatory requirements and code of conduct and the continuing professional development of Directors and senior management.

The Corporate Governance Committee will continuously evaluate and strive for continual development and improvement in the corporate governance practices of the Group.

Major work performed in the Year

- reviewed the Company's policies and procedures on corporate governance;
- reviewed the Company's policies and practices on compliance with legal and regulatory requirements;
- reviewed the training and continuous professional development of Directors and senior management;
- reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the Year, one Corporate Governance Committee meeting was held and all the existing members of the Corporate Governance Committee and Mr. MOK, Kwai Pui Bill were present at the meeting. Mr. MOK, Kwai Pui Bill retired as Non-executive Director at the conclusion of the Company's annual general meeting held on 31 August 2012 and ceased to be a member of the Corporate Governance Committee on the same day.

Corporate Governance Report

C. Directors' and Auditor's Acknowledgement

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the Year.

Deloitte Touche Tohmatsu, the auditor of the Company, has acknowledged its reporting responsibilities in the independent auditor's report on the Company's consolidated financial statements for the Year.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. Auditor's Remuneration

During the Year, professional fees paid or payable to the auditors (including their other member firms) for audit and non-audit services provided to the Group are as follows:

Services	Fees charged HK$'000
Deloitte Touche Tohmatsu	
Audit services (including interim review)	3,210
Non-audit services	
(a) Tax services	215
(b) Other services	829
	4,254
Other auditors(Note)	
Audit services	1,398
Non-audit services	
(a) Tax services	22
(b) Other services	–
	1,420
Total	5,674

Note: Financial statements of certain subsidiaries of the Company were audited by independent external auditors other than Deloitte Touche Tohmatsu.

E. Internal Controls

The Board is responsible for maintaining a sound and effective system of risk management and internal controls in the Group to ensure that policies and procedures in place for the identification and management of risks are adequate. Such system is designed to manage the risk of failure to achieve corporate objectives and provide reasonable but not absolute assurance against material misstatement, loss or fraud.

The Board has delegated to the Executive Committee the design, implementation and ongoing assessment of such system of internal controls, while the Board through the Audit Committee oversees and reviews the adequacy and effectiveness of relevant financial, operational and compliance controls and risk management procedures that have been in place and particularly the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting functions. During the Year, the Board through the Audit Committee had conducted a review of the effectiveness of the internal control system of the Group.

Based on the guidance of the Committee of Sponsoring Organisations of the Treadway Commission ("COSO"), the Group operates within a comprehensive control environment to address three major areas:

- effectiveness and efficiency of operations;
- reliability of financial reporting; and
- compliance with applicable laws and regulations.

To achieve these three objectives at the operational level, the Group established its internal control and risk management framework based on the five interrelated components from COSO:

Control Environment	• Set tone of organisation influencing control consciousness of its people • Factors include integrity, ethical values, competence, authority and responsibility
Risk Assessment	• Identify and analyse of relevant risks to achieve the Group's objectives
Control Activities	• Set policies & procedures that ensure management directives are carried out • Control activities include approvals, authorisations, verifications, reconciliations, assets security and segregation of duties
Information & Communication	• Identify, capture and communication pertinent information in a timely manner • Access to internally and externally information • Flow of information that allows for successful control actions
Monitoring	• Assess control system's performance over time • Combine ongoing and specific evaluations • Internal Audit activities

Corporate Governance Report

F. Internal Audit

The Internal Audit Department, reporting to the Audit Committee, plays a major role in the corporate governance of the Group. Internal Audit independently reviews the efficiency and effectiveness of the risk management activities and internal controls in the Group's business operations. With the assistance of Internal Audit, the Executive Committee assesses the Group's internal control system, formulates an opinion on the system and reports their findings to the Audit Committee and the Board.

Using risk assessment methodology and taking into account the scope and nature of the Group's activities, Internal Audit prepares its annual audit plan which is reviewed and approved by the Audit Committee.

During the Year, Internal Audit issued reports to the Executive Committee and Audit Committee covering various operational and financial units of the Group. The scope of work performed by Internal Audit includes financial and operations review, recurring and unscheduled audits, fraud investigation, productivity efficiency review and laws and regulations compliance review. Internal Audit follows up audit recommendations on implementation by the operating units and the progress is reported to the Audit Committee.

An internal control self assessment has been established requiring hotel general managers and department heads to assess the effectiveness of controls over the operations within their areas of accountability and compliance with applicable laws and regulations. These assessments form part of the bases on which the Executive Committee formulates their opinion on the Group's internal control system. Concerns which have been reported by Internal Audit are monitored regularly by the Executive Committee and by the Audit Committee until corrective measures have been implemented.

G. Company Secretary

During the Year, the Company engaged an external service provider as its company secretary. The company secretary of the Company is Ms. MUI, Ngar May Joel ("Ms. Mui"). The primary corporate contact person of the Company is Ms. CHIU Wing Kwan, Winnie, the Executive Director and President of the Company.

Ms. Mui confirmed that she has complied with all the qualifications and training requirements under the Listing Rules.

H. Communication with Shareholders

The Company believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables Shareholders and investors to make the best investment decision.

Extensive information on the Group's activities, business operations and developments is provided in the Company's annual reports, interim reports and other corporate communications. In addition, the Company maintains a website at www.dorsett.com as a communication platform with Shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Shareholders may send any comments or inquiries to the Directors by email to enquiry@dorsett.com or in writing to the Company Secretarial Department at the Company's principal place of business in Hong Kong.

To facilitate communication between the Company and the investment community, the Company conducts briefings and meetings with institutional investors and analysts on a regular basis as well as media interviews and roadshows to provide up-to-date and comprehensive information of the Company.

The Company has adopted a shareholders' communication policy.

Shareholders are encouraged to attend general meetings of the Company, which provide a valuable forum for dialogue and interaction with the management. Directors and the Board committee members and appropriate senior staff of the Group are available at the meetings to answer any questions raised by Shareholders.

2012 Annual General Meeting
The 2012 annual general meeting of the Company was held on 31 August 2012 to approve, among other matters, the financial statements for FY2012, payment of final dividend, re-election of retiring Directors and fixing of Directors' remuneration, re-appointment of auditor and authorization of the Board to fix the auditor's remuneration, granting of general mandates to Directors to issue new Shares and repurchase Shares and extension of general mandate to issue new Shares up to the limits as set out in the notice of the meeting, and change of name of the Company.

All of the resolutions, including re-election of each retiring Director, were voted on separately by way of poll. All the proposed resolutions were passed by the Shareholders, with approximately over 97% of the votes were casted in favour of the resolutions. The Chairman of the Board, chairmen of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Governance Committee and representatives from the Company's auditor were present at the meeting to answer questions from the Shareholders.

2013 Annual General Meeting
Notice of the forthcoming AGM and a circular with further details of the matters to be considered at the meeting will be sent to the Shareholders. Shareholders are encouraged to attend the AGM and have face-to-face interaction with the Directors.

I. Shareholders' Rights

Shareholders' rights to put forward proposals at general meetings are governed by the Articles of Association. Two or more Shareholders holding in aggregate not less than one-tenth of the paid up share capital of the Company may request Directors to convene an extraordinary general meeting and propose matters to be considered at that general meeting of the Company. A Shareholder may propose a candidate for election as a Director at the annual general meetings of the Company.

The Articles of Association and the procedures for Shareholders to convene extraordinary general meetings, to move a resolution at general meetings and propose a person for election as a Director at annual general meetings are available for viewing at the Company's corporate website www.dorsett.com.

There are no significant changes in the Company's constitutional documents during the Year.

Report of the Directors

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 31 March 2013.

Principal Activities

The Company is an investment holding company. The principal activities of the Group are hotel operation and management, property investment, property development and property trading. The principal activities and other particulars of the subsidiaries are set out in note 42 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 84 to 137 of this annual report.

Five-Year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 144 of this annual report.

Dividends

The Board has declared an interim dividend of HK4 cents per ordinary share for the six months ended 30 September 2012.

The Board recommends the payment of a final dividend (the "Proposed Final Dividend") of HK8 cents per ordinary share for the Year. The Proposed Final Dividend will be paid in the form of a scrip dividend to Shareholders who are given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements (the "Scrip Dividend Scheme"). The Proposed Final Dividend together with the interim dividend of HK4 cents per ordinary share already paid represents a dividend payout ratio for the whole year of approximately 36.8% based on the Company's distributable profit. The total amount of the Proposed Final Dividend, if all elected for receipt of cash, based on the number of issued ordinary shares of the Company as at the date of this annual report, will therefore be approximately HK$160 million.

The Scrip Dividend Scheme will be subject to (i) Shareholders' approval of the Proposed Final Dividend at the AGM; and (ii) the Stock Exchange granting listing of and permission to deal in the new shares to be allotted thereunder. For the purpose of determining the number of new shares to be allotted, the market value of new shares will be calculated as the average of the closing prices of the existing shares of the Company on the Stock Exchange for the 5 trading days prior to and including 19 September 2013. Full details of the Scrip Dividend Scheme will be set out in a circular which is expected to be sent to Shareholders together with a form of election on or around 30 September 2013. Dividend warrants and/or new share certificates will be posted on or around 31 October 2013.

Report of the Directors

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 27 August 2013 to 29 August 2013, 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 in Hong Kong, Tricor Investor Services Limited (the "Branch Registrar") at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 26 August 2013.

Subject to the approval of the Shareholders at the AGM, the Proposed Final Dividend will be distributed on or about 31 October 2013 to the Shareholders whose names appear on the Register of Members of the Company on 19 September 2013. 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 17 September 2013 to 19 September 2013, 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 Branch Registrar at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 16 September 2013.

Reserves

Movements in the reserves of the Group during the Year are set out in the consolidated statement of changes in equity on page 87 of this annual report.

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

Movements in the property, plant and equipment, prepaid lease payments and investment properties of the Group during the Year are set out in notes 18 to 20 to the consolidated financial statements.

Bank Borrowings

Particulars of the bank borrowings of the Group as at 31 March 2013 are set out in note 29 to the consolidated financial statements.

Share Capital

Movements in the share capital of the Company during the Year are set out in note 31 to the consolidated financial statements.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed 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 during the Year and up to the date of this report were as follows:

Executive Directors
Ms. CHIU, Wing Kwan Winnie
Mr. LAI, Wai Keung

Non-executive Directors
Tan Sri Dato' CHIU, David
Mr. HOONG, Cheong Thard
Mr. CHAN, Chi Hing
Mr. MOK, Kwai Pui Bill *(retired on 31 August 2012)*

Independent Non-executive Directors
Mr. SHEK, Lai Him Abraham
Mr. TO, Peter
Dr. LIU, Ngai Wing
Mr. ANGELINI, Giovanni

The senior management members of the Company are Ms. CHIU, Wing Kwan Winnie and Mr. LAI, Wai Keung who are the Executive Directors and are collectively responsible for the daily management and operations of the Group.

Pursuant to Article 16.18 of the Articles of Association, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at the annual general meeting of the Company at least once every three years. Ms. CHIU, Wing Kwan Winnie, Mr. HOONG, Cheong Thard and Mr. CHAN, Chi Hing will retire by rotation at the AGM and are eligible to offer themselves for re-election as Directors at the AGM.

Directors' Service Contracts

Each of the Executive Directors, namely Ms. CHIU, Wing Kwan Winnie and Mr. LAI, Wai Keung, has entered into a service contract with the Company. The Executive Directors' service contracts have a term ending on the third anniversary of the Listing Date and may be terminated with three months' notice.

The Non-executive Directors, namely Tan Sri Dato' CHIU, David, Mr. HOONG, Cheong Thard and Mr. CHAN, Chi Hing, and 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.

The Independent Non-executive Director, Mr. ANGELINI, Giovanni, has been appointed for an initial term of one year commencing from 6 March 2012 and is automatically renewed for successive term of one year commencing from the day immediately after expiry of the then current term, and may be terminated with three months' notice.

