



凱聯國際酒店有限公司 Associated International Hotels Limited

(Incorporated in Hong Kong under the Companies Ordinance)

(stock code: 105)

Preliminary Announcement of Results for the year ended 31 March 2007

(Expressed in Hong Kong dollars)

The Board of Directors is pleased to announce the audited results of the Group for the year ended 31 March 2007. These results have been reviewed with no disagreement by the Audit Committee of the Company and this preliminary results announcement has been agreed with the Company's auditors, KPMG.

Consolidated income statement

	Note	Year ended 31 March	
		2007 \$'000	2006 (restated) \$'000
Turnover	2	18,585	344,931
Cost of services/sales		<u>(16,674)</u>	<u>(115,786)</u>
		1,911	229,145
Other revenue	4(a)	23,197	18,022
Other net income	4(b)	1,754	1,032
Valuation gains on investment properties		649,447	212,566
Reversal of impairment loss in respect of other properties		3,596	3,402
Selling expenses		(634)	(18,082)
Administrative expenses		<u>(39,107)</u>	<u>(100,762)</u>
Profit from operations	2	640,164	345,323
Finance costs	5(a)	<u>(215)</u>	<u>(166)</u>
Profit before taxation	5	639,949	345,157
Income tax	6	<u>(109,500)</u>	<u>(58,090)</u>
Profit for the year attributable to equity shareholders of the Company		<u>530,449</u>	<u>287,067</u>
Represented by:			
Continuing operations		530,449	216,125
Discontinued operation	3	<u>—</u>	<u>70,942</u>
Profit for the year attributable to equity shareholders of the Company		<u>530,449</u>	<u>287,067</u>
Dividends payable to equity shareholders of the Company attributable to the year:	7(a)		
Interim dividend declared during the year		—	—
Final dividend proposed after the balance sheet date		<u>—</u>	<u>—</u>
		<u>—</u>	<u>—</u>

Earnings per share	8		
Continuing operations		\$1.47	\$0.60
Discontinued operation		<u>—</u>	<u>\$0.20</u>
		<u>\$1.47</u>	<u>\$0.80</u>

Consolidated balance sheet

	Note	At 31 March 2007		At 31 March 2006	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets					
— Investment properties		4,963,672		4,247,396	
— Other properties, plant and equipment		<u>256,234</u>		<u>244,953</u>	
		5,219,906		4,492,349	
Available-for-sale equity securities		—		7,794	
Deferred tax assets		<u>109</u>		<u>116</u>	
		5,220,015		4,500,259	
Current assets					
Inventories		259		267	
Accounts receivable, deposits and prepayments	9	5,403		5,812	
Tax recoverable		69		7,501	
Cash and cash equivalents		<u>457,370</u>		<u>493,916</u>	
		<u>463,101</u>		<u>507,496</u>	
Current liabilities					
Accounts payable, other payables and accruals	10	38,345		19,857	
Deposits received		4,977		5,259	
Provision for long service payments		1,253		1,460	
Obligations under finance leases		124		251	
Current taxation		<u>64</u>		<u>28</u>	
		<u>44,763</u>		<u>26,855</u>	
Net current assets		<u>418,338</u>		<u>480,641</u>	
Total assets less current liabilities		5,638,353		4,980,900	
Non-current liabilities					
Government lease premiums payable		(2,406)		(2,443)	
Obligations under finance leases		(188)		(575)	
Deferred tax liabilities		(699,732)		(590,515)	
Other financial liabilities		<u>(2)</u>		<u>(1)</u>	
		<u>(702,328)</u>		<u>(593,534)</u>	

NET ASSETS	<u>4,936,025</u>	<u>4,387,366</u>
CAPITAL AND RESERVES		
Share capital	360,000	360,000
Reserves	<u>4,576,025</u>	<u>4,027,366</u>
TOTAL EQUITY	<u>4,936,025</u>	<u>4,387,366</u>

Notes:

1. Principal accounting policies and basis of preparation

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The financial statements have been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 March 2006, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ended 31 March 2007. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in the financial statements.

Amendment to HKAS 39 “The fair value option”

When HKAS 39 “Financial instruments: Recognition and measurement” was first applied in accounting period beginning 1 April 2005, the Group had an option to designate irrevocably any financial asset at fair value through profit or loss. Amendment to HKAS 39 “The fair value option”, which is effective for accounting periods beginning on or after 1 January 2006, limits the use of such fair value option to those financial instruments that meet certain conditions.

With effect from 1 April 2006, in order to comply with the Amendment to HKAS 39, investments in equity securities that were previously classified as financial assets at fair value through profit or loss are de-designated and reclassified as available-for-sale equity securities and carried at fair value. Changes in the fair value of available-for-sale equity securities are recognised in equity, unless there is objective evidence that an individual investment has been impaired.

