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COSMOPOLITAN
INTERNATIONAL HOLDINGS LTD

四海國際集團有限公司*

COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 120)

**ANNOUNCEMENT OF THE GROUP RESULTS FOR THE
FINANCIAL YEAR ENDED 31 MARCH 2010**

FINANCIAL REVIEW

Cosmopolitan International Holdings Limited (the “Company”) together with its subsidiaries (the “Group”) incurred a consolidated loss of HK\$330,387,000 for the year ended 31 March 2010, as compared with a loss of HK\$265,790,000 recorded last year. The consolidated loss incurred for the year under review was attributed mainly to the increased provision in derivative financial liability of HK\$393,510,000 due to the change in fair value of the subscription options (“Subscription Options”) granted by the Group in 2008 to the holders to subscribe for additional convertible bonds due 2013 (“CB2013”), which outweighed the net increase in the fair value of the financial assets at fair value through profit or loss, marked to market closing prices as at 31 March 2010, amounting to HK\$54,598,000.

As mentioned in the profit warning announcement made by the Company on 2 July 2010, in compliance with the currently applicable accounting standards, the Subscription Options are being recognized as derivative financial liability, and the change in their fair value has led to the increased loss recorded for the year under review. However, such derivative financial liability and related loss are non-cash in nature and will not have any impact on the cashflow of the Group. The Group will in no event be obliged to settle any such liability by incurring any cash payout or otherwise by using any of its assets. In case that the Subscription Options are exercised, the Group will only be obliged to issue to the holders of the Subscription Options additional CB2013 for cash subscription proceeds of up to HK\$200 million. The Group’s results for the year under review would have been profitable should the loss arising from such derivative financial liability as mentioned above be excluded.

In order to more fairly reflect the financial results and the underlying net assets value of the Group, management of the Group considers it appropriate to also present, for the purpose of reference, supplementary information on the Group's financial results for the year ended 31 March 2010 and net assets position as at 31 March 2010, compiled on an adjusted basis that the loss arising from the change in fair value of the Subscription Options would be excluded and that such derivative financial liability would be de-recognized. On such adjusted basis, the Group would record net profit of HK\$63,123,000 for the year ended 31 March 2010 and net assets value of HK\$238,259,000 as at 31 March 2010, as illustrated below:

Adjusted net profit

	For the year ended 31 March 2010 <i>HK\$'000</i>
Book loss attributable to owners of the Company	(330,387)
Adjustment to exclude the loss on change in fair value of the Subscription Options	<u>393,510</u>
Unaudited adjusted net profit attributable to owners of the Company	<u><u>63,123</u></u>

Adjusted net assets after minority interests

	As at 31 March 2010 <i>HK\$'000</i>
Deficiency in net book assets after minority interests	(196,665)
Adjustment to de-recognize the derivative financial liability attributable to the Subscription Options	<u>434,924</u>
Unaudited adjusted net assets after minority interests	<u><u>238,259</u></u>

BUSINESS REVIEW

General

The principal activities of the Group during the year under review continue to be investments in properties and securities. The turnover of the Group for the year under review was HK\$128,169,000, as compared to HK\$8,903,000 in the previous year. The increase was mainly attributed to the expanded activities in securities trading during the year. Following the recovery from the financial tsunami which struck the global economies since 2008, there has been substantial improvement in the general investment climate and the Group has accordingly adopted a more proactive approach in pursuing investment proposals. As at 31 March 2010, the cash and bank deposits within the Group were approximately HK\$175,000,000, which may enable the Group to take up good investment opportunities.

Cosmopolitan Resources Holdings Limited, a subsidiary of the Company, entered into a Memorandum of Understanding on 1 April 2010 for the proposed acquisition of certain interest in a target group of companies that own directly or indirectly majority interests in certain oilfields located in certain license blocks which, according to the vendors, cover a total area of 8,500 square kilometers with proved-plus-probable oil and gas reserves of about 1,400 million barrels of oil equivalent in the West Siberian basin in Russia, together with the legal rights and requisite and valid licenses to conduct exploration and exploitation of oil and gas thereon. Relevant announcement was made on 1 April 2010 by the Company. Negotiations are still progressing but no definitive agreement has been reached with the vendors up to the date of this announcement.