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 Remuneration Committee and/or 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 17(a) to the consolidated financial statements.

Report of the Directors

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

As at 31 March 2013, the interests and short positions of the Directors and/or chief executive 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 by the Company 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 of the Company

	Shares in the Company[i]				Options granted by the Company[iv]		
Name of Director	Personal Interests	Corporate Interests	Family Interests	Other Interests	Personal Interests	Total	Approximate % of the Issued Share Capital of the Company
Tan Sri Dato' CHIU, David	–	1,472,773,254[ii]	8,355	–	–	1,472,781,609	73.64%
CHAN, Chi Hing	3,000	–	–	–	3,545,454	3,548,454	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 of the Company 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 1,465,000,000 Shares were directly held by Ample Bonus Limited ("Ample Bonus"), a wholly-owned subsidiary of FECIL. As at 31 March 2013, by virtue of the shares in FECIL owned by Sumptuous representing approximately 39.64% of the issued shares of FECIL, Sumptuous is deemed to be interested in the Shares owned by Ample Bonus. 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 and Sumptuous.

(iii) 4,000 Shares were jointly held by HOONG, Cheong Thard with his spouse, 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 39 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[i]				Options granted by FECIL[iv]		
Name of Director	Personal Interests	Corporate Interests	Family Interests	Other Interests	Personal Interests	Total	Approximate % of the Issued Share Capital of FECIL
Tan Sri Dato' CHIU, David	13,607,249	701,156,072[ii]	557,000	–	–	715,320,321	40.44%
HOONG, Cheong Thard	273	–	–	386,329[iii]	12,400,000	12,786,602	0.72%
CHAN, Chi Hing	222,982	–	–	–	7,800,000	8,022,982	0.45%
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) 701,143,751 shares in FECIL were held by Sumptuous and 12,321 shares in FECIL were held by Modest Secretarial Services Limited ("Modest"). Sumptuous and Modest are fully controlled by Tan Sri Dato' CHIU, David, accordingly Tan Sri Dato' CHIU, David is deemed to be interested in the shares in FECIL held by Sumptuous and Modest.

(iii) 386,329 shares in FECIL were jointly held by HOONG, Cheong Thard with his spouse, TENG, Pei Chun.

(iv) Further information on the options granted by FECIL to the Directors is set out in note 39 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 31 March 2013.

Report of the Directors

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

As at 31 March 2013, the interests or short positions of every person in 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	Position[i]	Shares in the Company	Approximate % of the Issued Share Capital of the Company
Tan Sri Dato' CHIU, David	Interests in controlled corporations[ii]	Long	1,472,773,254	
	Family Interests	Long	8,355	
			1,472,781,609	73.64%
Nancy Ng	Personal Interests	Long	8,355	
	Family Interests[iii]	Long	1,472,773,254	
			1,472,781,609	73.64%
Sumptuous	Beneficial Owner[ii]	Long	7,773,254	
	Interests in controlled corporation[ii]	Long	1,465,000,000	
			1,472,773,254	73.64%
FECIL	Interests in controlled corporation[ii]	Long	1,465,000,000	73.25%
Ample Bonus	Beneficial Owner[ii]	Long	1,465,000,000	73.25%
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%

Notes:

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

(ii) Ample Bonus directly owned 1,465,000,000 Shares. Ample Bonus is a wholly-owned subsidiary of FECIL and accordingly FECIL is deemed to be interested in the Shares held by Ample Bonus.

Sumptuous directly owned 7,773,254 Shares. As at 31 March 2013, by virtue of the shares in FECIL owned by Sumptuous representing approximately 39.64% of the issued shares of FECIL, Sumptuous is deemed to be interested in the Shares owned by Ample Bonus. 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 and Sumptuous. The interests of Ample Bonus, FECIL and Sumptuous are disclosed in Tan Sri Dato' CHIU, David's notice of disclosure of interests.

(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 the 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 was in respect of unlisted physically settled derivatives.

Save as disclosed above, no other interest or short position in Shares or underlying shares of the Company was recorded in the register required to be kept by the Company under Section 336 of the SFO as at 31 March 2013.

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 (as defined in the Listing Rules) or any Shareholders (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 10 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 and 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 which may be granted under the Share Option Scheme is 181,981,826, representing approximately 9.10% 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 in 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 (as defined in the Listing Rules), 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 higher of:

(i) the closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange on the date 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 business days immediately preceding the date of the grant; and

(iii) the nominal value of the Shares.

Report of the Directors

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

		Number of share options[i]				
	Option type[ii]	Outstanding at 01/04/2012	Granted during the Year	Exercised during the Year	Lapsed during the Year	Outstanding at 31/03/2013
Directors						
CHIU, Wing Kwan Winnie	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
LAI, Wai Keung	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
HOONG, Cheong Thard	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
CHAN, Chi Hing	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
MOK, Kwai Pui Bill[iii]	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)	–
Employees (in aggregate)	Tranche 1	1,772,721	–	–	(109,090)	1,663,631
	Tranche 2	1,772,721	–	–	(109,090)	1,663,631
	Tranche 3	1,772,721	–	–	(109,090)	1,663,631
	Tranche 4	1,772,721	–	–	(109,090)	1,663,631
	Tranche 5	1,772,745	–	–	(109,094)	1,663,651
		8,863,629	–	–	(545,454)	8,318,175
Total		22,654,536	–	–	(4,090,908)	18,563,628

No share options were cancelled during the Year.

Notes:

(i) The share options were granted on 11 October 2010 at an initial exercise price of HK$2.20 per Share. The vesting periods of the share options are between the date of grant and the dates before the commencement of exercise periods.

(ii) The vesting and exercise periods of the share options are as follows:

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

(iii) MOK, Kwai Pui Bill ceased to be a Director upon his retirement at the conclusion of the Company's annual general meeting held on 31 August 2012.

Further information on the Share Option Scheme and the options granted by the Company is set out in note 39 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 41 (Related Party Transactions) to the consolidated financial statements, no contracts of significance to which the Company or any of 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.

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

The entering into the Tenancy Agreement between Annick Investment Limited and Kosmopolito Hotels International Services Limited

On 31 August 2012, Kosmopolito Hotels International Services Limited (now known as Dorsett Hospitality International Services Limited) (the "Tenant"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement (the "Tenancy Agreement") with Annick Investment Limited (the "Landlord"), a wholly-owned subsidiary of FECIL, pursuant to which the Landlord agreed to let the entire 20th Floor, Far East Consortium Building, No. 121 Des Voeux Road Central, Central, Hong Kong with a gross floor area of approximately 5,964 sq. ft. to the Tenant at a monthly rental of HK$208,740 (inclusive of rates, government rent, management fee and air-conditioning charges but exclusive of all Tenant's other outgoings) for a term of three years commencing from 1 September 2012 and expiring on 31 August 2015 (the "Transaction").

FECIL was the Controlling Shareholder of the Company and was interested in approximately 73.25% of the issued shares of the Company. The Landlord was therefore an associate (as defined in the Listing Rules) of FECIL and a connected person of the Company under the Listing Rules. The Transaction constitutes continuing connected transaction for the Company under Rule 14A.14 of the Listing Rules.

Report of the Directors

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the maximum annual rental payable by the Tenant to the Landlord under the Tenancy Agreement exceeds 0.1% but is less than 5%, the Transaction is only subject to reporting, announcement and the annual review requirements and is exempt from independent shareholders' approval requirement under the Listing Rules.

Relevant details in relation to the Transaction were disclosed in the announcement of the Company dated 31 August 2012.

The Independent Non-executive Directors have reviewed the continuing connected transaction and confirmed that the Transaction has been entered into:

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

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreement governing them on the Transaction that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor has provided a letter to the Board confirming that the continuing connected transaction:

(i) has received the approval of the Board;

(ii) has been entered into in accordance with the relevant agreement governing the Transaction; and

(iii) has not exceeded the cap disclosed in the announcement of the Company dated 31 August 2012.

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 41 to the consolidated financial statements. The Directors confirm that the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

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 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 serviced apartment units; and Cheras Sentral, a property development including a shopping and leisure complex in Cheras, Kuala Lumpur, Malaysia. Both of Plaza Damas 3 and Cheras Sentral have a small portion of area which includes a hotel.	Tan Sri Dato' CHIU, David	Mayland is controlled by Tan Sri Dato' CHIU, David who is also the chief executive officer of Mayland
		CHIU, Wing Kwan Winnie	Director
Agora Hospitality Group Co., Ltd. ("Agora")	Agora is listed on the first section of the Tokyo Stock Exchange and its principal activities are operation of hotel and resort business in Japan, property investment and treasury operations.	Tan Sri Dato' CHIU, David	Owner of approximately 51.31% of Agora and chairman of the board of directors
		HOONG, Cheong Thard	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
Land & General Berhad	Land & General Berhad is listed on the main market of Bursa Malaysia. The principal activities of Land & General Berhad and its subsidiaries are property development, investment and management, and investment in the plantation, education and leisure sectors.	CHIU, Wing Kwan Winnie	Non-independent and non-executive director and has indirect interest in approximately 17.29% 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 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 (as defined in the Listing Rules) and the Group.

Report of the Directors

Non-Competition Undertakings

Each of FECIL and Tan Sri Dato' CHIU, David (collectively the "Covenantors") has executed a Deed of Non-Competition Undertaking (the "Undertaking") dated 10 September 2010 in favour of the Company. Under the Undertaking, FECIL has undertaken that, among other matters, so long as the FECIL Group and/or their respective associates (as defined in the Listing Rules), whether individually or taken together, remain the Controlling Shareholder of the Company, FECIL or member of the FECIL Group 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. Tan Sri Dato' CHIU, David has also undertaken that, among other matters, so long as he and/or his associates (as defined in the Listing Rules), whether individually or taken together, remain the Controlling Shareholder of the Company, Tan Sri Dato' CHIU, David or his associates (as defined in the Listing Rules) 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 annual 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 operates 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 38 to the consolidated financial statements.

Confirmation of Independence

The Company has received from each of the Independent Non-executive Directors, namely Mr. SHEK, Lai Him Abraham, Mr. TO, Peter, Dr. LIU, Ngai Wing and Mr. ANGELINI, Giovanni, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that 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$723,000.

Events after the Reporting Period

To strengthen the Group's capital base and diversify financing sources, on 3 April 2013, the Company issued 5-year bonds due 2018 in an aggregate principal amount of RMB850 million at a fixed rate of 6% per annum. The net proceeds of the issue, after deduction of commission and administrative expenses, amounted to approximately RMB840 million (approximately HK$1.05 billion). The Company intends to use the net proceeds for the Group's future acquisition(s) and expansion, and for general corporate purposes.

Whilst the Group continues to pursue the "Chinese Wallet" strategy, it is also important to focus on market segments in other continents with growth potential as well. On 9 April 2013, the Group entered into an affiliation agreement with Diamond Resorts International Limited ("Diamond Resorts"), which is one of the world's largest vacation ownership companies with more than 300 vacation destinations in 33 countries. Through this affiliation, the Group will be able to tap into the customer base of Diamond Resorts.

On 17 June 2013, the Group executed a 5-year loan facility amounting to HK$1.75 billion to refinance the Outstanding Syndicated Loan in full. The new loan facility only requires pledging of 2 Hong Kong hotel properties of the Group instead of 6 Hong Kong hotel properties for the Outstanding Syndicated Loan. With the refinancing, 4 Hong Kong hotel properties can be released and become unencumbered.

Changes in Information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the date of the Company's 2012–13 Interim Report and up to the date of this annual report are set out below:

1. **Ms. CHIU, Wing Kwan Winnie**
   Ms. Chiu's annual emolument (excluding bonus or other benefits payable at the discretion of the Company) has been increased from HK$1,860,000 to HK$2,160,000 with effect from 1 February 2013.

   Ms. Chiu's 2012 yearend bonus was fixed at HK$1,000,000.

