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DORSETT

HOSPITALITY INTERNATIONAL

帝盛酒店集團

Dorsett Hospitality International Limited

帝盛酒店集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Website: <http://www.dorsett.com>

(Stock Code: 2266)

ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Dorsett Hospitality International Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2013 as follows:

FINANCIAL HIGHLIGHTS

Revenue reached HK\$1,088.9 million for the first six months, up 96.4% year on year. The growth was predominantly attributable to the sales of apartments in Singapore and 6.5% increase on revenue generated by the hotel operations in line with the increase room count.

Revenue per available room (“RevPAR”) declined 9.7% to HK\$561 driven mainly by a combination of lower RevPAR of newly opened hotels and renovation of the Group’s flagship hotels in Hong Kong, namely Cosmopolitan and Lan Kwai Fong.

On a LFL⁽¹⁾ basis, RevPAR declined by 4.1% to HK\$589 largely due to 3.0% drop of Average Room Rate (“ARR”) and a marginal drop of 1% point on Occupancy Rate (“OCC”).

Gross profit came in at HK\$456.3 million, up 44.0% compared with the same period of the last financial year, driven by the contribution from the sales of apartments in Singapore.

Net profit declined 39.5% to HK\$330.2 million. The decline was mainly due to higher base in the corresponding period of last year as a result of the gains of HK\$445.1 million recognized from the disposal of a subsidiary.

Earnings per share was HK16.5 cents, 39.5% lower than that of the same period of the last financial year.

⁽¹⁾ Like for like basis, excluding results from hotels which did not fully operate during the periods under review for both current and last financial years. The hotels being excluded comprise Dorsett Regency Hotel, Hong Kong, Dorsett Kwun Tong, Hong Kong, Dorsett Grand Chengdu and Dorsett Singapore.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	NOTES	Six months ended	
		30.9.2013 HK\$'000 (unaudited)	30.9.2012 HK\$'000 (unaudited)
Revenue	4	1,088,858	554,397
Cost of properties sold		(341,683)	–
Operating costs		(212,658)	(174,566)
Depreciation and amortisation		(78,257)	(62,919)
Gross profit		456,260	316,912
Other income		6,088	3,214
Gain on disposal of a subsidiary		–	445,086
Administrative expenses		(168,224)	(135,181)
Pre-opening expenses		(2,786)	(8,484)
Other gains and losses	5	133,153	1,973
Finance costs	6	(75,936)	(54,178)
Profit before tax		348,555	569,342
Income tax expense	7	(18,347)	(23,459)
Profit for the period	8	330,208	545,883
Other comprehensive income (expense) for the period			
Items that may be subsequently recycled to profit or loss:			
Exchange differences arising on translation of foreign operations		23,660	(14,897)
Fair value adjustment on cross currency interest rate swaps designated as cash flow hedges		19,427	–
Reclassification of hedge reserve to profit or loss		(27,329)	–
Total comprehensive income for the period		345,966	530,986
Earnings per share	10		
– Basic (HK cents)		16.51	27.29
– Diluted (HK cents)		16.51	27.29

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013

	<i>NOTES</i>	30.9.2013 <i>HK\$'000</i> (unaudited)	31.3.2013 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment	<i>11</i>	6,095,804	5,652,677
Prepaid lease payments		584,372	589,330
Investment properties	<i>11</i>	607,902	412,500
Deposits for acquisition of property, plant and equipment		184,218	133,864
Interest in an associate		76,533	76,533
Utility and other deposits paid		10,845	11,755
Derivative financial instruments designated as hedging instruments		10,591	–
Pledged deposits		2,789	2,897
Deferred tax assets		36,129	5,000
		<hr/> 7,609,183 <hr/>	<hr/> 6,884,556 <hr/>
Current assets			
Properties for sale			–
Completed properties		8,208	–
Properties for/under development		21,030	353,141
Other inventories		8,402	8,396
Debtors, deposits and prepayments	<i>12</i>	188,158	120,624
Prepaid lease payments		14,920	14,841
Tax recoverable		532	6,926
Investment securities		811,246	28,554
Pledged deposits		138,436	137,132
Time deposits		–	12,500
Bank balances and cash		1,061,215	729,519
		<hr/> 2,252,147 <hr/>	<hr/> 1,411,633 <hr/>
Current liabilities			
Creditors and accruals	<i>13</i>	280,481	244,616
Secured bank borrowings		1,950,043	3,287,936
Sales deposits received		–	275,926
Derivative financial instruments		323	9,516
Dividend payable		160,000	–
Tax payable		43,204	2,200
		<hr/> 2,434,051 <hr/>	<hr/> 3,820,194 <hr/>
Net current liabilities	<i>2</i>	<hr/> (181,904) <hr/>	<hr/> (2,408,561) <hr/>
Total assets less current liabilities		<hr/> 7,427,279 <hr/>	<hr/> 4,475,995 <hr/>

