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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 2014**

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 2014 as follows:

FINANCIAL HIGHLIGHTS

Revenue declined 34.4% to HK\$714.6 million, mainly due to the higher base for the corresponding period of last year which included the revenue contribution from the sales of apartments in Singapore.

Recurring Revenue⁽¹⁾ from the hotel operations reached HK\$704.9 million, an increasingly stronger growth of 20.5% compared to HK\$584.8 million reported in the same period of last year, primarily due to the increased room count and the stronger LFL⁽²⁾ RevPAR.

Revenue per available room (“RevPAR”) improved marginally by 0.4% to HK\$563 driven by 0.5% increase on Average Room Rate (“ARR”) to HK\$753, while the Occupancy Rate (“OCC”) decreased marginally by 0.1% point compared to the same period of last year.

On a LFL basis, RevPAR increased by 2.2% to HK\$573 largely due to increase of 1.5% on ARR and a marginal increase of 0.5% point on OCC.

EBITDA⁽³⁾ for the period declined 42.6% to HK\$287.6 million.

Recurring EBITDA⁽⁴⁾ increased by 20.3% to HK\$251.5 million. Recurring EBITDA Margin⁽⁵⁾ was flat at 35.7%.

Net profit for the period declined 80.3% to HK\$65.0 million compared to the same period last year due to the inclusion of net profit from the sales of apartments in Singapore and the revaluation gains on investment properties in the same period last year.

Earnings per share was HK3.1 cents, 81.2% lower compared to the same period of last year.

The Board has declared an interim dividend of HK2 cents per share for the six months ended 30 September 2014.

Notes

- (1) Recurring Revenue = Total revenue excluding revenue generated from the sales of apartments in the comparative period of last year and dividend and interest income generated from the securities and financial products investment for both the current period and comparative period of last year.
- (2) LFL = Like for like comparison, excluding results from hotels which did not fully operate during the periods under review for both current and previous financial years.
- (3) EBITDA = Earnings before income tax, depreciation and amortization, finance incomes and finance cost.
- (4) Recurring EBITDA = Earnings before income tax, depreciation and amortization, finance incomes and finance cost, change on fair value of investment properties, investment securities, derivative financial instruments and other non-recurring items including profit before tax in relation to the sales of apartments in Singapore in the comparison period.
- (5) Recurring EBITDA Margin = Recurring EBITDA/Recurring Revenue.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

		Six months ended	
	<i>NOTES</i>	30.9.2014	30.9.2013
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	4	714,615	1,088,858
Cost of properties sold		—	(341,683)
Operating costs		(251,297)	(212,658)
Depreciation and amortisation		(120,852)	(78,257)
Gross profit		342,466	456,260
Other income		3,674	6,088
Administrative expenses		(197,017)	(168,224)
Pre-opening expenses		(8,578)	(2,786)
Other gains and losses	5	27,279	133,153
Finance costs	6	(79,408)	(75,936)
Profit before tax		88,416	348,555
Income tax expense	7	(23,439)	(18,347)
Profit for the period	8	<u>64,977</u>	<u>330,208</u>
Other comprehensive (expense) income for the period			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(19,532)	23,660
Fair value adjustments on cross currency swap contracts designated as cash flow hedges		(30,580)	19,427
Reclassification from hedge reserve to profit or loss		—	(27,329)
		<u>(50,112)</u>	<u>15,758</u>
Total comprehensive income for the period		<u>14,865</u>	<u>345,966</u>
Earnings per share	10		
— Basic (HK cents)		<u>3.10</u>	<u>16.51</u>
— Diluted (HK cents)		<u>3.10</u>	<u>16.51</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014