Property Investments

Chengdu Project

This development project in Xindu District, Chengdu City, Sichuan Province, the People's Republic of China (the "PRC") is operated through a joint venture that is 50% owned by each of the Group and Regal Hotels International Holdings Limited. The first stage of the project will entail the construction on the two separate land parcels, respectively, a 300-room five-star hotel with extensive facilities and a residential development comprising 9 tower blocks with total gross floor area of about 1.5 million square feet and providing over 1,200 apartment units. Development works for the first stage have been commenced and presale of the residential development is expected to be launched within the coming 12 months. Stage two of the development project also comprises residential development which will have total gross floor area of about 1.9 million square feet, while stage three is planned for commercial and office accommodations with total gross floor area of about 1.5 million square feet.

Xinjiang Project

Through subsequent acquisition of issued shares and subscription of new shares, the Group increased its shareholding investment in the Xinjiang Project to 94.19% during the year under review. The Group is negotiating with the relevant government authority for the possible renewal of the relevant agreement for completion of the required re-forestation work, with a view to restoring the viability of the project, and in the meantime, the Group is keeping proper maintenance to the re-forestation landscape of the project.

Rainbow Lodge

The Group owns ten duplex apartment units plus fourteen carparks in Rainbow Lodge located at No. 9 Ping Shan Lane, Yuen Long, New Territories, Hong Kong. The Group is planning to re-modify certain units for enhancement of their value and to take advantage of the more positive market sentiment.

Securities Investments

The Group continues to maintain an active investment portfolio of listed securities. Apart from the net gain of HK\$47,718,000 attained on disposal of financial assets at fair value through profit or loss in the year under review, there was also a net increase in the fair value of these financial assets, marked to market closing prices as at 31 March 2010, of HK\$54,598,000.

PROSPECTS

Through extensive fiscal and monetary policies undertaken by the governments of the major world economies, there are signs that the economies are beginning to stabilise and gradually recovering from the financial tsunami that commenced in 2008. During 2009, the property and stock markets, notably in the PRC and Hong Kong, have staged substantial recovery. Recently, the government authorities in the PRC had taken more stringent administrative and fiscal measures to curb excessive speculations on properties, especially in first-line cities, and as a result, there have been some adjustments in property prices and in the volume of related transactions. However, the growth in PRC economy in a number of sectors remains healthy and appears to have provided impetus for the global recovery. The Group is optimistic of the medium to long term prospects of the property sector in the PRC and remains committed to those projects that are being undertaken by the Group. The Group is also cautiously hopeful that the current difficulties encountered in the Xinjiang Project would eventually be resolved satisfactorily, thereby reviving the potential and prospects of the project as originally envisaged. In the meantime, the Group is also actively reviewing various potential investments in property and natural resources projects in the PRC as well as in other regions, with a view to achieving for the Group future growth and profitability.

We are confident that the Group will be able to gradually implement its business expansion plans and to create long term value to the shareholders.

DIVIDENDS

The Board of Directors has resolved not to recommend the payment of a final dividend for the year ended 31 March 2010 (2009: Nil).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	<i>Notes</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Continuing operations:			
Turnover	3	<u>128,169</u>	<u>8,903</u>
Revenue	4	15,593	5,660
Net gain on disposal of financial assets at fair value through profit or loss		47,718	309
Gain on realisation of derivative financial assets		2,772	17,030
Other operating income	5	1,762	4,563
Administration expenses		(15,522)	(17,853)
Impairment loss on goodwill		—	(6,795)
Impairment loss on deposit paid for acquisition of a subsidiary		(7,044)	—
Impairment loss on properties under development		—	(17,143)
Loss on changes in fair value of financial instruments, net		(338,912)	(218,018)
Gain (loss) on changes in fair value of investment properties		5,000	(5,000)
Share of results of jointly controlled entities		(949)	(2,052)
Finance costs	6	<u>(35,001)</u>	<u>(33,119)</u>
Loss before tax	7	(324,583)	(272,418)
Income tax expense	8	<u>(5,804)</u>	<u>—</u>
Loss for the year from continuing operations		(330,387)	(272,418)
Discontinued operation:			
Profit for the year from discontinued operation		<u>—</u>	<u>6,628</u>
Loss for the year		<u>(330,387)</u>	<u>(265,790)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Cont'd)