2. **Mr. LAI, Wai Keung**
   Mr. Lai's annual emolument (excluding bonus or other benefits payable at the discretion of the Company) has been increased from HK$1,080,000 to HK$1,200,000 with effect from 1 February 2013.

   Mr. Lai's 2012 yearend bonus was fixed at HK$450,000.

3. **Mr. SHEK, Lai Him Abraham**
   Mr. Shek has been appointed as an independent non-executive director of Lai Fung Holdings Limited, a public listed company in Hong Kong, with effect from 19 December 2012.

4. **Mr. CHAN, Chi Hing**
   Mr. Chan is a fellow member of the Hong Kong Institute of Directors.

5. **Dr. LIU, Ngai Wing**
   Dr. Liu holds a Doctor of Business Administration Degree from Curtin University of Technology and a Master of Arts Degree in Asian and International Studies from City University of Hong Kong.

6. **Mr. TO, Peter**
   Mr. To's appointment as non-executive director of the Urban Renewal Authority ended on 30 April 2013.

7. **Tan Sri Dato' CHIU, David**
   Tan Sri Dato's Chiu, David is a member of the 12th National Committee of the Chinese People's Political Consultative Conference.

   Tan Sri Dato' Chiu, David is the chairman and founder of Malaysia Land Properties Sdn. Bhd., which is one of the largest condominium developers in Malaysia.

   Tan Sri Dato' Chiu, David is the director of Ju Ching Chu School (Kwai Chung) (Yuen Long) (Tuen Mun) in Hong Kong.

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
Dorsett Hospitality International Limited

CHIU, Wing Kwan Winnie
President and Executive Director

Hong Kong, 18 June 2013

Financial Section

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF DORSETT HOSPITALITY INTERNATIONAL LIMITED
帝盛酒店集團有限公司
(FORMERLY KNOWN AS 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 Dorsett Hospitality International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 84 to 137, which comprise the consolidated statement of financial position as at 31 March 2013, 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 31 March 2013 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
18 June 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	NOTES	2013 HK$'000	2012 HK$'000
Revenue	9	1,152,942	1,096,097
Operating costs		(364,672)	(326,826)
Depreciation and amortisation		(137,879)	(118,545)
Gross profit		650,391	650,726
Other income		5,811	3,955
Administrative expenses		(294,267)	(263,738)
Pre-opening expenses	10	(26,107)	(8,651)
Gain on disposal of property, plant and equipment	14	424	379,465
Gain on disposal of a subsidiary	33	458,358	–
Other gains and losses	11	(2,282)	2,313
Finance costs	12	(100,005)	(90,703)
Profit before taxation		692,323	673,367
Income tax expense	13	(44,867)	(68,275)
Profit for the year	14	647,456	605,092
Other comprehensive (expense) income for the year			
Exchange differences on translation of foreign operations		(4,021)	33,073
Total comprehensive income for the year		643,435	638,165
Earnings per share	16		
– Basic (HK cents)		32.37	30.25
– Diluted (HK cents)		32.37	30.25

Consolidated Statement of Financial Position

As at 31 March 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	18	5,652,677	5,074,698
Prepaid lease payments	19	589,330	591,333
Investment properties	20	412,500	405,900
Deposits for acquisition of property, plant and equipment		133,864	149,315
Interest in an associate	21	76,533	76,533
Utility and other deposits paid		11,755	7,990
Pledged deposits	23	2,897	5,252
Deferred tax assets	30	5,000	–
		6,884,556	6,311,021
Current assets			
Properties for/under development for sale	25	353,141	255,677
Other inventories		8,396	8,129
Debtors, deposits and prepayments	26	120,624	105,561
Prepaid lease payments	19	14,841	14,629
Tax recoverable		6,926	37
Financial assets at fair value through profit or loss	22	28,554	–
Pledged deposits	23	137,132	335,665
Time deposits	23	12,500	–
Bank balances and cash	23	729,519	533,647
		1,411,633	1,253,345
Current liabilities			
Creditors and accruals	28	244,616	231,720
Secured bank borrowings	29	3,287,936	858,877
Sales deposits received		275,926	148,578
Derivative financial instruments	27	9,516	1,198
Tax payable		2,200	34,277
		3,820,194	1,274,650
Net current liabilities		(2,408,561)	(21,305)
Total assets less current liabilities		4,475,995	6,289,716

Consolidated Statement of Financial Position (continued)

As at 31 March 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Secured bank borrowings	29	582,692	2,768,504
Rental deposits received		7,756	6,851
Deferred tax liabilities	30	99,724	94,564
		690,172	2,869,919
Net assets		3,785,823	3,419,797
Capital and Reserves			
Share capital	31	200,000	200,000
Share premium		2,237,153	2,237,153
Reserves		1,348,670	982,644
Total equity		3,785,823	3,419,797

The consolidated financial statements on pages 84 to 137 were approved and authorised for issue by the Board of Directors on 18 June 2013 and are signed on its behalf by:

CHIU, WING KWAN WINNIE
DIRECTOR

LAI, WAI KEUNG
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Attributable to the shareholders of the Company								
	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 1 April 2011	200,000	2,237,153	113,186	9,014	(201,048)	3,299	207,440	327,690	2,896,734
Profit for the year	–	–	–	–	–	–	–	605,092	605,092
Other comprehensive income for the year	–	–	33,073	–	–	–	–	–	33,073
Total comprehensive income for the year	–	–	33,073	–	–	–	–	605,092	638,165
Dividends (note 15)	–	–	–	–	–	–	–	(120,000)	(120,000)
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	4,898	–	–	4,898
Lapse of share options transferred to retained profits	–	–	–	–	–	(1,024)	–	1,024	–
As at 31 March 2012	200,000	2,237,153	146,259	9,014	(201,048)	7,173	207,440	813,806	3,419,797
Profit for the year	–	–	–	–	–	–	–	647,456	647,456
Other comprehensive expense for the year	–	–	(4,021)	–	–	–	–	–	(4,021)
Total comprehensive income for the year	–	–	(4,021)	–	–	–	–	647,456	643,435
Dividends (note 15)	–	–	–	–	–	–	–	(280,000)	(280,000)
Recognition of equity-settled share-based payment expenses	–	–	–	–	–	2,591	–	–	2,591
Lapse of share options transferred to retained profits	–	–	–	–	–	(1,161)	–	1,161	–
As at 31 March 2013	200,000	2,237,153	142,238	9,014	(201,048)	8,603	207,440	1,182,423	3,785,823

Notes:

(a) Merger reserve represents the difference between the aggregate fair values and the carrying amounts of certain hotels acquired from Parent Entities (as defined in note 1).

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	NOTES	2013 HK$'000	2012 HK$'000
Operating activities			
Profit before taxation		692,323	673,367
Adjustments for:			
Depreciation and amortisation		137,879	118,545
Change in fair value of investment properties		–	(1,818)
Change in fair value of derivative financial instruments		8,307	1,911
Change in fair value of financial assets at fair value through profit or loss		(4,083)	–
Allowance for bad and doubtful debts		80	17
Gain on disposal of property, plant and equipment		(424)	(379,465)
Gain on disposal of a subsidiary		(458,358)	–
Equity-settled share-based payment expenses		2,591	4,898
Interest income		(3,288)	(1,652)
Finance costs		100,005	90,703
Operating cash flows before movements in working capital		475,032	506,506
Increase in properties for/under development for sale		(90,308)	(11,599)
Increase in other inventories		(359)	(2,649)
Increase in debtors, deposits and prepayments		(10,293)	(11,781)
Increase in sales deposits received		120,806	2,537
Increase in utility and other deposits paid		(4,093)	(721)
Increase in creditors and accruals		6,262	22,292
Increase in rental deposits received		583	652
Increase in investments held for trading securities		(24,471)	–
Cash generated from operations		473,159	505,237
Income tax paid		(83,637)	(40,787)
Net cash from operating activities		389,522	464,450
Investing activities			
Acquisition of property, plant and equipment		(95,918)	(99,616)
Development expenditure on hotel properties		(866,164)	(631,855)
Acquisition of a subsidiary	32	–	(75,983)
Additions of prepaid lease payments		–	(13,343)
Net cash inflow from disposal of a subsidiary	33	764,278	–
Net proceeds from disposal of property, plant and equipment		578	507,308
Proceeds from disposal of investments		–	2,341
Interest received		3,288	1,652
Placement of pledged bank deposits		(5,438)	(340,918)
Release of pledged bank deposits		206,265	176,398
Placement of time deposit with maturity over 3 months		(12,500)	–
Net cash used in investing activities		(5,611)	(474,016)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 March 2013

	NOTES	2013 HK$'000	2012 HK$'000
Financing activities			
Dividends paid		(280,000)	(120,000)
New bank borrowings raised		769,961	434,646
Repayments of bank borrowings		(539,808)	(391,678)
Interest paid		(135,594)	(106,167)
Net cash used in financing activities		(185,441)	(183,199)
Increase (decrease) in cash and cash equivalents		198,470	(192,765)
Cash and cash equivalents at beginning of the year		533,647	720,506
Effect of foreign exchange rate changes		(2,598)	5,906
Cash and cash equivalents at end of the year		729,519	533,647
Represented by:			
Bank balances and cash		729,519	533,647

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

1. General

The Company is a public limited company incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 October 2010. The Company and its subsidiaries are hereinafter referred to as the Group.

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

The name of the Company was changed from Kosmopolito Hotels International Limited to Dorsett Hospitality International Limited during the year. This change of name was approved by the shareholders at the annual general meeting held on 31 August 2012 and became effective on 31 August 2012, the date on which the Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in the Cayman Islands. Registration of the new name in Hong Kong under Part XI of the Companies Ordinance of Hong Kong was effective on 18 September 2012, the date on which the Certificate of Registration of Change of Corporate Name of Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong.

The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the 2013 annual report issued by the Company.

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

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the Group's current liabilities exceeded its current assets by HK$2,408,561,000 as at 31 March 2013. The directors have taken the measures subsequent to the year ended 31 March 2013, which include (i) the placing of RMB850,000,000 (equivalent to HK$1,062,500,000) bonds in April 2013; and (ii) the five-year loan facility of HK$1,750,000,000 which was entered into on 17 June 2013, to improve the liquidity position of the Group. Also, the directors believe that the Group will be able to refinance its existing banking facilities or obtain additional financing from financial institutions by taking into account the current value of the Group's assets. In the opinion of the directors, taking into account the implementation of these measures and internally generated funds of the Group, the Group will be able to meet its financial obligations in full as they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning on 1 April 2012.

HKFRS 7 (Amendments)	Financial Instruments: Disclosure – Transfer of Financial Assets

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 January 2014
3 Effective for annual periods beginning on or after 1 January 2015
4 Effective for annual periods beginning on or after 1 July 2012

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

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

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The *Annual Improvements to HKFRSs 2009–2011 Cycle* include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 *Financial Instruments: Presentation*.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and on transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2011 includes requirements for financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 required all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at 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 addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires 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 recognition 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. 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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's financial statements for the financial period beginning 1 April 2015 but the application of HKFRS 9 may not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

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

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "*Consolidated and Separate Financial Statements*" that deal with consolidated financial statements and HK(SIC) – Int 12 "*Consolidation – Special Purpose Entities*" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "*Interests in Joint Ventures*" and HK(SIC) – Int 13 "*Jointly Controlled Entities – Non-Monetary Contributions by Venturers*". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to classify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied at the same time.

The directors anticipate that these standards will be adopted in the Group's financial period beginning 1 April 2013. However, the application of these standards may not have significant impact on amounts reported in the consolidated financial statements.

HKFRS 13 Fair value measurements

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's financial period beginning 1 April 2013. However, the application of the standard may result in more extensive disclosures in the consolidated financial statements.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

4. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments which are measured at fair value, as explained in the accounting policies set out below. Historical cost is generally based on fair value of the consideration given in exchange of goods.