	<i>NOTES</i>	30.9.2014 <i>HK\$'000</i> <i>(unaudited)</i>	31.3.2014 <i>HK\$'000</i> <i>(audited)</i>
Non-current assets			
Property, plant and equipment	11	6,658,165	6,384,555
Prepaid lease payments	11	568,195	574,164
Investment properties	11	649,509	600,996
Deposits for acquisition of property, plant and equipment		199,737	391,826
Interest in an associate		76,533	76,533
Utility and other deposits paid		15,460	15,125
Derivative financial instruments designated as hedging instruments		—	20,062
Pledged deposits		2,862	2,831
Deferred tax assets		38,768	32,938
		<u>8,209,229</u>	<u>8,099,030</u>
Current assets			
Properties for sale			
Completed properties		7,295	7,379
Properties for/under development		20,942	21,030
Other inventories		9,441	9,159
Debtors, deposits and prepayments	12	233,742	242,713
Prepaid lease payments	11	14,780	14,755
Tax recoverable		576	5,957
Investment securities		693,159	514,264
Pledged deposits		202,232	165,080
Bank balances and cash		776,787	1,191,278
		<u>1,958,954</u>	<u>2,171,615</u>

	<i>NOTES</i>	30.9.2014 <i>HK\$'000</i> <i>(unaudited)</i>	31.3.2014 <i>HK\$'000</i> <i>(audited)</i>
Current liabilities			
Creditors and accruals	13	332,847	371,810
Secured bank borrowings		1,702,213	2,119,978
Dividends payable		104,899	—
Tax payable		33,008	24,909
		<u>2,172,967</u>	<u>2,516,697</u>
Net current liabilities		<u>(214,013)</u>	<u>(345,082)</u>
Total assets less current liabilities		<u>7,995,216</u>	<u>7,753,948</u>
Non-current liabilities			
Secured bank borrowings		2,795,560	2,496,907
Rental deposits received		9,727	9,032
Derivative financial instruments designated as hedging instruments		10,518	—
Bonds		1,012,083	1,002,691
Deferred tax liabilities		114,335	102,890
		<u>3,942,223</u>	<u>3,611,520</u>
NET ASSETS		<u>4,052,993</u>	<u>4,142,428</u>
Capital and reserves			
Share capital		209,798	209,798
Share premium		2,390,307	2,390,307
Reserves		1,452,888	1,542,323
TOTAL EQUITY		<u>4,052,993</u>	<u>4,142,428</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

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\$214,013,000 as at 30 September 2014. 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 have not been 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 application of new interpretation and amendments to 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 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2014.

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 securities and financial products investments, net of business tax, is as follows:

	Six months ended	
	30.9.2014	30.9.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hotel room revenue, food and beverage	676,460	562,669
Rental income from properties	28,431	22,123
	704,891	584,792
Sales of properties	—	498,392
Interest income from securities and financial products investments	9,724	5,674
	<u>714,615</u>	<u>1,088,858</u>

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	
	30.9.2014	30.9.2013	30.9.2014	30.9.2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hotel operations and management				
Hong Kong	385,013	330,389	79,947	87,136
Malaysia	142,066	149,174	19,935	29,412
People's Republic of China ("PRC")	102,865	79,684	9,712	(19,119)
Singapore	52,963	25,545	13,082	(1,068)
United Kingdom ("UK")	21,984	—	(13,558)	508
	<u>704,891</u>	<u>584,792</u>	<u>109,118</u>	<u>96,869</u>
Property development				
Singapore	—	498,392	—	275,215
Securities and financial products investments				
Hong Kong	9,724	5,674	(20,702)	(23,529)
	<u>714,615</u>	<u>1,088,858</u>	<u>88,416</u>	<u>348,555</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 locations at the end of the reporting period:

	30.9.2014 <i>HK\$'000</i> <i>(unaudited)</i>	31.3.2014 <i>HK\$'000</i> <i>(audited)</i>
Hotel operations and management		
Hong Kong	3,965,233	3,964,449
Malaysia	1,079,369	1,071,002
PRC	2,294,021	2,302,657
Singapore	893,161	795,066
UK	<u>1,033,096</u>	<u>934,554</u>
	9,264,880	9,067,728
Property development		
Singapore	—	85,227
Securities and financial products investments		
Hong Kong	<u>903,303</u>	<u>1,117,690</u>
Total segment assets	<u>10,168,183</u>	<u>10,270,645</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	
	30.9.2014 <i>HK\$'000</i> <i>(unaudited)</i>	30.9.2013 <i>HK\$'000</i> <i>(unaudited)</i>
Fair value gain arising on transfers from completed properties for sale to investment properties	—	130,870
Change in fair value of investment properties	47,177	—
Change in fair value of investment securities	(4,512)	(13,636)
Change in fair value of derivative financial instruments	—	351
Gain on reclassification from hedge reserve to profit or loss upon recognition of the hedged item to profit or loss	—	27,329
Gain on partial repurchase of bonds	—	2,067
Net foreign exchange loss	(15,169)	(13,836)
(Loss) gain on disposal of property, plant and equipment	<u>(217)</u>	<u>8</u>
	<u>27,279</u>	<u>133,153</u>