For the year ended 31 March 2010

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Other comprehensive income			
Exchange differences arising on translating foreign subsidiaries:			
Exchange gain arising during the year		2,531	134
Reclassification adjustment for the cumulative (gain) loss included in profit or loss upon disposal of subsidiaries		(500)	292
Share of other comprehensive (loss) income of jointly controlled entities		(1,245)	2,324
		<hr/>	<hr/>
Other comprehensive income for the year		786	2,750
		<hr/>	<hr/>
Total comprehensive loss for the year		(329,601)	(263,040)
		<hr/> <hr/>	<hr/> <hr/>
Loss for the year attributable to:			
Owners of the Company		(330,387)	(260,102)
Minority interests		—	(5,688)
		<hr/>	<hr/>
		(330,387)	(265,790)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive loss attributable to:			
Owners of the Company		(329,601)	(257,352)
Minority interests		—	(5,688)
		<hr/>	<hr/>
		(329,601)	(263,040)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share	9		
From continuing and discontinued operations			
- Basic and diluted		(14.66)HKcents	(13.39)HKcents
		<hr/>	<hr/>
From continuing operations			
- Basic and diluted		(14.66)HKcents	(13.73)HKcents
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Non-current assets		
Property and equipment	259	320
Investment properties	75,000	70,000
Properties under development	—	—
Interests in jointly controlled entities	176,147	175,229
Goodwill	—	—
Club membership	—	360
	<u>251,406</u>	<u>245,909</u>
Current assets		
Loan receivable	—	11,500
Deposit paid for acquisition of a subsidiary	—	—
Prepayments, deposits and other receivables	1,071	781
Financial assets at fair value		
through profit or loss	221,901	86,880
Derivative financial assets	—	5,041
Pledged bank deposits	506	—
Deposits placed with security brokers	32,350	—
Cash and bank balances	142,410	192,673
	<u>398,238</u>	<u>296,875</u>
Current liabilities		
Accrued liabilities and other payables	4,512	5,547
Amount due to a related company	1,479	—
Derivative financial liabilities	434,924	41,414
Provisions	1,148	—
Income tax payable	28,010	22,265
Convertible bonds	192,242	—
	<u>662,315</u>	<u>69,226</u>
Net current (liabilities) assets	<u>(264,077)</u>	<u>227,649</u>
Total assets less current liabilities	<u>(12,671)</u>	<u>473,558</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)*As at 31 March 2010*

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Non-current liability		
Convertible bonds	<u>183,994</u>	<u>341,256</u>
	<u>(196,665)</u>	<u>132,302</u>
Capital and reserves		
Share capital	2,253	2,253
Reserves	<u>(198,918)</u>	<u>130,049</u>
(Capital deficiency) equity attributable to owners of the Company	(196,665)	132,302
Minority interests	<u>—</u>	<u>—</u>
	<u>(196,665)</u>	<u>132,302</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2010

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on a going concern basis notwithstanding the net current liabilities and net liabilities of approximately HK\$264,077,000 and HK\$196,665,000 as at 31 March 2010 respectively; and the loss of approximately HK\$330,387,000 for the year ended 31 March 2010. In the opinion of the directors of the Company, the liquidity of the Group can be maintained in the coming year as the directors of the Company anticipate that the Group will generate positive cash flows from its businesses.

The directors of the Company believe that the Group will have sufficient cash resources to satisfy its working capital and other financing requirements within the next twelve months. Accordingly, these consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations (herein collectively referred to as “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are or have become effective for the Group’s financial year beginning 1 April 2009.