	<i>NOTES</i>	30.9.2013 <i>HK\$'000</i> (unaudited)	31.3.2013 <i>HK\$'000</i> (audited)
Non-current liabilities			
Secured bank borrowings		2,323,811	582,692
Rental deposits received		13,590	7,756
Bonds		1,017,560	–
Deferred tax liabilities		99,547	99,724
		<hr/> 3,454,508	<hr/> 690,172
Net assets		<hr/> 3,972,771	<hr/> 3,785,823
Capital and Reserves			
Share capital		200,000	200,000
Share premium		2,237,153	2,237,153
Reserves		1,535,618	1,348,670
		<hr/> 3,972,771	<hr/> 3,785,823
Total equity		<hr/> 3,972,771	<hr/> 3,785,823

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

1. GENERAL

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

In preparing the condensed consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by HK\$181,904,000 as at 30 September 2013. In the opinion of the Directors, the Group has a number of sources of finance available to fund its operations. 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 which were not pledged. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

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

Except for the adoption of new and revised Hong Kong Financial Reporting Standards, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2013.

4. SEGMENT INFORMATION

Segment revenue and results

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

	Six months ended	
	30.9.2013	30.9.2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel room revenue, food and beverage	562,669	534,144
Rental income from properties	22,123	20,253
	584,792	554,397
Sales of properties	498,392	–
Interest income from financial instruments	5,674	–
	1,088,858	554,397

In prior period, the sales of properties and securities and financial product investments operations were insignificant and therefore, it was not separately reported to the Group's chief operating decision makers, who are the executive Directors. During the current period, with the expansion of the sales of properties and securities and financial product investments operations, the related financial information has been separately reported to the executive Directors and considered as a separate reportable segment. Accordingly, comparative information of sales of properties and securities and financial product investments, has been re-presented.

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

	Segment revenue		Segment profit (loss)	
	Six months ended		Six months ended	
	30.9.2013	30.9.2012	30.9.2013	30.9.2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hotel operations and management				
Hong Kong	330,389	349,333	87,136	559,912
Malaysia	149,174	140,336	29,412	23,728
People's Republic of China ("PRC")	79,684	64,728	(19,119)	(10,321)
Singapore	25,545	–	(1,068)	(3,857)
United Kingdom ("UK")	–	–	508	(120)
	<u>584,792</u>	<u>554,397</u>	<u>96,869</u>	<u>569,342</u>
Property development				
Singapore	498,392	–	275,215	–
Securities and financial product investments	5,674	–	(23,529)	–
	<u>1,088,858</u>	<u>554,397</u>	<u>348,555</u>	<u>569,342</u>

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

Segment assets

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

	30.9.2013	31.3.2013
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Hotel operations and management		
Hong Kong	3,707,313	3,427,144
Malaysia	1,054,110	1,077,778
PRC	2,186,180	2,075,849
Singapore	639,542	590,381
UK	654,247	558,740
	<u>8,241,392</u>	<u>7,729,892</u>
Property development		
Singapore	297,953	353,372
Securities and financial product investments	1,321,985	212,925
	<u>9,861,330</u>	<u>8,296,189</u>

All assets are allocated to operating segments and no asset is 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.