6. FINANCE COSTS

	Six months ended	
	30.9.2014	30.9.2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Interest on bank borrowings		
— wholly repayable within five years	60,156	56,763
— not wholly repayable within five years	11,220	8,462
Amortisation of front-end fee	2,481	6,002
Interest on bonds	31,645	30,958
Less: net interest income from cross currency swap contracts	(5,116)	(5,693)
Others	3,812	2,440
	104,198	98,932
Less: amount capitalised to hotel properties under development and properties for sale under development	(24,790)	(22,996)
	79,408	75,936

Borrowing costs capitalised during the period which arose on the general borrowing pool of the Group were calculated by applying a capitalisation rate of 6% per annum to expenditure on the qualifying assets.

7. INCOME TAX EXPENSE

	Six months ended	
	30.9.2014	30.9.2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Current period income tax		
Hong Kong	16,337	18,632
Other jurisdictions		
Malaysia	2,320	—
PRC	26	—
Singapore	—	27,508
	18,683	46,140
Deferred taxation	4,756	(27,793)
	23,439	18,347

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

8. PROFIT FOR THE PERIOD

	Six months ended	
	30.9.2014	30.9.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period is arrived at after charging:		
Staff costs		
Directors' emoluments	1,786	1,695
Other staff		
Salaries and other benefits	194,809	169,760
Retirement benefit scheme contributions	<u>12,214</u>	<u>10,594</u>
	208,809	182,049
Amortisation of prepaid lease payments	5,042	5,053
Depreciation	115,810	73,204
Share option expense	<u>599</u>	<u>982</u>
and after crediting:		
Rental income from investment properties	19,369	11,995
Less: direct outgoings	<u>(379)</u>	<u>(443)</u>
	18,990	11,552
Bank interest income	<u><u>1,040</u></u>	<u><u>1,852</u></u>

9. DIVIDENDS

	Six months ended	
	30.9.2014	30.9.2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividends recognised as distribution during the period:		
Final dividend for the year ended 31 March 2014 of HK5 cents (six months ended 30 September 2013: final dividend for the year ended 31 March 2013 of HK8 cents) per share	<u><u>104,899</u></u>	<u><u>160,000</u></u>

The final dividend for the financial year ended 31 March 2014 was declared in form of a scrip dividend to shareholders who were given an option to elect to receive cash in lieu of all or part of their scrip dividend entitlements. 2.32% of the shareholdings elected to receive shares in lieu of cash dividends at a share price of HK\$1.48 per share and accordingly, 1,645,198 new and fully paid ordinary shares of the Company were issued in October 2014. 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\$42,000,000 (2013: HK2 cents per share amounting to approximately HK\$41,500,000) payable to the shareholders of the Company whose names appear in the register of members on 17 December 2014.

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 September 2014 is based on the consolidated profit for the period of HK\$64,977,000 (six months ended 30 September 2013: HK\$330,208,000) and on 2,097,983,352 shares (six months ended 30 September 2013: 2,000,000,000 shares) in issue during the period.

The computation of diluted earnings per share for the six months ended 30 September 2014 and 30 September 2013 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 periods.

11. PROPERTY, PLANT AND EQUIPMENT/PREPAID LEASE PAYMENTS/INVESTMENT PROPERTIES

During the period ended 30 September 2014, the Group incurred development expenditures on development of certain hotel properties amounting to HK\$120,586,000 (six months ended 30 September 2013: HK\$523,103,000) and transferred a deposit for acquisition of property, plant and equipment of HK\$233,591,000 (six months ended 30 September 2013: nil) to hotel properties.