The consolidated financial statements have been 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 set out below:

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 Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the statement of financial position of the relevant entity on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated statement of comprehensive income when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Property, plant and equipment

Property, plant and equipment (other than hotel properties under development) are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than hotel properties under development less their residual values over their estimated useful lives, using the straight-line method. No depreciation is provided on hotel properties 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.

When owner occupation of property, plant and equipment have ceased from use and are developed for sale in the course of ordinary activities, the property, plant and equipment are transferred to properties held for sale at their carrying amount.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

4. Significant Accounting Policies (Continued)

Investment properties

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

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

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.

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.

Leasing

Leases are classified as financial leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leasee. All other lease are classified as operating 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

4. Significant Accounting Policies (Continued)

Leasing (Continued)

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.

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 or as a finance lease. 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.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies.

The results and assets and liabilities of associate is incorporated in these consolidated financial statements using the equity method of accounting. The associate uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, investments in associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, forms part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Financial instruments

Financial assets and financial liabilities are recognised in 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into loans and receivables and financial assets at fair value through profit or loss ("FVTPL"). The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active market. Subsequent to initial recognition, loans and receivables (including debtors, pledged deposits, time deposits and bank balances) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL comprise 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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement 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 and is included in "other gains or losses" line item in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)
Financial assets (Continued)
Impairment of financial assets
Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be 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; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as debtors, assets that are assessed not to be impaired individually are, in addition, 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.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's 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 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 debtors is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets carried at amortised cost, 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity according to the substance of the contractual arrangements 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.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL includes 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 at FVTPL 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 is included in the "other gains and losses" line item in profit or loss excludes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities include creditors and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

4. Significant Accounting Policies (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. 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 sales of properties and services provided in the normal course of business, net of discounts and related taxes.

- Revenue from hotel operations and hotel management service fee are recognised when the relevant services are provided.

- Revenue from sale of properties is recognised when the relevant properties have been completed and delivered to the buyers. Deposits and instalments 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 income 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.

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 recognised as an expenses when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

4. Significant Accounting Policies (Continued)

Equity-settled share-based payment transactions

Shares options granted to employees

The fair value of services received determined by reference to the fair value of share options granted to employees 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 the 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 original estimates during the vesting period, if any, is recognised in profit or loss, such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

4. Significant Accounting Policies (Continued)

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 before tax 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 and associate, 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.

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 and deferred tax assets for such investment properties are measured in accordance with the above general principles and deferred tax assets set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax are 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

4. Significant Accounting Policies (Continued)

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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 immediately in profit or loss.

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 following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the 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.

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain assumption of market conditions. In relying on the valuation report, the directors 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 reviews 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

7. Financial Instruments

a. Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	28,554	–
Loans and receivables		
Trade and other debtors	92,344	56,771
Pledged deposits	140,029	340,917
Time deposits	12,500	–
Bank balance and cash	729,519	533,647
	974,392	931,335
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other creditors	135,066	146,705
Secured bank borrowings	3,870,628	3,627,381
	4,005,694	3,774,086
Derivative financial instruments	9,516	1,198

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, 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

7. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Interest rate sensitivity analysis

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

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$11,451,000 (2012: HK$11,110,000) and the interest capitalised to the Group's hotels and properties under development would increase/decrease by HK$5,234,000 (2012: HK$4,486,000).

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.

Credit risk

At the end of the 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 44% and 43% of trade receivables as at 31 March 2013 (2012: 47% and 45%).

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

7. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

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. 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. For derivative instruments that settle on a net basis, undiscounted net cash outflows are presented.

	Weighted average interest rate %	On demand or 0-180 days HK$'000	181-365 days HK$'000	One to three years HK$'000	Three to five years HK$'000	Over five years HK$'000	Total HK$'000	Carrying amount HK$'000
At 31 March 2013								
Financial liabilities								
– Non-interest bearing	N/A	135,066	–	–	–	–	135,066	135,066
– Variable interest rate	3.21	2,843,660	506,222	319,834	194,715	140,489	4,004,920	3,870,628
		2,978,726	506,222	319,834	194,715	140,489	4,139,986	4,005,694
Derivative financial instruments	N/A	–	680	–	–	8,836	9,516	9,516
At 31 March 2012								
Financial liabilities								
– Non-interest bearing	N/A	146,705	–	–	–	–	146,705	146,705
– Variable interest rate	3.07	796,694	146,899	2,440,438	271,341	244,801	3,900,173	3,627,381
		943,399	146,899	2,440,438	271,341	244,801	4,046,878	3,774,086
Derivative financial instruments	N/A	–	–	1,198	–	–	1,198	1,198

The amounts included above for variable interest rate instruments for 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

7. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank loans with a repayment on demand clause with carrying amount of HK$839,047,000 as at 31 March 2013 (2012: HK$199,678,000) are included in the "on demand or 0-180 days" time band in the above maturity analysis but repayments are expected to be in accordance with the loan repayment schedule which are lump-sum quarterly payments up to March 2018. Taking into account the Group's financial position, the directors believe that it is not probable that the counterparties will exercise their discretionary rights to demand immediate repayment and such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreement. On this basis, the interest and principal cashflows of the "variable interest rate financial liabilities" in the above analysis would be as follows:

	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$'000	Total undiscounted cashflow HK$'000	Carrying amount HK$'000
At 31 March 2013	**1,815,769**	**745,360**	**843,204**	**595,369**	**140,489**	**4,140,191**	**3,870,628**
At 31 March 2012	599,976	163,628	2,578,947	372,190	244,801	3,959,542	3,627,381

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 and currency swap contracts (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.

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).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

7. Financial Instruments (Continued)

c. Fair value of financial instruments (Continued)

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 31 March 2013			As at 31 March 2012		
	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Financial assets						
Financial assets at fair value through profit or loss	28,554	–	28,554	–	–	–
Financial liabilities						
Derivative financial instruments	–	9,516	9,516	–	1,198	1,198

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

8. Segment Information

Information reported to the Group's chief operating decision maker, who are the executive directors of the Company, for the purposes of resource allocation and performance assessment is focused on revenue and operating results from each of the five geographical locations of operations namely, Hong Kong, Malaysia, People's Republic of China other than Hong Kong ("PRC"), Singapore, and United Kingdom ("UK"). This is also the basis upon which the Group is organised and managed.

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

The accounting policies adopted in preparing the segment information are the same as the accounting policies described in note 4. Segment profit represents the profit before taxation earned by each segment.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

8. Segment Information (Continued)

(a) Segment revenue and results

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

	Segment revenue		Segment profit (loss)	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Hong Kong	744,712	707,866	702,899	660,284
Malaysia	288,140	294,162	45,486	48,149
PRC	120,090	94,069	(43,675)	(28,120)
Singapore	–	–	(13,366)	(6,229)
UK	–	–	979	(717)
Consolidated revenue/profit before taxation	1,152,942	1,096,097	692,323	673,367

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 and non-current assets (excluding pledged deposits and deferred tax assets) by geographical location at the end of the reporting period:

	Non-current assets		Segment assets	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Hong Kong	2,931,242	2,902,105	3,640,069	3,592,814
Malaysia	957,658	974,622	1,077,778	1,071,588
PRC	1,933,121	1,780,319	2,075,849	1,944,076
Singapore	572,378	431,959	943,753	694,845
UK	482,260	216,764	558,740	261,043
Consolidated non-current assets/total assets	6,876,659	6,305,769	8,296,189	7,564,366

All assets are allocated to operating segments and no assets are used jointly by reportable segments.

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

8. Segment Information (Continued)

(c) Other information

	For the year ended 31 March 2013					
	Hong Kong HK$'000	Malaysia HK$'000	PRC HK$'000	Singapore HK$'000	UK HK$'000	Consolidated HK$'000
Allowance for bad and doubtful debts	–	80	–	–	–	80
Depreciation and amortisation	70,983	27,268	39,150	478	–	137,879
Increase (decrease) in fair value of derivative financial instruments	8,836	–	–	(529)	–	8,307
Interest income	2,646	278	362	–	2	3,288
Finance costs	57,693	16,020	26,292	–	–	100,005
Additions to property, plant and equipment, prepaid lease payments and investment properties	417,830	18,341	159,341	148,768	285,356	1,029,636
Gain on disposal of property, plant and equipment	–	424	–	–	–	424
Gain on disposal of a subsidiary	458,358	–	–	–	–	458,358

	For the year ended 31 March 2012					
	Hong Kong HK$'000	Malaysia HK$'000	PRC HK$'000	Singapore HK$'000	UK HK$'000	Consolidated HK$'000
Allowance for bad and doubtful debts	–	17	–	–	–	17
Depreciation and amortisation	61,133	25,826	28,389	3,197	–	118,545
Increase in fair value of investment properties	–	–	1,818	–	–	1,818
Decrease in fair value of derivative financial instruments	1,395	–	–	516	–	1,911
Interest income	1,287	218	147	–	–	1,652
Finance costs	48,296	15,290	27,117	–	–	90,703
Additions to property, plant and equipment, prepaid lease payments and investment properties	264,267	26,303	141,051	136,340	217,288	785,249
Gain on disposal of property, plant and equipment	379,465	–	–	–	–	379,465

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

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:

	2013 HK$'000	2012 HK$'000
Hotel room revenue, food and beverage	1,105,394	1,051,226
Rental income from properties	47,548	44,871
	1,152,942	1,096,097

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.

The applicable rate of business tax in Malaysia is 6% on hotel room revenue, food and beverage.

10. Pre-Opening Expenses

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

11. Other Gains and Losses

	2013 HK$'000	2012 HK$'000
Increase in fair value of investment properties	–	1,818
Increase in fair value of derivative financial instruments	(8,307)	(1,911)
Net foreign exchange gain	2,022	2,423
Allowance for bad and doubtful debts	(80)	(17)
Change in fair value of financial assets at fair value through profit or loss	4,083	–
	(2,282)	2,313

12. Finance Costs

	2013 HK$'000	2012 HK$'000
Interest on bank borrowings		
– wholly repayable within five years	118,911	65,910
– not wholly repayable within five years	12,888	39,803
Amortisation of front-end fee	10,170	11,830
Others	3,795	454
	145,764	117,997
Less: amount capitalised to hotels and properties under development	(45,759)	(27,294)
	100,005	90,703

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

13. Income Tax Expense

	2013 HK$'000	2012 HK$'000
Current year income tax		
Hong Kong	40,284	49,706
Other jurisdictions	4,423	8,567
	44,707	58,273
Deferred taxation (note 30)	160	10,002
	44,867	68,275

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

As a result of the 2012 UK Budget, legislation has been introduced via the Provisional Collection of Taxes Act to reduce the main rate of corporation tax to 24% from 1 April 2012. This measure was substantively enacted on 26 March 2012.

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

	Year ended 31 March 2013					
	Hong Kong HK$'000	Malaysia HK$'000	PRC HK$'000	Singapore HK$'000	UK HK$'000	Total HK$'000
Profit (loss) before taxation	702,899	45,486	(43,675)	(13,366)	979	692,323
Applicable income tax rate	16.5%	25%	25%	17%	24%	
Tax at the applicable income tax rate	115,978	11,372	(10,919)	(2,272)	235	114,394
Tax effect of expenses not deductible for tax purpose	5,135	1,959	2,232	–	110	9,436
Tax effect of income not taxable	(77,835)	(1,518)	(429)	–	(345)	(80,127)
Tax effect of tax losses not recognised	808	–	5,813	2,272	–	8,893
Utilisation of tax loss previously not recognised	(3,417)	(6,989)	(1,043)	–	–	(11,449)
Underprovision of income tax of prior years	396	43	–	–	–	439
Tax effect of deductible temporary difference unrecognised	1,461	1,979	–	–	–	3,440
Others	84	(243)	–	–	–	(159)
Income tax expense for the year	42,610	6,603	(4,346)	–	–	44,867

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

13. Income Tax Expense (Continued)

	Year ended 31 March 2012					
	Hong Kong HK$'000	Malaysia HK$'000	PRC HK$'000	Singapore HK$'000	UK HK$'000	Total HK$'000
Profit (loss) before taxation	660,284	48,149	(28,120)	(6,229)	(717)	673,367
Applicable income tax rate	16.5%	25%	25%	17%	26%	
Tax at the applicable income tax rate	108,947	12,037	(7,030)	(1,059)	(186)	112,709
Tax effect of expenses not deductible for tax purpose	8,415	5,098	2,922	–	186	16,621
Tax effect of income not taxable	(56,823)	(998)	(1,588)	–	–	(59,409)
Tax effect of tax losses not recognised	143	–	6,151	1,059	–	7,353
Utilisation of tax loss previously not recognised	(3,276)	(6,622)	–	–	–	(9,898)
Under(over)provision of income tax of prior years	567	(5)	–	–	–	562
Others	(107)	444	–	–	–	337
Income tax expense for the year	57,866	9,954	455	–	–	68,275

Details of the deferred taxation are set out in note 30.