5. OTHER GAINS AND LOSSES

	Six months ended	
	30.9.2013 <i>HK\$'000</i> (unaudited)	30.9.2012 <i>HK\$'000</i> (unaudited)
Change in fair value of investment properties	130,870	–
Change in fair value of investment securities	(13,636)	2,002
Change in fair value of interest rate swaps	351	1
Gain on early redemption of bonds	2,067	–
Net foreign exchange gain (loss)	13,493	(22)
Allowance for bad and doubtful debts	–	(8)
Gain on disposal of property, plant and equipment	8	–
	133,153	1,973

6. FINANCE COSTS

	Six months ended	
	30.9.2013 <i>HK\$'000</i> (unaudited)	30.9.2012 <i>HK\$'000</i> (unaudited)
Interest on bank borrowings		
– wholly repayable within five years	56,763	58,978
– not wholly repayable within five years	8,462	9,040
Amortisation of front-end fee	6,002	10,228
Interest on bonds	30,958	–
Less: Net interest income from cross currency interest rate swaps	(5,693)	–
Others	2,440	645
	98,932	78,891
Less: amount capitalised to hotel properties under development and properties for sale under development	(22,996)	(24,713)
	75,936	54,178

7. INCOME TAX EXPENSE

	Six months ended	
	30.9.2013 <i>HK\$'000</i> (unaudited)	30.9.2012 <i>HK\$'000</i> (unaudited)
Current period income tax		
Hong Kong	18,632	21,064
Other jurisdictions		
Singapore	27,508	–
Malaysia	–	1,858
	46,140	22,922
Deferred taxation	(27,793)	537
	18,347	23,459

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

8. PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2013 <i>HK\$'000</i> (unaudited)	30.9.2012 <i>HK\$'000</i> (unaudited)
Profit for the period is arrived at after charging:		
Staff costs		
Directors' emoluments	1,695	1,485
Other staff		
Salaries and other benefits	169,760	129,985
Retirement benefit scheme contributions	10,594	7,570
	182,049	139,040
Amortisation of prepaid lease payments	5,053	6,160
Less: amount capitalised to hotel properties under development and properties for sale under development	–	(1,883)
	5,053	4,277
Depreciation	73,204	58,642
Share option expense	982	1,557
and after crediting:		
Gross rental income less direct outgoings*	9,222	9,061
Bank interest income	1,852	1,296

* Comprises gross rental income from investment properties of HK\$11,995,000 (six months ended 30 September 2012: HK\$11,535,000) less direct operating expenses of HK\$2,773,000 (six months ended 30 September 2012: HK\$2,474,000).

9. DIVIDENDS

A final dividend of HK8 cents per share amounting to HK\$160,000,000 in respect of the year ended 31 March 2013 (2012: HK10 cents per share amounting to HK\$200,000,000 in respect of the year ended 31 March 2012) was declared and recognised as distribution during the period. The 2013 final dividend was paid in form of a scrip dividend to shareholders of the Company who were given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements. Approximately 80.4% of the shareholdings elected to receive shares in lieu of cash dividend at a share price of HK\$1.694 per share and accordingly, 75,695,203 new and fully paid ordinary shares of the Company were issued in October 2013. These new shares rank pari passu to the existing shares of the Company.

Subsequent to the end of the reporting period, the Directors declared an interim dividend of HK2 cents per share amounting to approximately HK\$41,500,000 for the six months ended 30 September 2013 (2012: HK4 cents per share amounting to HK\$80,000,000) payable to the shareholders of the Company whose names appear on the register of members on 18 December 2013.

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2013 is based on the consolidated profit for the period of HK\$330,208,000 (six months ended 30 September 2012: HK\$545,883,000) and on 2,000,000,000 shares (six months ended 30 September 2012: 2,000,000,000 shares) in issue during the period.

The computation of diluted earnings per share for the six months ended 30 September 2013 and 30 September 2012 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 throughout the period.

11. PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTIES

During the period, the Group incurred development expenditures on development of certain hotel properties amounting to HK\$523,103,000 (six months ended 30 September 2012: HK\$301,367,000). The Group acquired a property amounting to HK\$210,000,000 during the six months ended 30 September 2012 while no property was acquired during the six months ended 30 September 2013.

During the current period, certain properties were transferred from completed properties for sale to investment properties evidenced by the commencement of operating lease to another party and the difference between the fair value of these investment properties at the date of transfer of Singapore dollar ("S\$") 30,600,000 (equivalent to HK\$188,802,000) and their previous carrying amount of S\$9,522,529 (equivalent to HK\$59,125,000), amount to S\$21,077,471 (equivalent to HK\$130,870,000), was recognised in profit or loss accordingly.