At the end of the reporting period, the fair values of the investment properties situated in the PRC and Singapore are based on the valuations carried out on that date by DTZ Debenham Tie Leung Limited and Savills Valuation and Professional Service (S) Pte Ltd., independent qualified professional valuers not connected to 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

	30.9.2014 <i>HK\$'000</i> <i>(unaudited)</i>	31.3.2014 <i>HK\$'000</i> <i>(audited)</i>
Trade debtors	153,800	145,504
Advance to contractors	7,133	5,909
Prepayments and other receivables	<u>72,809</u>	<u>91,300</u>
	<u>233,742</u>	<u>242,713</u>

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.

Included in trade debtors is an amount of Singapore dollars 12,040,000 (equivalent to HK\$73,326,000) which represents the portion of the proceeds that have been settled by the buyers and are being held in escrow account. The funds would be remitted to the Group upon the issuance of relevant certificate by the government authorities in Singapore, which is expected to take 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 dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	30.9.2014 <i>HK\$'000</i> <i>(unaudited)</i>	31.3.2014 <i>HK\$'000</i> <i>(audited)</i>
0—60 days	71,558	63,898
61—90 days	2,619	1,291
Over 90 days	<u>79,623</u>	<u>80,315</u>
	<u>153,800</u>	<u>145,504</u>

13. CREDITORS AND ACCRUALS

	30.9.2014 <i>HK\$'000</i> <i>(unaudited)</i>	31.3.2014 <i>HK\$'000</i> <i>(audited)</i>
Trade creditors	41,720	39,945
Construction cost and retention payable	137,035	135,423
Reservation deposits and receipts in advance	32,113	39,697
Other payable and accrued charges	<u>121,979</u>	<u>156,745</u>
	<u>332,847</u>	<u>371,810</u>

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

	30.9.2014 <i>HK\$'000</i> <i>(unaudited)</i>	31.3.2014 <i>HK\$'000</i> <i>(audited)</i>
0—60 days	36,719	28,776
61—90 days	1,846	1,757
Over 90 days	<u>3,155</u>	<u>9,412</u>
	<u>41,720</u>	<u>39,945</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operational Review

Total revenue declined 34.4% to HK\$714.6 million due to the inclusion of HK\$498.4 million of revenue from the sales of apartments in Singapore in the comparative period of last year. Despite increasingly challenging operating environment, the Group continued to achieve satisfactory growth in its Recurring Revenue from the hotel operations. Recurring Revenue for the period came in at HK\$704.9 million, an improvement of 20.5%, driven by the combination of revenue contributed from new hotels and LFL RevPAR growth of 2.2%. With the exception of its Malaysia operation, which has been affected by the slowdown on long haul tourist arrival and the drop of F&B revenue, stronger Recurring Revenue growth was achieved across all other geographical locations, including the Group's operation in its key market, Hong Kong.

EBITDA and net profit declined by 42.6% and 80.3% respectively to HK\$287.6 million and HK\$65.0 million, mainly due to the higher base for the corresponding period of last year which included the earnings contribution from the sales of apartments and revaluation gains on the investment properties in Singapore. Excluding such impact, the Recurring EBITDA from the hotel operations increased by 20.3% to HK\$251.5 million.

New Hotel Opening

During the period under review, the Group successfully opened 3 new hotels of which 2 are self-owned, namely the Dorsett Shepherds Bush in London and the Lushan Resort in Jiangxi province, PRC and a management hotel, namely Silka Cheras in Malaysia.

Dorsett Shepherds Bush is the Group's first hotel in London which will be the platform for the Group's further expansion in London. There are currently 2 more projects at different stages of planning and development, and the Group continues to seek further opportunities to expand in this exciting market.