The change in accounting policy has been applied retrospectively with comparatives restated except that, in accordance with the transitional provisions of HKAS 39, the opening balance of the fair value reserve as at 1 April 2005 (the date on which the Group first applied HKAS 39) is not restated as the fair value increase that arose prior to 1 April 2005 has already been reported in the income statement in previous periods. As a result of the adoption of the Amendment to HKAS 39, the Group has reclassified investments in equity securities with a carrying value of \$Nil as at 31 March 2007 (31 March 2006: \$7,794,000) as available-for-sale equity securities. The Group’s other net income and profit for the year has increased by \$354,000 (2006: decreased by \$354,000), and the fair value reserve and the retained earnings as at the year end have been increased and decreased respectively by \$Nil (31 March 2006: \$354,000). However, there is no net effect on net assets of the Group in the years presented.

2. Segment reporting

An analysis of the Group's revenue and results, assets and liabilities, and other information for the years ended 31 March 2007 and 2006 by business segments is as follows:

(a) Segment revenue and results

	Segment revenue		Segment profit/(loss)	
	Year ended 31 March		Year ended 31 March	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	(restated) \$'000
Continuing operations				
Property leasing — Hong Kong	259	75,677	242	71,514
Golf and recreational club operation — Malaysia	18,326	18,914	(9,238)	(10,753)
	<u>18,585</u>	<u>94,591</u>	<u>(8,996)</u>	<u>60,761</u>
Discontinued operation				
Hotel operation (<i>note 3</i>) — Hong Kong	—	250,340	—	79,301
	<u>18,585</u>	<u>344,931</u>	<u>(8,996)</u>	<u>140,062</u>
Valuation gains on investment properties			649,447	212,566
Reversal of impairment loss in respect of other properties			3,596	3,402
Unallocated other revenue			23,197	18,022
Unallocated operating income and expenses			(27,080)	(28,729)
Profit from operations			640,164	345,323
Finance costs			(215)	(166)
Profit before taxation			639,949	345,157
Income tax			(109,500)	(58,090)
Profit for the year			<u>530,449</u>	<u>287,067</u>

(b) Segment assets and liabilities

	Assets		Liabilities	
	At 31 March		At 31 March	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Continuing operations				
Property leasing — Hong Kong	4,904,130	4,192,010	27,310	6,749
Golf and recreational club operation — Malaysia	225,113	212,804	14,930	16,231
	<u>5,129,243</u>	<u>4,404,814</u>	<u>42,240</u>	<u>22,980</u>
Discontinued operation				
Hotel operation (<i>note 3</i>) — Hong Kong	—	781	—	781
Unallocated items	<u>5,129,243</u>	<u>4,405,595</u>	<u>42,240</u>	<u>23,761</u>
	<u>553,873</u>	<u>602,160</u>	<u>704,851</u>	<u>596,628</u>
	<u>5,683,116</u>	<u>5,007,755</u>	<u>747,091</u>	<u>620,389</u>

(c) Other segment information

	Depreciation		Capital expenditure	
	Year ended 31 March		Year ended 31 March	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Continuing operations				
Property leasing — Hong Kong	—	165	62,733	13,619
Golf and recreational club operation — Malaysia	5,326	5,162	758	410
	<u>5,326</u>	<u>5,327</u>	<u>63,491</u>	<u>14,029</u>
Discontinued operation				
Hotel operation (note 3) — Hong Kong	—	13,470	—	10
	<u>2,889</u>	<u>2,892</u>	<u>715</u>	<u>167</u>
Unallocated items				
	<u>8,215</u>	<u>21,689</u>	<u>64,206</u>	<u>14,206</u>

Geographical segment presents similar information to the business segment as the Group's revenue and results of property leasing (2006: hotel operation and property leasing) were derived from Hong Kong, while the Group's revenue and results of the golf and recreational club operation were primarily derived from Malaysia. Therefore, no separate geographical analysis is shown.

3. Discontinued operation — Hotel operation

The operations of the Hyatt Regency Hotel and the Hyatt Regency Shopping Arcade had ceased from 1 January 2006 and the hotel operation was classified as discontinued operation from 1 January 2006 accordingly. The property comprising the Hyatt Regency Hotel and the Hyatt Regency Shopping Arcade will be redeveloped into a building comprising mainly retail components and is now under construction. Barring unforeseen circumstances, it is expected by the Directors that the redevelopment work will be completed in 2009.