The fair value of the investment properties situated in the PRC and Singapore at 30 September 2013 and at the date of transfer from inventories is based on the valuation carried out on those dates by DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Service (S) Pte Ltd., independent qualified professional valuers not connected with the Group, respectively.

DTZ Debenham Tie Leung Limited is member of the Hong Kong Institute of Surveyors and Savills Valuation and Professional Service (S) Pte Ltd. is member of the Singapore Institute of Surveyors and Valuers. The valuation was arrived at by capitalisation of future rental which is estimated by reference to comparable rental as available in the relevant markets.

12. DEBTORS, DEPOSITS AND PREPAYMENTS

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

Proceeds from sales of properties are settled according to the payment terms of the sale and purchase agreements. Trade debtors of S\$12,040,393 (equivalent to HK\$74,289,000) represent the portion of the proceeds that have been settled by the buyers which held in escrow account and the funds would be remitted to the Group upon the issuance of relevant certificate by the government authorities in Singapore, which is expected to be taken place within one year after the end of the reporting period.

The following is an aged analysis of the trade debtors presented based on the invoice date at the end of the reporting period:

	30.9.2013 <i>HK\$'000</i> (unaudited)	31.3.2013 <i>HK\$'000</i> (audited)
0–60 days	133,109	52,577
61–90 days	3,125	2,019
Over 90 days	5,204	3,326
	141,438	57,922

13. CREDITORS AND ACCRUALS

The following is an aged analysis of the trade creditors at the end of the reporting period:

	30.9.2013 <i>HK\$'000</i> (unaudited)	31.3.2013 <i>HK\$'000</i> (audited)
0–60 days	21,202	22,599
61–90 days	2,161	1,311
Over 90 days	17,858	8,254
	41,221	32,164

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operational Review

Global economic performance for the period under review remains subdued largely due to the prolonged recession in the European region and slower growth in the emerging markets. Nevertheless, driven by the sales of apartments in Singapore and continuous growth of our hotel operations, the Group's revenue increased by 96.4% to reach HK\$1,088.9 million for the first half of the financial year ending 31 March 2014 ("FY2014"). Net profit of the Group was however declined by 39.5% to 330.2 million in view of the higher base in the corresponding period due to the gain on disposal of a subsidiary.

Acquisitions and Disposal

During the period under review, the Group continued to expand its hotel portfolio and its network coverage. In August 2013, the Group entered into a transaction to acquire a hotel property in Jiangxi province, the PRC. The hotel property is located within the vicinity of the famous Lushan National Park in Jiujiang city, which is one of the most famous tourist destinations in the PRC. The transaction was completed in October 2013 and the Group will officially open the hotel in the month of January 2014. In line with the Group's "Chinese Wallet" strategy to capture the market share for the increasing outbound Chinese travelers, in the month of September 2013, the Group entered into a transaction to acquire the "Walkabout" pub and restaurant building, which is located just next to the Group's 317 rooms Shepherds Bush London hotel that is currently under construction. The Group intends to convert the property into hotel rooms which will complement the operation of its soon to be opened Shepherds Bush London hotel.

Business and Project Development

On the existing portfolio, there are currently 8 hotel projects owned by the Group and 4 management hotels that are under various stages of planning and development. These hotels are expected to commence its operation at the following dates:

Owned Hotels Under Development ⁽¹⁾	Location	Target market segment ⁽¹⁾	Total rooms ⁽¹⁾	Commencement ⁽¹⁾
Dorsett Tsuen Wan, Hong Kong	Hong Kong	mid-scale	547	4th quarter of FY2014
Lushan Resorts	PRC	resorts	297	4th quarter of FY2014
Dorsett Shepherds Bush, London	UK	mid-scale	317	4th quarter of FY2014
Dorsett Grand Zhujij ⁽²⁾	PRC	up-scale	200	3rd quarter of FY2015
Dorsett Zhongshan ⁽³⁾	PRC	mid-scale	416	4th quarter of FY2015
Silka Tsuen Wan, Hong Kong	Hong Kong	value	420	2nd quarter of FY2016
Dorsett City, London	UK	mid-scale	275 ⁽⁴⁾	3rd quarter of FY2016
Dorsett Shepherds Bush, London 2 ⁽⁵⁾	UK	mid-scale	44 ⁽⁵⁾	3rd quarter of FY2017
			<u>2,516</u>	

⁽¹⁾ The hotel names, target market segments, total rooms and commencement may change.