Projects Under Development

There are currently 5 hotel projects owned by the Group and 3 management hotel projects that are under various stages of planning and development. These hotels are expected to commence their operations at the following dates:

Owned Hotels Under Development⁽¹⁾	Location	Target market segment⁽¹⁾	Total rooms⁽¹⁾	Target Commencement⁽¹⁾
Silka Tsuen Wan, Hong Kong	Hong Kong	Value	410	2nd quarter of FY2016
Dorsett City, London	UK	Mid-scale	275	1st quarter of FY2017
Dorsett Shepherds Bush, London 2	UK	Mid-scale	44 ⁽²⁾	3rd quarter of FY2017
Dorsett Grand Zhuji ⁽³⁾	PRC	Up-scale	200	4th quarter of FY2017
Dorsett Zhongshan ⁽⁴⁾	PRC	Mid-scale	416	4th quarter of FY2017
			1,345	

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

(2) Total number of rooms are subject to planning approval and finalization of development plan.

(3) The Group owns 25% interest in this hotel.

(4) The Group is in the process of obtaining title certificate of the property.

Management Hotels Under Development⁽¹⁾	Location	Target market segment	Total rooms⁽²⁾	Target Commencement⁽²⁾
Dorsett Putrajaya	Malaysia	Mid-scale	218	1st quarter of FY2016
Dorsett Hartamas, Kuala Lumpur	Malaysia	Mid-scale	371	2nd quarter of FY2016
Sri Jati Hotel	Malaysia	Mid-scale	154	3rd quarter of FY2016
			743	

(1) The names of the hotels might change.

(2) The total rooms and target commencement date might change.

Financial Review

The Group generates its Recurring Revenue primarily through the incomes generated from hotel guest rooms, food & beverage outlets, meeting/conference facilities as well as income from leasing of commercial space to hotel customers and lease tenants.

For the comparative period of last year, the Group's reported revenue includes revenue of HK\$584.8 million from the hotel operation, HK\$5.7 million from the dividend and interest incomes received from the securities and financial product investments and revenue of HK\$498.4 million generated from the sales of apartments in Singapore.

For the current reporting period, the Group's revenue includes HK\$704.9 million from hotel operation and HK\$9.7 million generated from the dividend and interest incomes received from the securities and financial products investments. Revenue for the current reporting period declined 34.4% to HK\$714.6 million, mainly due to the higher base in the corresponding period of last year which included the revenue from sales of apartments in Singapore.

Recurring Revenue from the hotel operation increased 20.5% year-on-year driven by revenue contributed from new hotels and LFL RevPAR growth of 2.2%.

The following table sets out the Group's Recurring Revenue for the six months ended 30 September 2014 compared to the corresponding period of last year:

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Room revenue	579,747	468,111
Food and beverage revenue	80,615	76,839
Leasing revenue	28,431	22,123
Other revenue	16,098	17,719
Total Recurring Revenue	704,891	584,792

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

	Six months ended	
	30 September	
	2014	2013
Hong Kong		
Available room nights	462,534	368,236
Occupied room nights	433,036	344,794
Occupancy rate*	93.6%	93.6%
Average room rate (HK\$)*	831	887
RevPAR (HK\$)*	778	831
LFL RevPAR (HK\$)*	830	831
Revenue (HK\$m)	385	330

Six months ended
30 September
2014 **2013**

Malaysia

Available room nights	253,089	259,311
Occupied room nights	160,484	172,515
Occupancy rate*	63.4%	66.5%
Average room rate (HK\$)*	542	516
RevPAR (HK\$)*	344	343
Revenue (HK\$m)	142	149

China

Available room nights	233,363	174,216
Occupied room nights	119,999	88,121
Occupancy rate	51.4%	50.6%
Average room rate (HK\$)	541	555
RevPAR (HK\$)	278	281
LFL RevPAR (HK\$)	311	281
Revenue (HK\$m)	103	80

Singapore

Available room nights	52,155	33,016
Occupied room nights	40,256	19,560
Occupancy rate	77.2%	59.2%
Average room rate (HK\$)	1,218	1,242
RevPAR (HK\$)	940	736
Revenue (HK\$m)	53	26

UK

Available room nights	28,808	NA
Occupied room nights	16,146	NA
Occupancy rate	56.0%	NA
Average room rate (HK\$)	1,173	NA
RevPAR (HK\$)	657	NA
Revenue (HK\$m)	22	NA

Group Total

Available room nights	1,029,949	834,779
Occupied room nights	769,921	624,990
Occupancy rate*	74.8%	74.9%
Average room rate (HK\$)*	753	749
RevPAR (HK\$)*	563	561
LFL RevPAR (HK\$)*	573	561
Revenue (HK\$m)	705	585

* Included only hotels owned by the Group.