Hong Kong Accounting Standard (“HKAS”) 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Financial Instruments – Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC) – Interpretation (“INT”) 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) – INT 13	Customer Loyalty Programmes
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) – INT 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – INT 18	Transfer of Assets from Customers

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendments to HKFRS 5 that is effective for annual periods beginning on or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

HKAS 1 (Revised) Presentation of Financial Statements

HKAS 1 (Revised) has introduced terminology changes (including revised titles for the consolidated financial statements) and changes in the format and content of the consolidated financial statements.

Amendments to HKFRS 7 Financial Instruments: Disclosure

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

The adoption of the other new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or INTs that have been issued but are not yet effective for the accounting period beginning on 1 April 2009.

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

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

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objectives is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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

3. TURNOVER

The following is an analysis of the Group's turnover for the year from continuing operations:

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proceeds from disposal of financial assets at fair value through profit or loss ("FVTPL")	112,576	3,243
Dividend income from financial assets at FVTPL	15,576	4,093
Interest income from deposits placed with security brokers	17	—
Interest income from derivative financial assets	—	1,213
Interest income from available-for-sale investments	—	354
	<u>128,169</u>	<u>8,903</u>

4. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "*Operating Segments*" with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the board of directors of the Company) for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (HKAS 14 "*Segment Reporting*") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments.

The application of HKFRS 8 has not resulted in the redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

The Group's reportable operating segments are as follows:

- (a) Securities trading – engaged in trading of listed and unlisted securities;
- (b) Property investment and development – engaged in property investment and property development.

During the year ended 31 March 2008, the Group was involved in the information technology operation, which was reported as a separate business segment under HKAS 14. That operation was discontinued with effect from 21 January 2009.

Information regarding the Group's reportable segments is presented below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

For the year ended 31 March 2010

	Securities trading HK\$'000	Property investment and development HK\$'000	Total HK\$'000
Turnover	<u>128,169</u>	<u>—</u>	<u>128,169</u>
Revenue - External	<u>15,593</u>	<u>—</u>	<u>15,593</u>
Segment profit	<u>114,771</u>	<u>1,917</u>	<u>116,688</u>
Other operating income			1,762
Unallocated corporate expenses			(12,333)
Impairment loss on deposit paid for acquisition of a subsidiary			(7,044)
Loss on changes in fair value of derivative financial instruments related to convertible bonds			(393,510)
Share of results of jointly controlled entities			(949)
Finance costs			<u>(35,001)</u>
Loss for the year			<u>(330,387)</u>

For the year ended 31 March 2009

	Securities trading <i>HK\$'000</i>	Property investment and development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Turnover	8,903	—	8,903
Revenue - External	5,660	—	5,660
Segment loss	(68,815)	(27,326)	(96,141)
Other operating income			4,563
Unallocated corporate expenses			(18,569)
Impairment loss on other receivables			(736)
Loss on change in fair value of derivative financial instruments related to convertible bonds			(126,364)
Share of results of jointly controlled entities			(2,052)
Finance costs			(33,119)
Loss for the year			(272,418)

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit or loss represents the profit earned by or loss from each segment without allocation of central administration costs, directors' emoluments, other operating income, impairment loss on other receivables, impairment loss on deposit paid for acquisition of a subsidiary, loss on change in fair value of derivative financial instruments related to convertible bonds, share of results of jointly controlled entities and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<i>Segment assets</i>		
Securities trading	254,251	91,921
Property investment and development	75,323	70,364
Total segment assets	329,574	162,285
Unallocated corporate assets	320,070	380,499
Consolidated assets	649,644	542,784
<i>Segment liabilities</i>		
Securities trading	5,745	—
Property investment and development	6,530	3,045
Total segment liabilities	12,275	3,045
Unallocated corporate liabilities	834,034	407,437
Consolidated liabilities	846,309	410,482

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in jointly controlled entities, loan receivable, pledged bank deposits, cash and bank balances and assets for central administration.
- all liabilities are allocated to reporting segments other than amount due to a related company, derivative financial liabilities, convertible bonds and liabilities for central administration.