⁽²⁾ The Group owns 25% interest of the hotel.

⁽³⁾ The Group is in the process of obtaining the title certificates for Dorsett Zhongshan.

⁽⁴⁾ Total rooms of approximately 275 are subject to planning approval and finalization of conversion plan.

⁽⁵⁾ Conversion of the Walkabout property to hotel rooms, estimated 44 rooms subject to changes.

Subsequent to the period ended 30 September 2013, the Group entered into hotel management contracts with its connected parties to manage 4 hotels with total of approximately 1,000 rooms in Malaysia. The hotel management contracts will provide the platform for the Group to further expand its network in South East Asia and provide steady income stream in the future.

Management Hotels	Location	Target market segment	Total rooms⁽¹⁾	Commencement⁽¹⁾
Dorsett Cheras, Kuala Lumpur	Malaysia	mid-scale	319	4th quarter of FY2014
Dorsett Putrajaya	Malaysia	mid-scale	218	3rd quarter of FY2015
Dorsett Hartamas, Kuala Lumpur	Malaysia	mid-scale	371	3rd quarter of FY2016
d. collection, Kuala Lumpur ⁽²⁾	Malaysia	mid-scale	154	3rd quarter of FY2016
			1,062	

⁽¹⁾ The total rooms and commencement date may change.

⁽²⁾ The name of the hotel might change.

Financial Review

The Group's revenue grew 96.4% to HK\$1,088.9 million for the first half of FY2014 mainly driven by the sales of apartments in Singapore of HK\$498.4 million and continuous growth of our hotel operations benefitting from the increase room count and the increase of outbound travelers from the emerging markets, in particular the Chinese travelers.

The key revenue indicators of hotel operations for the period are as follows:

	Six months ended	
	30 September	
	2013	2012
Hong Kong		
Occupancy rate*	94%	93%
Average room rate (HK\$)*	887	941
RevPAR (HK\$)*	831	876
Revenue (HK\$m)	330	349
Malaysia		
Occupancy rate	67%	66%
Average room rate (HK\$)	516	507
RevPAR (HK\$)	343	337
Revenue (HK\$m)	149	140
China		
Occupancy rate	51%	72%
Average room rate (HK\$)	555	547
RevPAR (HK\$)	281	393
Revenue (HK\$m)	80	65
Singapore		
Occupancy rate	59%	–
Average room rate (HK\$)	1,242	–
RevPAR (HK\$)	736	–
Revenue (HK\$m)	26	–
Group Total		
Occupancy rate	75%	81%
Average room rate (HK\$)	749	768
RevPAR (HK\$)	561	621
Revenue (HK\$m)	585	554

* Included only hotels owned by the Group.

The Group recorded an overall RevPAR of HK\$561 for the first half of FY2014, a decline of 9.7% attributable to the weak performance of the newly opened 556 rooms Dorsett Grand Chengdu hotel in the PRC and the decline of RevPAR in Hong Kong. The decline was however partially offset by the marginal improvement of RevPAR in Malaysia and strong RevPAR performance by the newly opened 285 rooms Dorsett Singapore. On a LFL basis, the decline of RevPAR narrowed to 4.1%.

For the period under review, the Group's the RevPAR in Hong Kong, which is our key market and revenue contributor, was affected by the slowdown of growth on tourist arrivals, the adverse impact from the new regulation on zero fare tour group, renovation of its flagship hotels, Cosmopolitan and Lan Kwai Fong, and increasing supply of hotel room inventories. Despite the challenges, concerted sales and marketing efforts and strong commitment from our operation teams enable the Group to record a marginal increase of 1% point on the OCC to 94%. The ARR however declined by 5.7% to HK\$887 and as a result, the RevPAR in Hong Kong came in at HK\$831, a drop of 5.1%. On a LFL basis, RevPAR for Hong Kong declined 5.1% to HK\$858.