The Group's hotel operations recorded a total revenue of HK\$704.9 million for the current reporting period, a growth of 20.5% compared to the same period of last year. RevPAR for the Group came in at HK\$563, a marginal increase of 0.4%, attributable to the 2.2% LFL RevPAR improvement and partially offset by the lower RevPAR performance of the new hotels. OCC for the group was down a tad by 0.1% point to 74.8% and the ARR improved marginally by 0.5% to HK\$753.

For the period under review, total revenue in Hong Kong, which is our key market and revenue contributor, increased by 16.5% to HK\$385.0 million largely due to the increase of room inventories driven by the opening of Dorsett Tsuen Wan hotel. The overall RevPAR in Hong Kong declined 6.3% to HK\$778 due to the 6.3% drop of overall ARR to HK\$831 while the overall OCC remains flat at 93.6%. Excluding the newly opened Dorsett Tsuen Wan hotel, the LFL RevPAR only decreased marginally by 0.1% to HK\$830 compared to the same period of last year despite the slowdown of growth on tourist arrivals in the month of September 2014 due to the Occupy Central movement. Nevertheless, the Group remains cautious for the remaining months of the current calendar year in view of the ongoing Occupy Central movement which has caused uncertainties and adverse impact to the tourism market in Hong Kong.

In Malaysia, total revenue declined by 4.8% to HK\$142.1 million, mainly due to the drop in F&B revenue and the marginal drop in room revenue in view of the closure of certain rooms in Dorsett Regency Kuala Lumpur for renovation. Excluding the impact from the renovation, the RevPAR increased marginally by 0.1% to HK\$344, largely attributable to the strong performance of Dorsett Grand Labuan and Dorsett Grand Subang.

Total revenue from PRC markets increased 29.1% to HK\$102.9 million. The growth was driven by the improved performance of the Shanghai, Wuhan and Chengdu hotels. The overall RevPAR in PRC declined by 1.0% to HK\$278, the drop was mainly attributable to the weak performance of the newly opened Lushan Resort but partially offset by the stronger RevPAR for the rest of the hotels. Excluding Lushan Resort, the LFL RevPAR improved by 10.6% to HK\$311.

Total revenue for Singapore operation increased by 107.3% to HK\$53.0 million attributable to the strong growth of 27.7% on RevPAR to HK\$940 on the back of improvement on the OCC.

The Group opened its first hotel in London, namely Dorsett Shepherds Bush towards the end of June 2014 and after a slow start, the operation started to pick up strongly in the month of September 2014. Dorsett Shepherds Bush contributed total revenue of HK\$22.0 million in the first quarter of its operation, with OCC of 56%, ARR of HK\$1,173 and RevPAR of HK\$657. Dorsett Shepherds Bush has contributed positively to our Recurring EBITDA and the management is expecting a much stronger contribution from this hotel in the coming years as it entered the ramp up period.

The following table sets forth the breakdown of the Group's reported revenue, reported gross profit and reported EBITDA against the Recurring Revenue, Recurring Gross Profit⁽¹⁾ and Recurring EBITDA in relation to hotel operations for the first six months of the year and the comparative period of last year:

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Reported revenue	714,615	1,088,858
Reported Gross profit	342,466	456,260
Reported EBITDA	287,636	500,896
Recurring Revenue	704,891	584,792
Recurring Gross Profit	332,742	293,877
Recurring EBITDA	251,477	209,015
Recurring EBITDA Margin ⁽²⁾	35.7%	35.7%

Notes:

- (1) Recurring Gross Profit excluding gross profit from the sales of apartments in the comparative period of last year and dividend and interest income generated from the securities and financial products investment for both the current period and comparative period of last year.
- (2) Recurring EBITDA/Recurring Revenue.