14. Profit for the Year

	2013 HK$'000	2012 HK$'000
Profit for the year is arrived at after charging:		
Auditor's remuneration	4,608	4,909
Staff costs		
Directors' emoluments (note 17(a))	6,091	8,594
Other staff		
Salaries and other benefits	284,924	236,776
Retirement benefit scheme contributions	18,354	14,393
Share-based payment expenses	1,265	2,032
	310,634	261,795
Operating lease payments	5,558	1,483
Depreciation	129,234	110,102
Amortisation of prepaid lease payments	9,765	9,537
Less: amount capitalised to hotels under development and properties for sale under development	(1,120)	(1,094)
	8,645	8,443
and crediting:		
Rental income	47,548	44,871
Less: direct outgoings	(3,575)	(4,021)
	43,973	40,850
Bank interest income	3,288	1,652
Gain (loss) on disposal of property, plant and equipment		
– Hotel property (note 18)	–	380,288
– Others	424	(823)
	424	379,465

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

15. Dividends

	2013 HK$'000	2012 HK$'000
Dividend recognised as distribution during the year:		
2013 interim dividend of HK4 cents per share (2012: HK2 cents per share)	80,000	40,000
2012 final dividend of HK10 cents per share (2012: 2011 final dividend of HK4 cents per share)	200,000	80,000
	280,000	120,000

A final dividend for the year ended 31 March 2013 of HK8 cents per share, amounting to HK$160,000,000 in aggregate, have been proposed by directors and is subject to the approval of the shareholders in the forthcoming annual general meeting. Subject to the approval of the shareholders and the Stock Exchange, the proposed final dividend will be paid in the form of a scrip dividend to shareholders who are given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements.

16. Earnings Per Share

The calculation of basic and diluted earnings per share for the year ended 31 March 2013 is based on the consolidated profit for the year of HK$647,456,000 (2012: HK$605,092,000) and on 2,000,000,000 shares (2012: 2,000,000,000 shares) in issue during the year.

The computation of diluted earnings per share for both years did 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 for both years.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

17. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees

(a) Directors' emoluments

The emoluments paid or payable to each of the directors of the Company were as follows:

	For the year ended 31 March 2013					
Name of directors	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary incentive payments HK$'000 (Note a)	Retirement benefit schemes contributions HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Executive directors						
Ms. CHIU, Wing Kwan Winnie	–	1,910	758	15	294	2,977
Mr. LAI, Wai Keung	–	1,100	367	15	206	1,688
Non-executive directors						
Tan Sri Dato' CHIU, David	–	–	–	–	–	–
Mr. HOONG, Cheong Thard	–	–	–	–	367	367
Mr. CHAN, Chi Hing	–	–	–	–	459	459
Mr. MOK, Kwai Pui Bill (retired on 31 August 2012)	–	–	–	–	–	–
Independent non-executive directors						
Mr. SHEK, Lai Him Abraham	150	–	–	–	–	150
Mr. TO, Peter	150	–	–	–	–	150
Dr. LIU, Ngai Wing	150	–	–	–	–	150
Mr. ANGELINI, Giovanni	150	–	–	–	–	150
	600	3,010	1,125	30	1,326	6,091

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

17. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees (Continued)

(a) Directors' emoluments (Continued)

Name of directors	Fees HK$'000	Salaries and other benefits HK$'000	Discretionary incentive payments HK$'000 (Note a)	Retirement benefit schemes contributions HK$'000	Share-based payment expenses HK$'000	Total HK$'000
	For the year ended 31 March 2012					
Executive directors						
Ms. CHIU, Wing Kwan Winnie	–	854	233	12	472	1,571
Mr. LAI, Wai Keung	–	830	268	12	330	1,440
Mr. CHU, Chee Seng (resigned on 19 October 2011)	–	1,021	–	28	–	1,049
Non-executive directors						
Tan Sri Dato' CHIU, David	–	306	–	–	–	306
Mr. IP, Hoi Wah Edmond (resigned on 1 May 2011)	–	130	–	–	–	130
Mr. HOONG, Cheong Thard	–	–	–	–	590	590
Mr. CHAN, Chi Hing	–	–	–	–	737	737
Mr. MOK, Kwai Pui Bill (redesignated as non-executive on 1 November 2011)	76	1,168	322	7	737	2,310
Independent non-executive directors						
Mr. SHEK, Lai Him Abraham	150	–	–	–	–	150
Mr. TO, Peter	150	–	–	–	–	150
Dr. LIU, Ngai Wing	150	–	–	–	–	150
Mr. ANGELINI, Giovanni (appointed on 6 March 2012)	11	–	–	–	–	11
	537	4,309	823	59	2,866	8,594

Notes:

(a) The discretionary incentive payments are discretionary and are determined with reference to the Group's and director's personal performance.

(b) Certain executive and non-executive directors of the Company were granted options to subscribe for shares in 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 39.

(c) Ms. Chiu, Wing Kwan Winnie is also the Chief Executive of the Company and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

17. Directors' and Chief Executive's Emoluments and Five Highest Paid Employees (Continued)

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2012: two) was a director whose emolument is disclosed above. The emoluments of the remaining four (2012: three) individuals were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	7,160	5,236
Performance-based incentive payments	674	721
Contributions to retirement benefit scheme	35	24
Share-based payment expenses	235	378
	8,104	6,359

The performance-based incentive payments are determined by reference to the revenue of certain subsidiaries and the Group.

The employees' emoluments were within the following bands:

	Number of employees 2013	2012
HK$1,500,001 to HK$2,000,000	1	1
HK$2,000,001 to HK$2,500,000	3	2
	4	3

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 and no directors waived any of their emoluments for both years.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

18. Property, Plant and Equipment

	Hotel properties		Leasehold improvements, furniture, fixtures and equipment	
	Completed HK$'000	Under development HK$'000	HK$'000	Total HK$'000
COST				
At 1 April 2011	3,323,730	1,361,657	222,410	4,907,797
Additions	–	696,324	75,582	771,906
Transfer on completion of development	290,425	(308,569)	18,144	–
Transfer to properties for sale				
– for development (see note 25)	(22,402)	–	–	(22,402)
Disposals	(142,905)	–	(13,182)	(156,087)
Exchange alignment	(2,349)	12,876	(1,674)	8,853
At 31 March 2012	**3,446,499**	**1,762,288**	**301,280**	**5,510,067**
Additions	**–**	**933,718**	**95,918**	**1,029,636**
Transfer on completion of development	**351,625**	**(411,169)**	**59,544**	**–**
Disposal of a subsidiary (note 33)	**(294,936)**	**–**	**(36,927)**	**(331,863)**
Disposals	**–**	**–**	**(14,218)**	**(14,218)**
Exchange alignment	**(4,089)**	**(1,122)**	**(1,812)**	**(7,023)**
At 31 March 2013	**3,499,099**	**2,283,715**	**403,785**	**6,186,599**
DEPRECIATION				
At 1 April 2011	291,927	–	62,906	354,833
Provided for the year	79,091	–	31,011	110,102
Eliminated on disposals	(18,304)	–	(9,816)	(28,120)
Exchange alignment	(110)	–	(1,336)	(1,446)
At 31 March 2012	**352,604**	**–**	**82,765**	**435,369**
Provided for the year	**82,409**	**–**	**46,825**	**129,234**
Eliminated upon disposal of a subsidiary (note 33)	**(7,477)**	**–**	**(5,144)**	**(12,621)**
Eliminated on disposals	**–**	**–**	**(14,064)**	**(14,064)**
Exchange alignment	**(2,612)**	**–**	**(1,384)**	**(3,996)**
At 31 March 2013	**424,924**	**–**	**108,998**	**533,922**
CARRYING VALUES				
At 31 March 2013	**3,074,175**	**2,283,715**	**294,787**	**5,652,677**
At 31 March 2012	3,093,895	1,762,288	218,515	5,074,698

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

18. Property, Plant and Equipment (Continued)

The carrying amounts of the properties shown above comprises:

	2013 HK$'000	2012 HK$'000
Leasehold land and buildings in Hong Kong:		
Long leases	**369,517**	773,412
Medium-term leases	**2,420,526**	2,005,113
Freehold land and buildings outside Hong Kong	**1,234,431**	994,653
Buildings on leasehold land outside Hong Kong:		
Long leases	**370,645**	238,415
Medium-term leases	**962,771**	844,590
	5,357,890	4,856,183

Leasehold lands are depreciated over the term of the lease of land. Buildings are depreciated on a straight-line basis over their remaining useful lives of 25 to 50 years, or the remaining term of the lease of land, whichever is the shorter.

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

The carrying amounts of properties under development at the end of the reporting period includes capitalised interest expense of HK$87,426,000 (2012: HK$49,472,000).

The Group is in the process of obtaining the title of certain completed properties located in Malaysia with carrying amount of HK$312,344,000 (2012: HK$317,411,000).

Properties with carrying amount of HK$4,852,942,000 (2012: HK$4,322,014,000) are under charge to secure bank borrowings of the relevant group entities.

During the year ended 31 March 2012, the Group disposed of a hotel in Hong Kong named "Central Park Hotel" to an independent third party at a consideration of HK$515,000,000, and recognised a gain of HK$380,288,000.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

19. Prepaid Lease Payments

	2013 HK$'000	2012 HK$'000
At the beginning of the year	605,962	592,361
Additions	–	13,343
Amortisation	(9,765)	(9,537)
Exchange alignment	7,974	9,795
At the end of the year	604,171	605,962
The carrying value represents leasehold land outside Hong Kong:		
Long-term lease with lease period of 99 years	313,042	310,132
Medium-term lease with lease period of 35 years	291,129	295,830
	604,171	605,962
Analysed for reporting purposes as:		
Non-current asset	589,330	591,333
Current asset	14,841	14,629
	604,171	605,962

Leasehold lands are under charge to secure bank borrowings of the relevant group entities.

20. Investment Properties

	2013 HK$'000	2012 HK$'000
At the beginning of the year	405,900	390,915
Increase in fair value	–	1,818
Exchange adjustments	6,600	13,167
At the end of the year	412,500	405,900

The investment properties which are stated at fair value are situated in the PRC under medium-term leases 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, an independent firm of qualified professional valuers not connected to the Group. The valuations was arrived at by making reference to comparable transactions as available in relevant market and, where appropriate, by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of respective properties.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

21. Interest in An Associate

	2013 HK$'000	2012 HK$'000
Cost of investments, unlisted	**76,533**	76,533

Particulars of the associate at 31 March 2013 and 31 March 2012 are as follows:

Name of associate	Form of legal entity	Proportion of registered capital held by the Group	Place of establishment and operations	Principal activities
Cosmopolitan Resort (Zhuji) Limited ("Zhuji")	Sino-Foreign Joint Venture	25%	PRC	Property development

The summarised financial information in respect of the Group's associate is set out below:

	2013 HK$'000	2012 HK$'000
Total assets	**306,965**	306,279
Total liabilities	**(833)**	(147)
Net assets	**306,132**	306,132
Group's share of net assets of associate	**76,533**	76,533

No revenue, profit or loss has been derived from the associate. Costs incurred by the associate during the year are directly related to the development of the underlying projects and have been capitalised in the financial statements of the associate.

22. Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss represents the held-for-trading investment in debt securities listed in overseas markets with fair value of HK$28,554,000 (2012: nil).

The fair value of debt securities are determined based on the quoted market bid price available on the relevant stock exchanges.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

23. Bank Deposits

Pledged deposits carry fixed interest at rates ranging from 0.10% to 0.59% (2012: 0.01% to 0.50%) per annum.

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 2.86% (2012: 0% to 0.72%) per annum.

Time deposits with maturity over 3 months carry fixed interest at 3.08% per annum (2012: nil).

24. Jointly Controlled Operation

During the year ended 31 March 2012, a subsidiary entered into an agreement with a related company (as described in note 41(b)) to jointly develop certain portion of the Group's freehold land with fair value, as agreed between the parties, of Malaysian Ringgit ("RM") 65,000,000 (equivalent to HK$165,000,000). The related company is responsible for the provision of technical, commercial and financial management of the development on the land and marketing the properties on completion of their development and bears all the related costs and expenses of the development. The development activities and the sales of the completed properties are directed by the related company's board of directors, of which the Group and the related company have equal number of representatives throughout the joint venture period. The Group and the related company will share the profit or loss (representing revenue from sale less the fair value of the land, development costs and marketing expenses of the completed properties) from the development on a 50:50 basis.

Assets with a carrying amount of RM8,000,000, equivalent to HK$22,138,000 (2012: RM8,000,000, equivalent to HK$22,402,000) recognised in the consolidated financial statements as at 31 March 2013 in relation to the jointly controlled operations, representing the cost of the freehold land previously classified as property, plant and equipment, are included in properties for development under current assets. Income and expenses of the jointly controlled operation for the year are insignificant.

25. Properties for/Under Development for Sale

Properties for/under development for sale amounting to HK$22,138,000 (2012: HK$255,677,000) are expected to be completed and realised after one year from the end of the reporting period.

The carrying amount includes freehold land of RM8,000,000, equivalent to HK$22,138,000 (2012: RM8,000,000, equivalent to HK$22,402,000) transferred from property, plant and equipment in the prior year for joint development as detailed in note 24.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

26. Debtors, Deposits and Prepayments

	2013 HK$'000	2012 HK$'000
Trade debtors	57,922	50,645
Advance to contractors	2,930	7,525
Prepayments and other receivables	44,772	47,391
Balance of proceeds from disposal of a subsidiary (note 33)	15,000	–
	120,624	105,561

The following is an aged analysis of the trade debtors presented based on the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates.

	2013 HK$'000	2012 HK$'000
0–60 days	52,577	46,736
61–90 days	2,019	1,383
Over 90 days	3,326	2,526
	57,922	50,645

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

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

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 large and unrelated customer base. 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 and the movement during the year are as follows:

	2013 HK$'000	2012 HK$'000
Balance at beginning of the year	591	1,240
Impairment losses recognised	82	26
Amounts written off as uncollectible	–	(655)
Amounts recovered during the year	(2)	(9)
Exchange alignment	(7)	(11)
Balance at end of the year	664	591

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

27. Derivative Financial Instruments

The carrying amount represents the fair value of interest rate cap, interest rate swap and currency 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 and the risk of currency exchange rate fluctuation of the RMB850,000,000 bonds issued on 3 April 2013. These derivatives are not accounted for under hedge accounting.

The major terms of the derivative financial instruments are set out below:

Interest rate cap contract

Date of contract:	19 September 2008
Effective date:	25 September 2008
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

Interest rate swap contract

Date of contract:	28 July 2010
Effective date:	7 October 2010
Notional amount:	Singaporean Dollars ("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

Currency swap contracts

(i)	Date of contract:	25 March 2013
	Effective date:	3 April 2013
	Notional amount:	RMB500,000,000
	Maturity:	3 April 2018
	Interest payment:	Receive interest at a fixed rate of 6% per annum on the RMB notional amount and pay interest at a fixed rate of 4.97% per annum on United State Dollars ("USD") 80,606,158.31 semi-annually
(ii)	Date of contract:	27 March 2013
	Effective date:	3 April 2013
	Notional amount:	RMB350,000,000
	Maturity:	3 April 2018
	Interest payment:	Receive interest at a fixed rate of 6% per annum on the RMB notional amount and pay interest at a fixed rate of 4.95% per annum on USD56,397,035.13 semi-annually

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

28. Creditors and Accruals

	2013 HK$'000	2012 HK$'000
Trade creditors	32,164	28,698
Construction cost and retention payable	94,569	91,651
Reservation deposits and receipts in advance	33,461	31,751
Other payable and accrued charges	84,422	79,620
	244,616	231,720

The following is an aged analysis of the trade creditors:

	2013 HK$'000	2012 HK$'000
0–60 days	22,599	21,517
61–90 days	1,311	4,828
Over 90 days	8,254	2,353
	32,164	28,698

29. Secured Bank Borrowings

	2013 HK$'000	2012 HK$'000
Bank loans	3,881,455	3,646,443
Less: front-end fee	(10,827)	(19,062)
	3,870,628	3,627,381
Analysis for reporting purpose as		
Current liabilities	3,287,936	858,877
Non-current liabilities	582,692	2,768,504
	3,870,628	3,627,381
The loans repayable based on scheduled repayment dates set out in the loan agreements are as follows:		
On demand or within one year	2,459,716	659,199
More than one year but not exceeding two years	398,473	2,144,271
More than two years but not exceeding five years	884,297	619,481
More than five years	138,969	223,492
	3,881,455	3,646,443

The carrying amounts of the bank borrowings include an amount of HK$839,047,000 (2012: HK$199,678,000) which is not repayable within one year based on scheduled repayment dates has however been shown under current liabilities as the counterparties have discretionary rights to demand immediate repayment.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

29. Secured Bank Borrowings (Continued)

The range of effective interest rates of the bank loans is 1.45% to 8.00% (2012: 1.31% to 8.81%) per annum. The bank loans denominated in various currencies and carrying interest at prevailing market rates are analysed below.

Currencies	Interest rates	2013 HK$'000	2012 HK$'000
HK$	HIBOR plus 1.5% to HIBOR plus 3% (2012: HIBOR plus 0.85% to HIBOR plus 1.5%)	2,518,330	2,425,649
RMB	110% of 1 year PBOC Prescribed Interest Rate to 125% of 1 to 3 year PBOC Prescribed Interest Rate (2012: 110% of 1 year PBOC Prescribed Interest Rate to 125% of 1 to 3 year PBOC Prescribed Interest Rate)	482,749	574,828
British pounds	LIBOR plus 2.8% (2012: nil)	119,718	–
S$	S$ Swap Offered Rate ("SOR") plus 1.85% (2012: S$ SOR plus 1.85%)	459,665	326,533
RM	Malaysia BLR plus 1.25% to 1.5% (2012: Malaysia BLR plus 1.25% to 1.5%)	300,993	319,433
		3,881,455	3,646,443

On 17 June 2013, the Group entered into a five-year loan facility of HK$1,750,000,000. The equity interests in two subsidiaries of the Company, together with two hotel properties in Hong Kong owned by these subsidiaries with aggregate carrying values of HK$737,033,000, have been pledged as securities for this loan.

30. Deferred Tax Assets/Liabilities

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 1 April 2011	47,526	40,131	8,403	(11,498)	84,562
Charge (credit) to profit or loss	10,689	(1,245)	455	103	10,002
At 31 March 2012	58,215	38,886	8,858	(11,395)	94,564
Disposal of a subsidiary	(5,265)	–	–	5,265	–
Charge (credit) to profit or loss	8,947	(1,245)	–	(7,542)	160
At 31 March 2013	61,897	37,641	8,858	(13,672)	94,724

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

30. Deferred Tax Assets/Liabilities (Continued)

For the purposes of presentation of the consolidated statement of financial position, certain deferred tax (assets) liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2013 HK$'000	2012 HK$'000
Deferred tax assets	(5,000)	–
Deferred tax liabilities	99,724	94,564
	94,724	94,564

At 31 March 2013, the Group had unused tax losses of HK$509,590,000 (2012: HK$633,848,000) available to offset against future profits. Upon disposal of a subsidiary in the current year, the Group's unused tax losses arising in Hong Kong reduced by HK$112,934,000. A deferred tax asset of HK$13,672,000 (2012: HK$11,395,000) has been recognised in respect of HK$82,861,000 (2012: HK$69,061,000) of such tax losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses HK$426,729,000 (2012: HK$564,787,000) due to the unpredictability of future profit streams. Tax loss can be carried forward indefinitely.

As at 31 March 2013, the Group has deductible temporary differences in relation to accelerated depreciation of property, plant and equipment amounted to HK$278,511,000 (2012: HK$261,740,000). 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.

31. Share Capital

	2013 HK$'000	2012 HK$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.1 each	500,000	500,000
Issued and fully paid:		
2,000,000,000 ordinary shares of HK$0.1 each	200,000	200,000

32. Acquisition of A Subsidiary

On 21 December 2011, the Group acquired 25% equity interest in Cosmopolitan Resort (Zhuji) Limited ("Zhuji"), the owner of certain properties in the PRC, through the acquisition of 100% interest in the issued capital in, together with an assignment of shareholder's loan of HK$63,774,000 to Capital Fortune Investment Limited from the Parent Entities for a consideration of HK$76,045,000 which is determined based on the fair value of the underlying assets of Zhuji.

	HK$'000
Net assets acquired	
Interest in an associate	75,983
Bank balances and cash	62
	76,045
Net cash outflow arising on acquisition	
Consideration	76,045
Bank balances and cash acquired	(62)
	75,983

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

33. Disposal of A Subsidiary

On 28 September 2012, the Group disposed of its entire equity interest in Hong Kong (SAR) Hotel Limited ("HKSAR Hotel") to an independent third party (the "Purchaser") for a consideration of HK$801,532,000. HKSAR Hotel is the owner and operator of Dorsett Regency Hotel, Hong Kong.

The net assets disposed of were as follows:

	HK$'000
Property, plant and equipment	319,242
Inventories	92
Deposits and prepayments	2,495
Bank balances and cash	428
Creditors and accruals	(909)
Net assets disposed of	321,348
Gain on disposal:	
Consideration (note)	801,532
Transaction and other direct cost incurred	(21,826)
Consideration received and receivable	779,706
Net assets disposed of	(321,348)
Gain on disposal	458,358
Net cash inflow arising from disposal of a subsidiary	
Consideration received and receivable, net of transaction cost	779,706
Bank balances and cash disposed of	(428)
	779,278

Note: Pursuant to the supplementary agreement entered in relation to this transaction, included in the total consideration of HK$801,532,000, a sum of HK$15,000,000 shall be settled upon the approval of alteration of the usage of certain floors of Dorsett Regency Hotel, Hong Kong to be obtained from the Buildings Department. The approval was obtained on 28 March 2013 and the amount of HK$15,000,000 has not yet been settled as at 31 March 2013 and has been included under "Debtors, Deposits and Prepayments" as disclosed in note 26. The amount was subsequently received on 3 April 2013.

34. Charges on Assets

Bank borrowings with aggregate carrying amount of HK$3,881,455,000 (2012: HK$3,646,443,000) 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 a pledge of bank deposits with aggregate carrying values of HK$6,222,754,000 (2012: HK$5,589,546,000) and HK$140,029,000 (2012: HK$340,917,000) respectively together with a floating charge over other assets of the property owning subsidiaries and benefits accrued to those properties.