In Malaysia, RevPAR performance improved marginally by 1.8% to HK\$343 largely attributable to the strong performance of Dorsett Grand Labuan. The OCC for Malaysia operation improved marginally by 1% point and the ARR improved by 1.8% compared to the corresponding period.

During the period under review, RevPAR in the PRC declined by 28.5% to HK\$281. The drop was solely due to the weak performance of the newly opened Dorsett Grand Chengdu and partially offset by the stronger RevPAR performance of Dorsett Shanghai and Dorsett Wuhan. On a LFL basis, RevPAR for the PRC improved marginally by 3.8% to HK\$414.

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

	Six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	1,088,858	554,397
Gross profit	456,260	316,912
Profit before tax	348,555	569,342
Profit for the period	330,208	545,883
Earnings per share		
– Basic (HK cents)	16.51	27.29
EBITDA	500,896	685,143
Net operating profit ⁽¹⁾	358,768	246,538
Net operating margin ⁽²⁾	32.9%	44.5%

Notes:

(1) Net operating profit = profit before tax, interest income, finance costs, depreciation and amortisation, pre-opening expenses, change in fair value of investment properties, change in fair value of interest rate swaps, change in fair value of cross currency interest rate swaps (included in net foreign exchange gain (loss)), change in fair value of investment securities and other non-recurring items

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

Gross profit for the first six months was up 44.0% to HK\$456.3 million, primarily due to the contribution from sales of apartments in Singapore which was partially offset by the weaker gross profit performance from the hotel operations. Excluding the gross profit contribution from the sales of apartments in Singapore, gross profit for the period was down 5.5% to HK\$299.6 million.

Administrative expenses for the period increased by 24.4% to HK\$168.2 million attributable to additional expenses in relation to the newly opened hotels, provision of bonus and selling expenses of HK\$11.2 million in relation to the sales of apartments in Singapore.

Net profit for the period under review was reported at HK\$330.2 million, a decline of 39.5% compared to the corresponding period of last year. The decline was mainly due to higher base of net profit for the corresponding period of last year in view of the gains of HK\$445.1 million generated from the disposal of a subsidiary. The decline was however partially offset by the inclusion of profit contribution from the sales of apartments in Singapore and revaluation gain on the investment properties in Singapore. Excluding the impact from these items, net profit for the period under review was HK\$79.4 million, down 21.3% compared to the corresponding period of last year.

EBITDA declined 26.9% to HK\$500.9 million. Excluding the (i) impact from the gain on disposal of subsidiary in the corresponding period; (ii) profit contribution from the sales of apartments during the current financial period; and (iii) revaluation gain on the investment properties in Singapore, the EBITDA declined 6.0% to HK\$225.7 million.

Financial Resources and Liquidity

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

	30.9.2013 HK\$'000	31.3.2013 HK\$'000
Bank balances and cash	1,061,215	729,519
Time deposits	–	12,500
Pledged deposits	141,225	140,029
Investment securities	811,246	28,554
	<u>2,013,686</u>	<u>910,602</u>
Bonds	1,017,560	–
Bank loans	4,301,520	3,881,455
Less: front-end fee	(27,666)	(10,827)
	<u>5,291,414</u>	<u>3,870,628</u>
Analysis for reporting purpose as		
Current liabilities	1,950,043	3,287,936
Non-current liabilities	3,341,371	582,692
	<u>5,291,414</u>	<u>3,870,628</u>
Net debt	<u>3,277,728</u>	<u>2,960,026</u>
Total equity	3,972,771	3,785,823
Revaluation surplus of hotel properties**	9,459,345	9,459,345
Total equity after revaluation surplus	13,432,116	13,245,168
Net debt to equity (after revaluation surplus)	24.4%	22.3%

** As at 31 March 2013. No revaluation on hotel properties was performed for the interim period of FY2014.

In the month of April 2013, the Group issued RMB850 million of Renminbi (“CNY”) bonds that carry an annual coupon of 6.0% and with a maturity date on 3 April 2018. The Group subsequently entered into cross currency interest rate swap agreement to hedge against its exposure to CNY fluctuations and successfully reduced the net interest rate of the CNY bonds to 5.0% per annum.