Other segment information

For the year ended 31 March 2010

	Continuing operations			Total HK\$'000	Discontinued operation	Consolidated HK\$'000
	Securities trading HK\$'000	Property investment and development HK\$'000	Unallocated HK\$'000		Information technology HK\$'000	
Amounts included in the measure of segment profit or loss or segment assets						
Addition to non-current assets (Note)	—	240	82	322	—	322
Depreciation	—	261	76	337	—	337
Written off of property and equipment	—	—	46	46	—	46
Net gain on disposal of financial assets at FVTPL	(47,718)	—	—	(47,718)	—	(47,718)
Gain on realisation of derivative financial assets	(2,772)	—	—	(2,772)	—	(2,772)
Loss on change in fair value of financial instruments, net	(54,598)	—	393,510	338,912	—	338,912
Gain on change in fair values of investment properties	—	(5,000)	—	(5,000)	—	(5,000)
Amounts regularly provided to the chief operation decision maker but not included in the measure of segment profit or loss or segment assets						
Interest income	—	—	1,240	1,240	—	1,240
Interests in jointly controlled entities	—	176,147	—	176,147	—	176,147
Share of results of jointly controlled entities	—	949	—	949	—	949
Finance costs	—	—	35,001	35,001	—	35,001

Note: Non-current assets excluded interests in jointly controlled entities, goodwill and club membership.

For the year ended 31 March 2009

	Continuing operations			Total HK\$'000	Discontinued operation	Consolidated HK\$'000
	Securities trading HK\$'000	Property investment and development HK\$'000	Unallocated HK\$'000		Information technology HK\$'000	
Amounts included in the measure of segment profit or loss or segment assets						
Addition to non-current assets (Note)	—	17,075	66	17,141	—	17,141
Depreciation	—	63	60	123	297	420
Impairment loss on other receivables	—	—	736	736	—	736
Impairment loss on goodwill	—	6,795	—	6,795	—	6,795
Impairment loss on properties under development	—	17,143	—	17,143	—	17,143
Net gain on disposal of financial assets at FVTPL	(309)	—	—	(309)	—	(309)
Gain on realisation of derivative financial assets	(17,030)	—	—	(17,030)	—	(17,030)
Loss on change in fair values of financial instruments, net	91,654	—	126,364	218,018	—	218,018
Loss on change in fair values of investment properties	—	5,000	—	5,000	—	5,000
Amounts regularly provided to the chief operation decision maker but not included in the measure of segment profit or loss or segment assets						
Interest income	—	—	3,611	3,611	—	3,611
Interests in jointly controlled entities	—	175,229	—	175,229	—	175,229
Share of results of jointly controlled entities	—	2,052	—	2,052	—	2,052
Finance costs	—	—	33,119	33,119	—	33,119

Note: Non-current assets excluded interests in jointly controlled entities, goodwill and club membership.

Revenue

The following is an analysis of the Group's revenue for the year from continuing operations:

	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income from financial assets at FVTPL	15,576	4,093
Interest income from deposits placed with security brokers	17	—
Interest income from derivative financial assets	—	1,213
Interest income from available-for-sale investments	—	354
	15,593	5,660

Geographical information

The Group's operations are located mainly in Hong Kong.

The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from		Non-current assets	
	external customers			
	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong ("HK")	15,593	5,660	75,133	70,173
The PRC (excluding HK)	—	—	126	147
	15,593	5,660	75,259	70,320

Non-current assets excluded interests in jointly controlled entities, goodwill and club membership.

Information about major customers

During the years ended 31 March 2010 and 2009, no single customer has contributed over 10% of the total turnover and revenue of the Group.