In addition, the shares of certain subsidiaries are pledged as securities to obtain certain banking facilities granted to the Group at the end of the reporting period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

35. Contingent Liabilities

During the year ended 31 March 2010, HKSAR Hotel initiated a lawsuit against the contractor for the unsatisfactory performance in relation to the construction of a hotel in an amount of HK$14,356,000. In response to the claim, the contractor has filed counterclaims against HKSAR Hotel for an amount of HK$25,841,000. HKSAR Hotel was disposed of during the current year but the Group undertakes to use all reasonable endeavours to procure the full and final settlement of the litigation. The trial commenced on 30 July 2012 and further adjourned to August 2013. In the opinion of the directors, there is a fair chance of winning the lawsuit after consultation with the lawyer. Accordingly, no provision for potential liability has been made in the consolidated financial statements.

36. Capital Commitments

	2013 HK$'000	2012 HK$'000
Capital expenditure in respect of acquisition, development and refurbishment of hotel properties and acquisition of other property, plant and equipment:		
– contracted for but not provided in the financial statements	768,622	585,760
– authorised but not contracted for	27,673	319,593

37. 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:

	2013 HK$'000	2012 HK$'000
Within one year	43,336	38,069
In the second to fifth years inclusive	108,379	107,261
Over five years	54,182	91,496
	205,897	236,826

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:

	2013 HK$'000	2012 HK$'000
Within one year	4,523	2,852
In the second to fifth years inclusive	4,216	2,906
	8,739	5,758

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

Included in the above are HK$6,054,000 (2012: nil) future minimum lease payments under non-cancellable operating lease with Parent Entities.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

38. Retirement Benefits Schemes

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

According to the relevant laws and regulations in the PRC, the PRC subsidiaries are 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. 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 under which the Group is required to make a certain percentage of the salaries of the employees in Singapore, whereby the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

The Group operates defined contribution schemes in respect of its employees in the United Kingdom. Contributions are made based on a certain percentage of the salaries of the employees in the United Kingdom to the defined contribution schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The pension costs of the defined contribution schemes represent the contributions accrued to the scheme in respect of the accounting period.

Total retirement benefit expense charged to profit or loss for the year amounted to HK$18,384,000 (2012: HK$14,452,000).

39. Share Option Scheme

(a) Share option scheme of the Company

The Company's share option scheme was adopted pursuant to a resolution passed on 10 September 2010 (the "Share Option Scheme") for the purpose of providing incentives or rewards to directors and employees of the Company and any of its subsidiaries and Parent Entities and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters and service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Company and 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 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 the Company then in issue.

Options granted will be taken up upon payment of HK$1 as consideration for the grant of option. Options may be exercised at any time not exceeding a period of 10 years from the date on which the share options are 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, which must be a business day; (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.

As at 31 March 2013, the number of options which remained outstanding under the Share Option Scheme was 18,563,628 (2012: 22,654,536) which, if exercised in full, represents 0.92% (2012: 1.12%) of the enlarged capital of the Company. 7,425,438 (2012: 4,530,899) share options were exercisable at the end of the reporting period.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

39. Share Option Scheme (Continued)

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

Details of share options, which were granted on 11 October 2010 at an 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

No options were granted during the year ended 31 March 2013 and no options granted were exercised during the years ended 31 March 2012 and 31 March 2013. Movements of the share options are as follows:

Grantee	Option type	At 1.4.2011	Lapsed during the year ended 31.3.2012	At 31.3.2012	Lapsed during the year ended 31.3.2013	At 31.3.2013
Directors						
Ms. CHIU, Wing Kwan Winnie	Tranche 1	454,545	–	454,545	–	**454,545**
	Tranche 2	454,545	–	454,545	–	**454,545**
	Tranche 3	454,545	–	454,545	–	**454,545**
	Tranche 4	454,545	–	454,545	–	**454,545**
	Tranche 5	454,547	–	454,547	–	**454,547**
		2,272,727	–	2,272,727	–	**2,272,727**
Mr. LAI, Wai Keung	Tranche 1	318,181	–	318,181	–	**318,181**
	Tranche 2	318,181	–	318,181	–	**318,181**
	Tranche 3	318,181	–	318,181	–	**318,181**
	Tranche 4	318,181	–	318,181	–	**318,181**
	Tranche 5	318,185	–	318,185	–	**318,185**
		1,590,909	–	1,590,909	–	**1,590,909**
Mr. HOONG, Cheong Thard	Tranche 1	567,272	–	567,272	–	**567,272**
	Tranche 2	567,272	–	567,272	–	**567,272**
	Tranche 3	567,272	–	567,272	–	**567,272**
	Tranche 4	567,272	–	567,272	–	**567,272**
	Tranche 5	567,275	–	567,275	–	**567,275**
		2,836,363	–	2,836,363	–	**2,836,363**
Mr. CHAN, Chi Hing	Tranche 1	709,090	–	709,090	–	**709,090**
	Tranche 2	709,090	–	709,090	–	**709,090**
	Tranche 3	709,090	–	709,090	–	**709,090**
	Tranche 4	709,090	–	709,090	–	**709,090**
	Tranche 5	709,094	–	709,094	–	**709,094**
		3,545,454	–	3,545,454	–	**3,545,454**

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

39. Share Option Scheme (Continued)

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

Grantee	Option type	At 1.4.2011	Lapsed during the year ended 31.3.2012	At 31.3.2012	Lapsed during the year ended 31.3.2013	At 31.3.2013
Mr. MOK, Kwai Pui Bill[(i)]	Tranche 1	709,090	–	709,090	(709,090)	–
	Tranche 2	709,090	–	709,090	(709,090)	–
	Tranche 3	709,090	–	709,090	(709,090)	–
	Tranche 4	709,090	–	709,090	(709,090)	–
	Tranche 5	709,094	–	709,094	(709,094)	–
		3,545,454	–	3,545,454	(3,545,454)	–
Mr. CHU, Chee Seng[(ii)]	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)	–	–	–
Other employees in aggregate	Tranche 1	2,829,539	(1,056,818)	1,772,721	(109,090)	**1,663,631**
	Tranche 2	2,829,539	(1,056,818)	1,772,721	(109,090)	**1,663,631**
	Tranche 3	3,181,812	(1,409,091)	1,772,721	(109,090)	**1,663,631**
	Tranche 4	1,772,721	–	1,772,721	(109,090)	**1,663,631**
	Tranche 5	1,772,745	–	1,772,745	(109,094)	**1,663,651**
		12,386,356	(3,522,727)	8,863,629	(545,454)	**8,318,175**
		29,699,990	(7,045,454)	22,654,536	(4,090,908)	**18,563,628**

Notes:

(i) Mr. MOK, Kwai Pui Bill ceased to be a director of the Company upon his retirement at the conclusion of the Company's annual general meeting held on 31 August 2012.

(ii) Mr. CHU, Chee Seng resigned as a director of the Company on 19 October 2011.

The fair value of the options at the date of grant determined using the Binomial model is approximately HK$18,001,000. During the year, the Group recognised a total expense of approximately HK$2,591,000 (2012: HK$4,898,000) in relation to the options granted.

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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

39. Share Option Scheme (Continued)

(b) Share option scheme of FECIL

Qn 31 August 2012. FECIL adopted a share option scheme to replace the share option scheme adopted on 28 August 2002, which has expired on 28 August 2012. The share option scheme of FECIL ("FECIL Share Option Scheme") was approved by FECIL 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 the FECIL Share Option 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 Share Option 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 are accepted. The exercise price is determined by the directors of FECIL, and will not be less than the higher of (i) the closing price of FECIL's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of FECIL's share.

Details of share options, which were granted on 21 October 2004, 8 May 2009 and 27 March 2013 at an initial exercise price of HK$2.075 per share, HK$1.500 per share and HK2.550 per share respectively, are as follows:

Options granted on 21 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 8 May 2009

Option type	Vesting period	Exercisable period	Exercise price HK$
Tranche 1	08.05.2009 to 15.09.2009	16.09.2009 to 15.09.2019	1.500
Tranche 2	08.05.2009 to 15.09.2010	16.09.2010 to 15.09.2019	1.500
Tranche 3	08.05.2009 to 15.09.2011	16.09.2011 to 15.09.2019	1.500
Tranche 4	08.05.2009 to 15.09.2012	16.09.2012 to 15.09.2019	1.500

Options granted on 27 March 2013

Option type	Vesting period	Exercisable period	Exercise price HK$
Tranche 1	27.3.2013 to 28.2.2014	1.3.2014 to 28.2.2020	2.550
Tranche 2	27.3.2013 to 28.2.2015	1.3.2015 to 28.2.2020	2.550
Tranche 3	27.3.2013 to 29.2.2016	1.3.2016 to 28.2.2020	2.550
Tranche 4	27.3.2013 to 28.2.2017	1.3.2017 to 28.2.2020	2.550

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

39. Share Option Scheme (Continued)

(b) Share option scheme of FECIL (Continued)

The movements of the share options under the FECIL scheme during the two years are as follows:

Grantee	Date of grant	Option type	At 1.4.2011	Lapsed during the year ended 31.3.2012	At 31.3.2012	Granted during the year ended 31.3.2013	Exercised during the year ended 31.3.2013	At 31.3.2013
Mr. LAI, Wai Keung	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. HOONG, Cheong Thard	8.5.2009	Tranche 1	1,850,000	–	1,850,000	–	–	1,850,000
		Tranche 2	1,850,000	–	1,850,000	–	–	1,850,000
		Tranche 3	1,850,000	–	1,850,000	–	–	1,850,000
		Tranche 4	1,850,000	–	1,850,000	–	–	1,850,000
	27.3.2013	Tranche 1	–	–	–	750,000	–	750,000
		Tranche 2	–	–	–	1,000,000	–	1,000,000
		Tranche 3	–	–	–	1,250,000	–	1,250,000
		Tranche 4	–	–	–	2,000,000	–	2,000,000
			7,400,000	–	7,400,000	5,000,000	–	12,400,000
Mr. CHAN, Chi Hing	21.10.2004	Tranche 3	500,000	–	500,000	–	–	500,000
		Tranche 4	1,800,000	–	1,800,000	–	–	1,800,000
		Tranche 5	2,000,000	–	2,000,000	–	–	2,000,000
	27.3.2013	Tranche 1	–	–	–	525,000	–	525,000
		Tranche 2	–	–	–	700,000	–	700,000
		Tranche 3	–	–	–	875,000	–	875,000
		Tranche 4	–	–	–	1,400,000	–	1,400,000
			4,300,000	–	4,300,000	3,500,000	–	7,800,000
Mr. MOK, Kwai Pui Bill	21.10.2004	Tranche 3	1,200,000	–	1,200,000	–	(1,200,000)	–
		Tranche 4	1,800,000	–	1,800,000	–	(1,800,000)	–
		Tranche 5	2,000,000	–	2,000,000	–	(2,000,000)	–
			5,000,000	–	5,000,000	–	(5,000,000)	–
Other employees *in aggregate*	21.10.2004	Tranche 3	200,000	–	200,000	–	–	200,000
		Tranche 4	400,000	–	400,000	–	–	400,000
			600,000	–	600,000	–	–	600,000
			18,600,000	–	18,600,000	8,500,000	(5,000,000)	22,100,000
Weighted average exercise price			1.846	–	1.846	2.55	2.075	2.065
Number of options exercisable at the end of the year					16,750,000			13,600,000

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

39. Share Option Scheme (Continued)

(b) Share option scheme of FECIL (Continued)

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

40. Events After the Reporting Period

Except the loan facility entered on 17 June 2013 as disclosed in note 29, the event after the reporting period is as follows:

On 3 April 2013, the Company issued bonds to independent third parties with aggregate principal amount of RMB850,000,000 (equivalent to HK$1,062,500,000) at issue price of 100% of the principal amount with maturity date on 3 April 2018. The bonds bear interest at 6% per annum payable semi-annually.

41. Related Party Transactions

(a) The Group has rented properties from the Parent Entities. Rental expense during the year amounted to HK$1,252,400 (2012: nil).

(b) During the year ended 31 March 2012, the Group entered into an agreement with a related company for the joint development of properties on land owned by the Group as disclosed in note 24. The related company is a company controlled by certain directors of the Company, and one of them also has significant influence over the Group through his equity interest and directorship in FECIL.