(a) The results of the discontinued operation for the current and prior years were as follows:

	Year ended 31 March	
	2007	2006
	\$'000	\$'000
Turnover	—	250,340
Cost of services/sales	<u>—</u>	<u>(99,049)</u>
	—	151,291
Other net income	—	1,423
Selling expenses	—	(11,666)
Administrative expenses	<u>—</u>	<u>(61,747)</u>
	—	79,301
Profit before taxation	—	(8,359)
Income tax	<u>—</u>	<u>—</u>
Profit for the year	<u>—</u>	<u>70,942</u>

(b) The cash flows of the discontinued operation for the current and prior years were as follows:

	Year ended 31 March	
	2007	2006
	\$'000	\$'000
Net cash generated from operating activities	—	46,084
Net cash generated from investing activities	—	1,414

4. Other revenue and net income

	Year ended 31 March	
	2007	2006
	\$'000	(restated) \$'000
(a) Other revenue		
Interest income	20,393	15,927
Dividend income from listed securities	210	340
Management fee received from holding company	1,200	1,200
Others	1,394	555
	<u>23,197</u>	<u>18,022</u>
(b) Other net income		
Net profit on disposal of fixed assets	401	1,565
Net foreign exchange gains/(losses)	734	(533)
Transfer from equity on disposal of available-for-sale equity securities	619	—
	<u>1,754</u>	<u>1,032</u>

5. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 March	
	2007	2006
	\$'000	\$'000
(a) Finance costs		
Interest on government lease premiums payable	122	124
Finance charges on obligations under finance leases	93	42
Other borrowing costs	4,836	—
Total borrowing costs	5,051	166
Less: Borrowing costs capitalised into property under redevelopment	(4,836)	—
	<u>215</u>	<u>166</u>

(b) Other items

Cost of inventories	1,840	31,743
Depreciation	<u>8,215</u>	<u>21,689</u>

6. Income tax**Year ended 31 March****2007** **2006****\$'000** **\$'000****Current tax — Hong Kong profits tax**

Provision for the year	166	16,539
Under/(over)-provision in respect of prior years	<u>90</u>	<u>(905)</u>
	256	15,634
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Current tax — Overseas

Provision for the year	20	57
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Deferred tax

Changes in fair value of investment properties	113,653	37,456
Origination and reversal of temporary differences	<u>(4,429)</u>	<u>4,943</u>
	109,224	42,399
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	<u>109,500</u>	<u>58,090</u>

The provision for Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

7. Dividends**(a) Dividends payable to equity shareholders of the Company attributable to the year****Year ended 31 March****2007** **2006****\$'000** **\$'000**

No interim dividend declared and paid (2006: \$Nil)	—	—
No final dividend proposed after the balance sheet date (2006: \$Nil)	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	Year ended 31 March	
	2007	2006
	\$'000	\$'000
No final dividend in respect of the previous financial year, approved and paid during the year (2006: 8 cents per share)	<u>—</u>	<u>28,800</u>

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$530,449,000 (2006 (restated): \$287,067,000) and 360,000,000 (2006: 360,000,000) ordinary shares in issue during the year. There were no potential dilutive ordinary shares in existence in 2006 and 2007.

9. Accounts receivable, deposits and prepayments

Included in accounts receivable, deposits and prepayments are accounts receivable (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 31 March	
	2007	2006
	\$'000	\$'000
Current or less than 1 month overdue	783	559
1 to 3 months overdue	520	436
More than 3 months overdue but less than 12 months overdue	<u>583</u>	<u>952</u>
Total accounts receivable, net of impairment losses for bad and doubtful debts	1,886	1,947
Deposits and prepayments	<u>3,517</u>	<u>3,865</u>
	<u>5,403</u>	<u>5,812</u>

Debts are generally due after 60 days in respect of golf and recreational club operation and within 14 days in respect of property leasing from the date of billing. Accounts for members of the golf and recreational club with balances that are 90 days overdue are suspended and such action will be taken against defaulting members as may be appropriate. For debtors of property leasing, legal action will be taken against overdue debtors whenever the situation is appropriate.

10. Accounts payable, other payables and accruals

All of the accounts payable, other payables and accruals except for \$5,682,000 (2006: \$948,000), mainly represented retention monies payable, is expected to be settled within one year.

Included in accounts payable, other payables and accruals are accounts payable with the following ageing analysis as of the balance sheet date:

	At 31 March	
	2007	2006
	\$'000	\$'000
Due within 1 month or on demand	384	504
Due after 1 month but within 3 months	795	3,185
Due after 3 months but within 6 months	171	183
Due after 6 months but within 12 months	10	—
Due after 12 months	<u>1,026</u>	<u>259</u>
 Total accounts payable	 2,386	 4,131
Accruals and retention monies payable for redevelopment work	27,234	6,119
Other payables and accruals	<u>8,725</u>	<u>9,607</u>
	<u><u>38,345</u></u>	<u><u>19,857</u></u>

DIVIDEND

The Board has resolved that in view of the cessation of the main business of the Group which was the operation of Hyatt Regency Hong Kong (the “Hotel”) and the Hotel’s shopping arcade, no final dividend will be paid to shareholders (2006: \$Nil). As no interim dividend was paid during the year, no dividend will be paid for the entire year (2006: \$Nil).