5. OTHER OPERATING INCOME

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Continuing operations		
Interest income from:		
Pledged bank deposits	6	—
Bank balances	500	2,844
Loan receivable	734	767
	<hr/>	<hr/>
Total interest income	1,240	3,611
Sundry income	522	952
	<hr/>	<hr/>
	1,762	4,563
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6. FINANCE COSTS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Continuing operations		
Interest on other borrowings repayable within five years	21	—
Convertible bonds issuance costs	—	101
Imputed interest expense on convertible bonds	34,980	33,018
	<hr/>	<hr/>
	35,001	33,119
	<hr/> <hr/>	<hr/> <hr/>

7. LOSS BEFORE TAX

Loss before tax from continuing operations has been arrived at after charging:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Continuing operations		
Staff costs (excluding directors' emoluments)		
Wages and salaries	1,207	949
Retirement benefits scheme contributions	106	65
	<u>1,313</u>	<u>1,014</u>
Auditors' remuneration	513	444
Written off of property and equipment	46	—
Depreciation on property and equipment	337	123
Impairment loss on other receivables	—	736
Provision for claims	1,148	—
	<u><u>1,148</u></u>	<u><u>—</u></u>

8. INCOME TAX EXPENSE

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
Charge for the year	5,745	—
Under-provision in prior years	59	—
	<u>5,804</u>	<u>—</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 March 2010. No provision for Hong Kong Profits Tax has been made as all group entities did not derive any assessable profits for the year ended 31 March 2009.

Income tax expense arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No tax provision for other jurisdictions has been made as the Group did not derive any assessable profits for both years.

The income tax expense for the years can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Loss before tax (from continuing operations)	<u>(324,583)</u>	<u>(272,418)</u>
Tax at the Hong Kong profits tax rate of 16.5% (2009: 16.5%)	(53,556)	(44,949)
Tax effect of expenses not deductible for tax purpose	74,296	13,665
Tax effect of income not taxable for tax purpose	(3,653)	(1,086)
Utilisation of tax loss not recognised in prior years	(11,611)	—
Tax effect of tax losses not recognised	269	32,370
Under-provision in prior years	<u>59</u>	<u>—</u>
Income tax expense for the year (from continuing operations)	<u><u>5,804</u></u>	<u><u>—</u></u>

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK\$74,390,000 (2009: HK\$198,649,000) available to set off against future taxable profits. No deferred tax asset has been recognised for such tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

9. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
<i>Loss</i>		
Loss for the purpose of basic loss per share		
Loss for the year attributable to owners of the Company	(330,387)	(260,102)
Effect of dilutive potential ordinary shares	<u>—</u>	<u>—</u>
Loss for the purpose of diluted loss per share	<u><u>(330,387)</u></u>	<u><u>(260,102)</u></u>
	2010 '000	2009 '000
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic loss per share	2,253,443	1,942,288
Effect of dilutive potential ordinary shares	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted loss per share	<u><u>2,253,443</u></u>	<u><u>1,942,288</u></u>

Diluted loss per share is same as basic loss per share for the years ended 31 March 2010 and 2009. The computation of diluted loss per share does not assume the conversion/ exercise of the Company's outstanding convertible bonds and options to subscribe for additional convertible bonds since their exercises would result in a decrease in loss per share for the years ended 31 March 2010 and 2009.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	2010 HK\$'000	2009 HK\$'000
Loss for the year attributable to owners of the Company	(330,387)	(260,102)
Less:		
Profit for the year from discontinued operation	<u>—</u>	<u>6,628</u>
Loss for the purpose of basis loss per share from continuing operations	(330,387)	(266,730)
Effect of dilutive potential ordinary shares	<u>—</u>	<u>—</u>
Loss for the purpose of diluted loss per share from continuing operations	<u>(330,387)</u>	<u>(266,730)</u>

The denominators used are same as those detailed above for each basic and diluted loss per share.

From discontinued operation

Basic earnings per share for the discontinued operation is HK0.34 cents per share and diluted earnings per share for the discontinued operation is HK0.20 cents per share for the year ended 31 March 2009. The basic and diluted earnings per share from discontinued operation attributable to the owners of the Company for the year is based on the profit for the year ended 31 March 2009 from discontinued operation of HK\$6,628,000 and the denominators detailed above for both basic and diluted loss per share.