In the month of June 2013, the Group entered into a 5-year loan facility amounting to HK\$1,750.0 million that carry an annual interest rate of 1.65% over the 3 month(s) HIBOR to refinance a syndicated loan in full. During the process of the refinancing, in line with the improved valuation and cash flow of the Group’s hotel properties, the management successfully negotiated the release on the pledge of certain hotel properties with market value of approximately HK\$2,815.0 million. The new 5-year loan facility only requires the pledging of 2 hotel properties as opposed to 6 hotel properties for the original syndicated loan.

The Group’s other bank borrowings amounting to HK\$2,551.5 million are secured against certain properties of the Group. Current portion of bank borrowings included an amount of HK\$1,373.7 million which is not repayable within one year but is shown under current liabilities in accordance with the Hong Kong Financial Reporting Standards as the counterparties have a discretionary right to demand immediate repayment. The Group’s bank borrowings carry interest at floating rates, with a range of effective annual interest rate of 1.9% to 8.3%. Average effective interest rate for the period decreased to 3.6%.

Capital Expenditures

The Group’s capital expenditures consist of expenditures for acquisition, development and refurbishment of hotel properties. For the period under review, the Group’s capital expenditures amounted to HK\$574.2 million mainly attributable to the acquisition of Lushan hotel property, acquisition of Walkabout building and construction works on Dorsett Shepherds Bush, London, Dorsett Tsuen Wan, Hong Kong and Silka Tsuen Wan, Hong Kong. These capital expenditures were funded through a combination of bank borrowings and internal resources.

Capital Commitments

	30.9.2013	31.3.2013
	<i>HK\$’000</i>	<i>HK\$’000</i>
Capital expenditures in respect of acquisition, development and refurbishment of hotel properties and other property, plant and equipment:		
– contracted but not provided in the financial statements	649,194	768,622
– authorised but not contracted for	23,114	27,673

Contingent Liabilities

During the year ended 31 March 2010, Hong Kong (SAR) Hotel Limited (“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\$14.4 million. In response to the claim, the contractor has filed counterclaims against HKSAR Hotel for an amount of HK\$25.8 million. HKSAR Hotel was disposed of in 2012 but the Group had undertaken to use all reasonable endeavours to procure the full and final settlement of the litigation. The trial commenced on 30 July 2012, which was adjourned to August 2013, and finished on 19 August 2013. The trial judge is to give further directions or fix a date for handing down the judgment. 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 30 September 2013, the Group had 2,380 employees (2012: 2,400). Total employee cost for the period under review was HK\$182.0 million. To attract and retain talents, the Group offers competitive employee remuneration packages with reference to the market conditions and individual qualifications, experience and job scope. Such remuneration packages consist of basic salary and discretionary or performance related annual bonus.

Certain Board members and full time employees were granted share options pursuant to the Company’s share option scheme adopted on 10 September 2010 to incentivize them and to align their interest with the shareholders in promoting long term growth of the Group. The Group recognizes a fair value of HK\$18.0 million on these options, of which HK\$1.0 million was charged as share option expense for the period under review.

Other Financial and Operational 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 Group did not revalue our hotel portfolio for the interim reporting period of FY2014. The revaluation surplus has not been accounted for in the financial statements. Net assets value per share after adjusting revaluation surplus as at 30 September 2013 was HK\$6.72.

OUTLOOK

Global economic growth is expected to remain challenging in the immediate future. Downside risks will still continue to dominate the outlook. While the old risks remain, the new risks have emerged, including the slower growth of emerging markets and possibly tighter financial conditions if the anticipated reversal of monetary policy in the United States leads to sustained capital flow reversal. Travel industry growth is expected to closely track the macroeconomic condition and will be largely driven by emerging economies, particularly the Asia travelers, including the strong growing Chinese outbound travelers, which are likely to continue

growing despite the slower economic growth in the PRC and the impact from the regulation on zero fare tour group while we believe that the zero fare tour group which might have short term adverse impact to the growth of outbound travelers from the PRC, such impact is likely to be limited. According to a report from Chinese Tourism Academy, the outbound Chinese travelers reached 83.2 million in the year 2012 and are expected to exceed more than 95.0 million in the year 2013.