BUSINESS REVIEW

- The Group achieved a profit from operations of approximately \$640.2 million for the financial year ended 31 March 2007, representing an increase of approximately 85.4% compared with the previous financial year. The increment was almost entirely attributable to the valuation gains on investment properties of \$649.4 million. Excluding the valuation gains on investment properties, the Group recorded a loss from operations for the financial year ended 31 March 2007 of approximately \$9.3 million due to the cessation of the main business of the Group which was the operation of the Hotel and Hotel’s shopping arcade.
- At 31 March 2007, the property under redevelopment of the Group was revalued at \$4,890.0 million by an independent professional valuer and the valuation gains of \$647.3 million were recognised in the consolidated income statement during the year.
- Austin Hills Golf Resort, the Group’s golf and recreational club operation, suffered a segment loss of \$9.2 million for the financial year ended 31 March 2007. Segment revenue for the said year was \$18.3 million, representing a decrease of approximately 3.1% compared with the previous financial year. The operation results have shown slight improvement for the year under review compared with the previous financial year which were affected by repairs for the main building of the club house and arising from a landslide in a golf course.

- Interest income amounted to \$20.4 million, increased by approximately \$4.5 million due to rising interest rates during the year.
- The total equity for the Group at 31 March 2007 was \$4,936.0 million, compared with \$4,387.4 million at 31 March 2006. At 31 March 2007, the whole banking facilities of the Group were unutilised and the Group's gearing ratio was nil.
- At 31 March 2007, the total number of employees of the Group was 141 and the related costs incurred during the year were approximately \$26.9 million.

OUTLOOK

The project for redeveloping the property comprising the Hotel and the Hotel's shopping arcade into a building comprising mainly retail components is in progress. Foundation and basement excavation works are being carried out. Barring unforeseen circumstances, the entire redevelopment project is anticipated to be completed in 2009. Based on the latest quantity surveyors' report, the present estimated cost of construction for this project is around \$1.1 billion and this will be mainly financed by external borrowings. As announced on 20 October 2006, the Company has entered into a facility agreement with a bank comprising of a 5-year term loan facility of up to \$1 billion and a 5-year revolving credit facility of up to \$200 million. The Company has an option to extend the facilities for two additional years, subject to, among other things, the agreement of the lending bank.

The cessation of the Hotel and the Hotel's shopping arcade operations, which were the Group's main sources of income, has and will continue to have a very substantial negative impact on the revenue and results of the Group during the redevelopment period. However, the Directors consider that upon completion of the redevelopment, it will increase the return to the Group in the long run and will enhance value for shareholders because it is believed that a retail development is likely to generate a higher return on capital in the long term than the hotel operation.

It is likely that no dividend will be paid before completion of the project.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders of the Company will be held on Wednesday, 19 September 2007.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining eligibility to attend and vote at the forthcoming Annual General Meeting, the Register of Members of the Company will be closed from Thursday, 13 September 2007 to Wednesday, 19 September 2007 (both days inclusive), during which period no transfer of shares will be registered. All transfers must be lodged with the Company's share registrars not later than 4:30 pm on Wednesday, 12 September 2007.

PURCHASE, SALE OR REDEMPTION BY THE COMPANY AND ITS SUBSIDIARIES OF ITS LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied throughout the year with all the code provisions set out in the Code on Corporate Governance Practices (“CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”) except that the roles of chairman and chief executive officer were not separated and performed by two individuals, which was inconsistent with code provision A.2.1 of the CG Code.

In respect of the deviation from code provision A.2.1 of the CG Code, Mr Cheong Hooi Hong is both the Chairman and the chief executive officer of the Company. The Board of Directors considers that the current structure does not have any adverse effect on the Company and believes that this structure enables the Group to make and implement decisions promptly and efficiently.

Details of compliance are set out in the Corporate Governance Report contained in the Company’s annual report.

PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk (the “HKEx website”). The Company’s annual report containing all information required by the Listing Rules will also be available for viewing on the HKEx website and dispatched to shareholders in due course.

By Order of the Board
Associated International Hotels Limited
Ng Sau Fong
Company Secretary

Hong Kong, 11 July 2007

As at the date of this announcement, Mr Cheong Hooi Hong, Mr Cheong Kheng Lim, Mr Cheong Keng Hooi, Mr Cheong Sim Lam and Ms Cheong Chong Ling are executive directors, Mr Sin Cho Chiu, Charles and Mr Lau Wah Sum are non-executive directors, and Mr Chow Wan Hoi, Paul, Mr Yau Allen Lee-nam and Mr Lee Chung are independent non-executive directors.

*Please also refer to the published version of this announcement in **The Standard***