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

*(Incorporated in Hong Kong with limited liability)*

**(stock code: 105)**

## Interim Results
## for the six months ended 30 September 2007

*(Expressed in Hong Kong dollars)*

The Board of Directors is pleased to announce the unaudited consolidated results of the Group for the half year ended 30 September 2007. These results have 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"), by KPMG, certified public accountants in Hong Kong, and the Audit Committee with no disagreement. The unmodified review report of the auditor is included in the interim report to be sent to shareholders.

### Consolidated income statement — unaudited

| | | Six months ended 30 September | |
|---|---|---|---|
| | *Note* | **2007** | *2006* |
| | | ***$'000*** | $'000 |
| **Turnover** | 2 | **8,566** | 9,129 |
| Cost of services/sales | | **(7,847)** | (7,629) |
| | | **719** | 1,500 |
| Other revenue | 3 | **14,778** | 11,455 |
| Other net (loss)/income | | **(2,645)** | 346 |
| Valuation gains on investment properties | | **329,314** | 169,692 |
| Reversal of impairment loss in respect of other properties | | **1,946** | 1,792 |
| Selling expenses | | **(365)** | (298) |
| Administrative expenses | | **(16,842)** | (17,644) |
| **Profit from operations** | 2 | **326,905** | 166,843 |
| Finance costs | 4(a) | **(38)** | (49) |
| **Profit before taxation** | 4 | **326,867** | 166,794 |
| Income tax | 5 | **(55,740)** | (27,825) |
| **Profit for the period attributable to equity shareholders of the Company** | | **271,127** | 138,969 |
| **Dividends payable to equity shareholders of the Company attributable to the interim period** | 6(a) | **—** | — |
| **Earnings per share — basic and diluted** | 7 | **$0.75** | $0.39 |

**Consolidated balance sheet — unaudited**

| | Note | At 30 September 2007 | | At 31 March 2007 | |
|---|---|---|---|---|---|
| | | ***$'000*** | ***$'000*** | *$'000* | *$'000* |
| **Non-current assets** | | | | | |
| Fixed assets | | | | | |
| — Investment properties | | | **5,354,433** | | 4,963,672 |
| — Other properties, plant and equipment | | | **255,953** | | 256,234 |
| | | | **5,610,386** | | 5,219,906 |
| Deferred tax assets | | | **106** | | 109 |
| | | | **5,610,492** | | 5,220,015 |
| **Current assets** | | | | | |
| Inventories | | **193** | | 259 | |
| Accounts receivable, deposits and prepayments | 8 | **5,888** | | 5,403 | |
| Tax recoverable | | **—** | | 69 | |
| Cash and cash equivalents | | **479,050** | | 457,370 | |
| | | **485,131** | | 463,101 | |
| **Current liabilities** | | | | | |
| Accounts payable, other payables and accruals | 9 | **42,845** | | 38,345 | |
| Deposits received | | **4,961** | | 4,977 | |
| Provision for long service payments | | **1,176** | | 1,253 | |
| Obligations under finance leases | | **128** | | 124 | |
| Current taxation | | **128** | | 64 | |
| | | **49,238** | | 44,763 | |
| **Net current assets** | | | **435,893** | | 418,338 |
| **Total assets less current liabilities** | | | **6,046,385** | | 5,638,353 |
| **Non-current liabilities** | | | | | |
| Bank loan — secured | | **(80,000)** | | — | |
| Government lease premiums payable | | **(2,406)** | | (2,406) | |
| Obligations under finance leases | | **(127)** | | (188) | |
| Deferred tax liabilities | | **(755,411)** | | (699,732) | |
| Other financial liabilities | | **(2)** | | (2) | |
| | | | **(837,946)** | | (702,328) |
| **NET ASSETS** | | | **5,208,439** | | 4,936,025 |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | | | **360,000** | | 360,000 |
| Reserves | | | **4,848,439** | | 4,576,025 |
| **TOTAL EQUITY** | | | **5,208,439** | | 4,936,025 |

*Notes:*

1. **Principal accounting policies and basis of preparation**

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting", issued by the HKICPA.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 March 2007.