Diluted loss per share is same as basic loss per share for the years ended 31 March 2010 and 2009. The computation of diluted loss per share does not assume the conversion/exercise of the Company's outstanding convertible bonds and options to subscribe for additional convertible bonds since their exercises would result in a decrease in loss per share for the years ended 31 March 2010 and 2009.

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2010, nor has any dividend been proposed since the end of the reporting period (2009: Nil).

EXTRACT FROM THE INDEPENDENT AUDITOR'S REPORT

The independent auditor's report on the consolidated financial statements of the Company for the year ended 31 March 2010 contains the following paragraph:

“Without qualifying our opinion, we draw attention to note 1 to the consolidated financial statements, which indicates that the Group had net current liabilities of approximately HK\$264,077,000 and net liabilities of approximately HK\$196,665,000 as at 31 March 2010. The Group had incurred loss attributable to owners of the Company for the year ended 31 March 2010 amounted to approximately HK\$330,387,000. These conditions indicated the existence of a material uncertainty which may cast doubt about the Group's ability to continue as a going concern.”

The directors of the Company would wish to draw attention to the fact that, as explained in the section headed “FINANCIAL REVIEW” above, the incurrence of the increased loss during the year under review and the net current liabilities and capital deficiency recorded as at 31 March 2010 were primarily attributed to the recognition of the Subscription Options in relation to the CB2013 as derivative financial liability and the changes in their fair value accounted as income or loss, in compliance with the currently applicable accounting standards. However, such financial liability and the related loss are non-cash in nature and the Group will in no event be obliged to settle any such liability by incurring any cash payout or otherwise by using any of its assets. As illustrated in the FINANCIAL REVIEW section above, for the purpose of reference, the Group's results for the year under review would have been profitable and a positive net assets position would have been recorded as at 31 March 2010, should on an adjusted basis that the loss arising from the change in fair value of the Subscription Options be excluded and the related derivative financial liability be de-recognized.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

REVIEW OF RESULTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2010, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditors.

CORPORATE GOVERNANCE

Following the issue of the Code on Corporate Governance Practices (the “Code”), as set out in Appendix 14 to the Listing Rules, the Company has carefully reviewed and considered the Code, and carried out a detailed analysis on the corporate governance practices of the Company against the requirement of the Code.

Throughout the financial year ended 31 March 2010, except for the requirement that (i) the role of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual and (ii) the Non-executive Directors and the Independent Non-executive Directors should be appointed for specific terms, the Company has complied with all code provisions. The deviation in item (i) above is due to the practical necessity and effective management on account of the Group’s corporate operating structure.

Although the Non-executive Directors and the Independent Non-executive Directors of the Company were not appointed for specific terms, arrangements have been put in place such that all Directors would retire, and are subject to re-election, either in accordance with the articles of association of the Company or on a voluntary basis, at least once every three years.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be convened and scheduled to be held on 27 August 2010. The notice of the annual general meeting of the Company will be published on the websites of the Stock Exchange and the Company on www.hkexnews.hk and www.irasia.com/listco/hk/cosmopolitan respectively and will be sent to the shareholders of the Company, together with the Company’s 2010 Annual Report, in due course.

By Order of the Board
Cosmopolitan International Holdings Limited
Bong Shu Yin, Daniel
Chairman and Executive Director

Hong Kong, 13 July 2010

As at the date of this announcement, the Board comprises ten Directors, namely Messrs. Bong Shu Yin, Daniel (Chairman) and Cheng Sui Sang, who are the Executive Directors, and Mr. Wang Baoning (Vice-Chairman), Mr. Bong Shu Ying, Francis, Mr. Ng Kwai Kai, Kenneth and Mr. Leung So Po, Kelvin and Mr. Wong Po Man, Kenneth, who are the Non-executive Directors, and Mr. Li Ka Fai, David, Mr. Lee Choy Sang and Ms. Ka Kit, who are the Independent Non-executive Directors.

* *for identification purpose only*