The following table sets forth the reconciliation of reported revenue against the Recurring Revenue and reported EBITDA against the Recurring EBITDA:

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
Reported revenue	714,615	1,088,858
Sales of apartments in Singapore	—	(498,392)
Dividend/interest from securities and financial products investment	(9,724)	(5,674)
Recurring Revenue	704,891	584,792
Profit before taxation	88,416	348,555
Interest income	(1,040)	(1,852)
Finance cost	79,408	75,936
Depreciation and amortisation	120,852	78,257
Reported EBITDA	287,636	500,896

	Six months ended	
	30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Pre-opening expenses	8,578	2,786
Fair value gains of investment properties	(47,177)	—
Fair value gain arising on transfers from completed properties for sale to investment properties	—	(130,870)
Earnings before tax from sales of apartments in Singapore	—	(144,345)
Dividend/interest from securities and financial products investment net of treasury management expenses	(2,072)	(5,408)
Change in fair value of investment securities	4,512	13,636
Change in fair value of derivative financial instrument	—	(351)
Gain on reclassification from hedge reserve to profit or loss upon recognition of the hedged item to profit or loss	—	(27,329)
Recurring EBITDA	251,477	209,015
Recurring EBITDA Margin	35.7%	35.7%

Gross profit declined 24.9% to HK\$342.5 million, primarily due to higher base in the corresponding period of last year, which included the gross profit contribution from sales of apartments in Singapore and partially offset by the inclusion of higher dividend and interest incomes generated from the securities and financial products investment in the current reporting period. Excluding such impacts, the Recurring Gross Profit increased by 13.2% to HK\$332.7 million.

Reported EBITDA declined 42.6% to HK\$287.6 million. The drop on reported EBITDA is mainly attributable to the higher base in the corresponding period of last year which included the EBITDA in relation to the sales of apartments in Singapore and revaluation gain on the investment properties in Singapore. Recurring EBITDA increased by 20.3% to HK\$251.5 million compared to the same period of last year.

The Group reported a net profit of HK\$65.0 million for the period under review, a decline of 80.3% 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 which included the net profit contribution from the sales of apartments in Singapore and revaluation gain on the investment properties in Singapore.

Financial Resources and Liquidity

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

	30.9.2014 <i>HK\$'000</i>	31.3.2014 <i>HK\$'000</i>
Bank balances and cash	776,787	1,191,278
Pledged deposits	205,094	167,911
Investment securities	693,159	<u>514,264</u>
	<u>1,675,040</u>	<u>1,873,453</u>
Bonds	1,012,083	1,002,691
Bank loans	4,515,723	4,637,316
Less: front-end fee	(17,950)	<u>(20,431)</u>
	<u>5,509,856</u>	<u>5,619,576</u>
Analysis for reporting purpose as		
Current liabilities*	1,702,213	2,119,978
Non-current liabilities	3,807,643	<u>3,499,598</u>
	<u>5,509,856</u>	<u>5,619,576</u>
Net debt	<u>3,834,816</u>	<u>3,746,123</u>
Total equity	4,052,993	4,142,428
Revaluation surplus of hotel properties**	10,954,268	10,954,268
Total equity after revaluation surplus	15,007,261	15,096,696
Net debt to equity (after revaluation surplus)	25.6%	24.8%

* Current portion of bank loans included an amount of HK\$534.3 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.

** As at 31 March 2014. No revaluation on hotel properties was performed for the interim period of FY2015.

The Group's borrowings include bank loans and CNY Bonds. The bank loans 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 2.02% to 8.19% per annum. The CNY Bonds carry a coupon of 6.0% and net rate of 5.0% after the cross currency interest rate swap. Effective cost of borrowings during the period was 3.7%.