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively included HKASs and Interpretations, that are first effective or available for early adoption for accounting periods beginning on or after 1 January 2007. The Group has determined the accounting policies expected to be adopted in the preparation of the Group's financial statements for the year ending 31 March 2008 on the basis of HKFRSs currently in issue which, the Group believes, do not have a significant impact on the Group's prior year financial position and results of operations but may result in new or amended disclosures.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

## 2. Segment reporting

Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. Geographical segment presents similar information to the business segment as the Group's revenue and results of 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.

An analysis of the Group's segment revenue and results for the six months ended 30 September 2007 and 2006 is as follows:

| | **Segment revenue Six months ended 30 September** | | **Segment profit/(loss) Six months ended 30 September** | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| | ***$'000*** | *$'000* | ***$'000*** | *$'000* |
| Property leasing — Hong Kong | **140** | 129 | **132** | 121 |
| Golf and recreational club operation — Malaysia | **9,971** | 9,000 | **(2,988)** | (3,658) |
| | **10,111** | 9,129 | **(2,856)** | (3,537) |
| Valuation gains on investment properties | | | **329,314** | 169,692 |
| Reversal of impairment loss in respect of other properties | | | **1,946** | 1,792 |
| Unallocated other revenue | | | **13,233** | 11,455 |
| Unallocated operating income and expenses | | | **(14,732)** | (12,559) |
| Profit from operations | | | **326,905** | 166,843 |
| Analysed by: | | | | |
| Turnover | **8,566** | 9,129 | | |
| Other revenue — allocated | **1,545** | — | | |
| | **10,111** | 9,129 | | |

## 3. Other revenue

| | **Six months ended 30 September** | |
|---|---|---|
| | **2007** | 2006 |
| | ***$'000*** | *$'000* |
| Interest income | **12,633** | 9,930 |
| Dividend income from listed securities | **—** | 140 |
| Management fee received from holding company | **600** | 600 |
| Others | **1,545** | 785 |
| | **14,778** | 11,455 |

## 4. Profit before taxation

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

| | Six months ended 30 September | |
|---|---|---|
| | **2007** | 2006 |
| | ***$'000*** | *$'000* |
| **(a) Finance costs** | | |
| Interest on government lease premiums payable | **28** | 29 |
| Finance charges on obligations under finance leases | **10** | 20 |
| Interest on bank loan | **1,094** | — |
| Other borrowing costs | **579** | — |
| Total borrowing costs | **1,711** | 49 |
| Less: Borrowing costs capitalised into property under redevelopment | **(1,673)** | — |
| | **38** | 49 |
| **(b) Other items** | | |
| Depreciation | **4,044** | 3,991 |
| Net (profit)/loss on disposal of fixed assets | **(247)** | 4 |
| Net foreign exchange losses/(gains) | **2,892** | (350) |

## 5. Income tax

| | Six months ended 30 September | |
|---|---|---|
| | **2007** | 2006 |
| | ***$'000*** | *$'000* |
| Current tax | | |
| — Hong Kong profits tax | **95** | 73 |
| — Overseas tax | **(37)** | 14 |
| | **58** | 87 |
| Deferred tax | **55,682** | 27,738 |
| | **55,740** | 27,825 |

The provision for Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the six months ended 30 September 2007. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

## 6. Dividends

### (a) Dividends payable to equity shareholders of the Company attributable to the interim period

| | Six months ended 30 September | |
|---|---|---|
| | **2007** | 2006 |
| | ***$'000*** | *$'000* |
| No interim dividend declared and paid after the interim period end (2006: Nil) | **—** | — |

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

| | Six months ended 30 September | |
|---|---|---|
| | **2007** | 2006 |
| | ***$'000*** | *$'000* |
| No final dividend in respect of the financial year ended 31 March 2007 approved and paid during the following interim period (year ended 31 March 2006: Nil) | **—** | — |

## 7. Earnings per share — basic and diluted

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $271,127,000 (2006: $138,969,000) and 360,000,000 (2006: 360,000,000) ordinary shares in issue during the period. There were no potential dilutive ordinary shares in existence during the six months ended 30 September 2007 and 2006.