(c) During the year ended 31 March 2012, the Group acquired the entire equity interest in a company from the Parent Entities as set out in note 32.

(d) Remuneration paid and payable to the members of key management, who are the directors and the five highest paid individuals, during the year are disclosed in note 17.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

42. 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:			
Charter Joy Limited	Hong Kong ("HK")	2 shares of HK$1 each	Hotel operation
Complete Delight Limited	British Virgin Islands ("BVI")/HK	1 share of USD1	Hotel operation
Cosmopolitan Hotel Limited	HK	10,000 shares of HK$1 each	Hotel operation
Dorsett Regency Hotel (M) Sdn. Bhd.	Malaysia	5,000,000 shares of RM1 each	Hotel operation
Double Advance Group Limited	BVI/HK	1 share of USD1	Hotel operation
Grand Expert Limited	HK	10,000 shares of HK$1 each	Hotel operation
Hong Kong Hotel REIT Finance Company Limited	HK	1 share of HK$1	Loan financing
Dorsett Hospitality International (Singapore) Pte. Limited (formerly known as Kosmopolito Hotels International (Singapore) Pte. Limited)	Singapore	1 share of S$1	Hotel management and consultancy services
Dorsett Hospitality International Services Limited (formerly known as 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 hotel
The Hotel of Lan Kwai Fong Limited	HK	10,000 shares of HK$1 each	Hotel operation
Indirect subsidiaries:			
Ching Chu (Shanghai) Real Estate Development Co., Ltd.#	PRC	USD36,000,000*	Hotel management services
Elite Region Limited	BVI/UK	1 share of USD1	Hotel development
Esmart Management Limited	HK	2 shares of HK$1 each	Hotel management services

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 March 2013

42. 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)			
Everkent Development Limited	HK	2 shares of HK$1 each	Hotel operation
Marvel Green Limited	BVI/UK	1 share of USD1	Hotel development
Merdeka Labuan Sdn. Bhd.	Malaysia	105,000,000 shares of RM1 each	Hotel operation
Novel Orient Investments Limited	HK	1 share of HK$1	Hotel development
Panley Limited	HK	1 share of HK$1	Hotel development
Richfull International Investment Limited	HK	1 share of HK$1	Bar operation
Ruby Way Limited	HK	2 shares of HK$1 each	Hotel operation
Subang Jaya Hotel Development Sdn. Bhd.	Malaysia	245,000,000 shares of RM1 each	Hotel operation
Success Range Sdn. Bhd.	Malaysia	250,000 shares of RM1 each	Hotel operation
Tang Suites Pte. Ltd.	Singapore	1,000,000 shares of S$1 each	Development of residential property
Venue Summit Sdn. Bhd.	Malaysia	250,000 shares of RM1 each	Hotel operation
武漢遠東帝豪酒店管理有限公司#	PRC	USD29,800,000*	Hotel operation
武漢港澳中心物業管理有限公司##	PRC	RMB500,000*	Property management services
遠東帝豪酒店管理(成都)有限公司#	PRC	USD58,000,000*	Hotel development
成都帝盛酒店有限公司#	PRC	RMB100,000*	Hotel operation
上海帝盛酒店有限公司 (formerly known as 麗悦酒店管理(上海)有限公司)#	PRC	RMB2,000,000*	Hotel operation

\# 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 directors, 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 Hong Kong [(1)] Nos. 387-397 Queen's Road East Wan Chai	IL 1578RP	100%	1,093
2.	Silka West Kowloon, Hong Kong No. 48 Anchor Street Tai Kok Tsui	KIL 6374	100%	357
3.	Cosmo Hotel Hong Kong Nos. 375-377 Queen's Road East Wan Chai	IL 1578 s.Ass1	100%	380
4.	Lan Kwai Fong Hotel@Kau U Fong No. 3 Kau U Fong Central	IL 8852 RP	100%	377
5.	Silka Far East, Hong Kong Nos. 135-143 Castle Peak Road Tsuen Wan	Lot No. 2158 in DD 449	100%	632
6.	Silka Seaview, Hong Kong No. 268 Shanghai Street Yau Ma Tei	KIL 7429, 9701, 9705, 9727, 9769 & 9944	100%	502
7.	Cosmo Hotel Mongkok [(2)] No. 88 Tai Kok Tsui Road Tai Kok Tsui	KIL 8050 RP	100%	514
8.	Dorsett Kwun Tong, Hong Kong No. 84 Hung To Road Kwun Tong	KTIL 162	100%	929
9.	Dorsett Tsuen Wan, Hong Kong No. 659 Castle Peak Road Kwai Chung	KCTL 193	100%	2,323
10.	Silka Tsuen Wan, Hong Kong No. 119 Wo Yi Hop Road Kwai Chung	KCTL 167	100%	1,312

Notes:

(1) To be rebranded as Dorsett Wanchai, Hong Kong.
(2) To be rebranded as Dorsett Mongkok, Hong Kong.

List of Principal Properties (continued)

Approximate gross floor area (m^2)	Type	Stage of completion	Expected completion date
15,895	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
11,147	H	Completed	Existing
21,467	H	Under development	2013
12,688	H	Under development	2015

List of Principal Properties (continued)

Name of property and location	Lot number	Group's interest	Site area (m^2)
China			
1. Dorsett Grand Chengdu No. 168 Xiyulong Street Qingyang District Chengdu Sichuan Province	N/A	100%	5,866
2. Dorsett Wuhan No. 118 Jiang Han Road Hong Kong & Macau Centre Hankou Wuhan Hubei Province	N/A	100%	5,339
3. Dorsett Shanghai No. 800 Hua Mu Road Pudong New Area Shanghai	N/A	100%	3,990
4. Dorsett Zhongshan No. 107 Zhongshan Yi Road West District Zhongshan Guangdong Province	N/A	100%	11,170
5. Dorsett Grand Zhuji Wuxie Town, Zhuji Zhejiang Province	N/A	25%	60,736
Overseas			
1. Dorsett Regency Kuala Lumpur (3) 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. Dorsett Grand Subang 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. Dorsett Grand Labuan 462, Jalan Merdeka, 87029 Federal Territory of Labuan Malaysia	Lot TL No. 207531888, Town of Labuan Federal Territory of Labuan	100%	6,071

Notes:

(3) To be rebranded as Dorsett Kuala Lumpur.

List of Principal Properties (continued)

Approximate gross floor area (m^2)	Type	Stage of completion	Expected completion date
67,617	H	Completed	Existing
67,307	H	Completed	Existing
18,149	H	Completed	Existing
42,635	H	Under development	2015
36,905	H	Under development	2014
27,753	H	Completed	Existing
43,264	H & R	Completed	Existing
21,565	H	Completed	Existing

List of Principal Properties (continued)

	Name of property and location	Lot number	Group's interest	Site area (m^2)
4.	Silka Maytower Hotel & Serviced Residences 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.	Silka Johor Bahru Lot 101375 Jalan Masai Lama Mukim Plentong 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 Singapore 333 New Bridge Road Singapore	Lot Nos 777W & 782P Town Subdivision (TS)	100%	4,650
7.	Dorsett Shepherds Bush, London 58 Shepherd's Bush Green London	N/A	100%	3,100
8.	Dorsett City, London 9 Aldgate High Street London	N/A	100%	1,127

List of Principal Properties (continued)

Approximate gross floor area (m^2)	Type	Stage of completion	Expected completion date
5,623	H	Completed	Existing
8,804	H	Completed	Existing
16,226	H&R	Completed	Existing
14,651	H	Under development	2014
9,720	H	Under development	2015

H – Hotel
R – Residential

Financial Summary

	For the year ended 31 March				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Revenue	1,152,942	1,096,097	867,100	616,253	681,905
Operating costs	(364,672)	(326,826)	(296,648)	(213,944)	(207,829)
Depreciation and amortisation	(137,879)	(118,545)	(98,166)	(68,325)	(65,027)
Management fee	–	–	–	(2,239)	(5,322)
Gross profit	650,391	650,726	472,286	331,745	403,727
Other income	5,811	3,955	3,036	3,162	2,406
Administrative expenses	(294,267)	(263,738)	(208,626)	(166,886)	(160,495)
Management fee	–	–	–	(28,169)	(29,537)
Pre-opening expenses	(26,107)	(8,651)	(1,403)	(6,517)	(1,876)
Other gains and losses	(2,282)	2,313	(43)	(1,052)	(25,424)
Gain (loss) on disposal of property, plant and equipment	424	379,465	25	(52)	49
Gain on disposal of a subsidiary	458,358	–	81,385	–	–
Listing expenses	–	–	(22,506)	–	–
Finance costs	(100,005)	(90,703)	(88,430)	(76,612)	(90,225)
Profit before taxation	692,323	673,367	235,724	55,619	98,625
Income tax expense	(44,867)	(68,275)	(27,320)	(9,806)	(11,948)
Profit for the year	647,456	605,092	208,404	45,813	86,677

	For the year ended 31 March				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Profit before taxation	692,323	673,367	235,724	55,619	98,625
Interest income	(3,288)	(1,652)	(1,725)	(2,467)	(2,258)
Finance costs	100,005	90,703	88,430	76,612	90,225
Depreciation and amortisation	137,879	118,545	98,166	68,325	65,027
EBITDA	926,919	880,963	420,595	198,089	251,619
Pre-opening expenses	26,107	8,651	1,403	6,517	1,876
Management fees	–	–	–	30,408	34,859
Change in fair value of investment properties	–	(1,818)	(2,612)	(3,486)	6,304
Change in fair value of financial assets at fair value through profit or loss	(4,083)	–	–	–	–
Change in fair value of derivative financial instruments	8,307	1,911	1,949	6,577	11,694
Other non-recurring items[(1)]	(458,358)	(380,288)	(58,879)	–	7,200
Net operating profit	498,892	509,419	362,456	238,105	313,552
Net operating margin[(2)]	43%	46%	42%	39%	46%

	At 31 March				
	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
ASSETS AND LIABILITIES					
Total assets	8,296,189	7,564,366	6,892,305	6,340,759	5,288,860
Total liabilities	(4,510,366)	(4,144,569)	(3,995,571)	(6,156,754)	(5,190,060)
	3,785,823	3,419,797	2,896,734	184,005	98,800

Notes:

(1) Other non-recurring items consist of gain from disposal of Central Park Hotel in the last financial year and gain from disposal of the Group's interest in HKSAR Hotel in the year.

(2) Net operating margin = Net operating profit/revenue.

Glossary

"AGM"	the forthcoming annual general meeting of the Company to be convened and held on 29 August 2013 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
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code 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" or "Dorsett"	Dorsett Hospitality 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
"Corporate Governance Committee"	the corporate governance committee of the Company
"Director(s)"	director(s) of the Company
"Executive Committee"	the executive committee of the Company
"Executive Director(s)"	executive director(s) of the Company
"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 and a substantial shareholder of the Company within the meaning of Part XV of the SFO
"FECIL Group" or "Parent Entities"	FECIL and its subsidiaries (other than the Group)
"FY"	the financial year
"Group" or "Dorsett Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRSs"	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
"Independent Non-executive Director(s)"	independent non-executive director(s) of the Company
"IPO"	the initial public offering of the Shares on the terms and conditions as described in the Prospectus

Glossary (continued)

"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	11 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
"Nomination Committee"	the nomination committee of the Company
"Non-executive Director(s)"	non-executive director(s) of the Company
"Permitted Mixed Development"	(i) the development of any hotel within Plaza Damas 3 and Cheras Sentral, both in Malaysia, which is currently being developed by one of Tan Sri Dato' CHIU, David's associates (as defined in the Listing Rules), 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 "FY2012"	the financial year of the Company from 1 April 2011 to 31 March 2012
"Prospectus"	the prospectus dated 28 September 2010 published by the Company
"Remuneration Committee"	the remuneration committee of 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 "FY2013"	the financial year of the Company from 1 April 2012 to 31 March 2013
"%"	per cent.