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\$189.4 million mainly attributable to the completion on acquisition of Lushan hotel property, the construction works on Dorsett Shepherds Bush London, Dorsett Tsuen Wan Hong Kong and Silka Tsuen Wan Hong Kong and the renovation works on Cosmopolitan Hotel Hong Kong. These capital expenditures were funded through a combination of bank borrowings and internal resources.

Capital Commitments

	30.9.2014	31.3.2014
	<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	314,601	153,281
— authorised but not contracted for	339,009	22,750

Contingent Liabilities

During the year ended 31 March 2010, Hong Kong (SAR) Hotel Limited ("HKSAR Hotel"), a former subsidiary of the Company, 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 had 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. Both HKSAR Hotel and the contractor filed the closing submissions in September 2013 and October 2013 respectively. There is no final judgment up to the date of this announcement. In the opinion of the Directors of the Company, 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 statement.

Human Resources

As at 30 September 2014, the Group had 2,707 employees (2013: 2,380). Total employee cost for the period under review was HK\$208.8 million. To attract and retain talent, 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 million on these options, of which HK\$0.6 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\$10,954.3 million based on valuation on 31 March 2014. The Group did not revalue our hotel portfolio for the interim reporting period of FY2015. 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 2014 was HK\$7.15.

OUTLOOK

Despite continuity of highly accommodative monetary policy and favorable fiscal policy in most of the advanced economies, the global economic recovery has been disappointing with weaker global economic growth against the projection. In the advanced economies, the legacies of the pre-crisis boom, including high private and public debts, structural imbalance of the economy and substantial output gaps, still cast a shadow on the economic recovery. Economy in the emerging markets continues to adjust to the slower rate of growth and continues to weather turbulence. Macroeconomic outlook in the near term remains challenging with increased downside risks, while the old risks remain, significant new risks have emerged, including the escalating geopolitical tensions and the possible full outbreak of Ebola disease.

Global economic uncertainties will continue affecting the travel industry in the near term. Despite these uncertainties, travel industry is expected to continue growing in the near term, driven by the increasing outbound travelers from the emerging markets, in particular the PRC, while in the medium term, on the back of the improving economic conditions, outbound travelers from the advanced economies are expected to return to positive growth.

Specifically, selected markets of the Group's network will face more pressures and uncertainties in the immediate future. Our operation in Hong Kong will be adversely affected by the Occupy Central movement, the extent of impact is not easily ascertained at this point in time and our operation in Malaysia has been affected by the twin tragedies of Malaysia Airlines and recovery is expected to take time. The Group will strive to counteract such impact through efficient cross selling of its hotels in different regions and adjusting its distribution channels and guests mix.

Despite the challenges and uncertainties, the Group remains optimistic in the global travel industry and our "Chinese Wallet" strategy. The Group is fully committed to our well defined and proven business model to develop, own and operate our hotels.

As at the end of September 2014, the Group operates and manages 6,544 rooms of which 6,043 rooms are owned and 501 rooms are managed. With the current

development pipelines, including both self-owned and management hotels, 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.

INTERIM DIVIDEND

The Board has declared an interim dividend (the "Interim Dividend") of HK2 cents per share for the six months ended 30 September 2014. 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\$42.0 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 17 December 2014. 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 26 January 2015. Dividend warrants and/or new share certificates will be posted on or around 3 March 2015.

CLOSURE OF REGISTER OF MEMBERS

The Interim Dividend will be distributed on or around 3 March 2015 to the Shareholders whose names appear on the register of members of the Company on 17 December 2014.

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 15 December 2014 to 17 December 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 12 December 2014.

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 2014, 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.

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 2014.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The condensed consolidated financial statements of the Group for the six months ended 30 September 2014 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 FY2015 interim report to be despatched to the Shareholders. The unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2014 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 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

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 despatched 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, 25 November 2014

As at the date of this announcement, the Executive Directors of the Company are Ms. CHIU, Wing Kwan Winnie and Mr. LAI, Wai Keung. The Non-executive Directors of the Company are Tan Sri Dato’ CHIU, David, Mr. HOONG, Cheong Thard and Mr. CHAN, Chi Hing. The Independent Non-executive Directors of the Company 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.