## 8. 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:

| | **30 September 2007** **$'000** | 31 March 2007 $'000 |
|---|---|---|
| Current or less than 1 month overdue | **910** | 783 |
| 1 to 3 months overdue | **522** | 520 |
| More than 3 months overdue but less than 12 months overdue | **573** | 583 |
| Total accounts receivable, net of impairment losses for bad and doubtful debts | **2,005** | 1,886 |
| Deposits and prepayments | **3,883** | 3,517 |
| | **5,888** | 5,403 |

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.

## 9. Accounts payable, other payables and accruals

All of the accounts payable, other payables and accruals except for $8,173,000 (31 March 2007: $5,682,000), 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:

| | **30 September 2007** **$'000** | 31 March 2007 $'000 |
|---|---|---|
| Due within 1 month or on demand | **311** | 384 |
| Due after 1 month but within 3 months | **703** | 795 |
| Due after 3 months but within 6 months | **148** | 171 |
| Due after 6 months but within 12 months | **—** | 10 |
| Due after 12 months | **1,081** | 1,026 |
| Total accounts payable | **2,243** | 2,386 |
| Accruals and retention monies payable for redevelopment work | **31,977** | 27,234 |
| Other payables and accruals | **8,625** | 8,725 |
| | **42,845** | 38,345 |

## INTERIM 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 interim dividend will be paid to shareholders (2006: Nil).

## BUSINESS REVIEW

- The Group achieved a profit from operations of approximately $326.9 million for the half year ended 30 September 2007, representing an increase of approximately 95.9% compared with the corresponding period in 2006. The increment was almost entirely attributable to the valuation gains on investment properties of $329.3 million. Excluding the valuation gains on investment properties, the Group recorded a loss from operations for the half year ended 30 September 2007 of $2.4 million.

- Austin Hills Golf Resort, the Group's golf and recreational club operation, suffered a segment loss of $3.0 million for the half year ended 30 September 2007. Segment revenue for the said period was $10.0 million, representing an increase of approximately $1.0 million compared with the corresponding period of last year.

- Interest income amounted to $12.6 million, an increase of approximately $2.7 million due to an increase in interest rates compared with the corresponding period in 2006.

- The total equity for the Group at 30 September 2007 was $5,208.4 million, compared with $4,936.0 million at 31 March 2007. 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. At 30 September 2007, the banking facilities were utilised to the extent of $80 million and the Group's gearing ratio was 1.5% (calculated as total borrowings over total equity).

- At 30 September 2007, the total number of employees of the Group was 119 and the related costs incurred during the period were approximately $10.7 million.

- Save as disclosed in this announcement, there has been no further material change to the information contained in the Company's annual report for the year ended 31 March 2007 which necessitates additional disclosure to that made herein.

## OUTLOOK

The development of iSQUARE on the site located on No. 63 Nathan Road, Kowloon (Kowloon Inland Lot No. 7425) owned by the Company is in progress. Foundation and basement excavation works are being carried out. The superstructure contract was awarded in November 2007. Barring unforeseen circumstances, the entire project is anticipated to be completed in 2009. The present estimated cost of construction for this project is around $1.3 billion and this will be mainly financed by external borrowings.

Since the Group's main sources of income have disappeared during the redevelopment period with the closure of the business of the Hotel and the Hotel's shopping arcade formerly on the site, this has and will continue to have a very substantial negative impact on the revenue and results of the Group. In the circumstances it is likely that no dividend will be paid before completion of the project.

## 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 period.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied throughout the period 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 ("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 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.

## PUBLICATION OF FINANCIAL INFORMATION

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at http://www.hkex.com.hk (the "HKEx website") and the Company's website at http://aihl.etnet.com.hk. The Company's interim report containing all information required by the Listing Rules will also be available for viewing on the HKEx website and the Company's 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 December 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 Miss 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.*