The profile, traveling behavior and traveling destination of the Chinese travelers have been changing and will continue to evolve. We are now seeing increasingly more free independent travelers from the PRC and although traditionally majority of the travelling were to Hong Kong and Macau, Chinese travelers are beginning to travel to further destinations including Japan, South Korea and South East Asia and with the relaxation of tourist visa application in recent times, we are now witnessing significant growth of Chinese visitors to Europe. In this respect, the Group's "Chinese Wallet" strategy and our network of hotels are well positioned to capitalize on this booming trend.

Whilst global economic environment is expected to remain challenging for the immediate future, the Group will strive to counteract the negative impacts through efficient cross selling for its network of hotels and adjusting the mixed of its guest profiles. The Group remains optimistic in the global travel industry and fully committed to our "Chinese Wallet" strategy.

As at the end of September 2013, the Group operates and manages 5,131 rooms of which 4,894 rooms are owned and 237 rooms are managed. With the current developing pipelines and the signing of 4 management hotels with more than 1,000 rooms, the Group's hotel room inventories will exceed 8,600 by the end of FY2017. These new hotels are expected to generate significantly larger cash flow stream for the Group. However, as these new hotels take time to ramp up and stabilize in term of operations, the overall RevPAR may be adversely impacted in the short term.

INTERIM DIVIDEND

The Board has declared an interim dividend (the "Interim Dividend") of HK2 cents per share for the six months ended 30 September 2013. The Interim Dividend will be paid in the form of a scrip dividend to shareholders of the Company (the "Shareholders") who are being given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements (the "Scrip Dividend Scheme"). The total amount of the Interim Dividend, if all elected for receipt of cash, based on the number of issued shares of the Company as at the date of this announcement, will therefore be approximately HK\$41.5 million.

The Scrip Dividend Scheme will be subject to 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 18 December 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 27 January 2014. Dividend warrants and/or new share certificates will be posted on or around 28 February 2014.

CLOSURE OF REGISTER OF MEMBERS

The Interim Dividend will be distributed on or around 28 February 2014 to the Shareholders whose names appear on the register of members of the Company on 18 December 2013.

For the purpose of determining the entitlement of the Shareholders to the Interim Dividend, the register of members of the Company will be closed from 16 December 2013 to 18 December 2013, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the Interim Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 13 December 2013.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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 six months ended 30 September 2013, the Company has applied the principles of and complied with the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules, except for the deviation from code provision E.1.2 described below.

Pursuant to code provision E.1.2 of the CG Code, the chairman of the board should attend the annual general meeting. Due to his unavoidable business engagement, Tan Sri Dato' CHIU David was unable to attend the annual general meeting held on 29 August 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its 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 six months ended 30 September 2013.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The condensed consolidated financial statements of the Group for the six months ended 30 September 2013 has not been audited but has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA by Deloitte Touche Tohmatsu, whose report on review is contained in the Company's FY2014 interim report to be despatched to the Shareholders. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2013 has also been reviewed by the audit committee of the Company.

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

During the six months ended 30 September 2013, the Company had purchased a total principal amount of CNY39,660,000 of the 6.0% bonds due 2018 of the Company (Bond Stock Code: 85917) on the Stock Exchange via its subsidiary, Asian Harvest Investments Limited, and such principal amount of bonds had been cancelled thereafter. Detail of which is as follows:

Month of Repurchase	Principal Amount Repurchased (CNY)	Aggregate Price Paid (CNY)
July 2013	39,660,000	37,714,155

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2013.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

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

By order of the Board
Dorsett Hospitality International Limited
CHIU Wing Kwan Winnie
President and Executive Director

Hong Kong, 26 November 2013

As at the date of this announcement, the executive Directors are Ms. CHIU Wing Kwan Winnie and Mr. LAI Wai Keung. The non-executive Directors are Tan Sri Dato' CHIU David, Mr. HOONG Cheong Thard and Mr. CHAN Chi Hing. The independent non-executive Directors are Mr. SHEK Lai Him Abraham, G.B.S., J.P., Mr. TO Peter, Dr. LIU Ngai Wing and Mr. ANGELINI Giovanni.

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