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

(Incorporated in Hong Kong with limited liability)

(Stock Code: 105)

Preliminary Announcement of Results for the year ended 31 March 2008

(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 2008. 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

		Year ended 31 March	
	Note	**2008**	2007
		$'000	*$'000*
Turnover	2	**17,792**	18,585
Cost of services/sales		**(15,588)**	(16,674)
		2,204	1,911
Other revenue	3(a)	**25,816**	23,197
Other net (loss)/income	3(b)	**(1,285)**	1,754
Valuation gains on investment properties		**455,008**	649,447
Reversal of impairment loss in respect of other properties		**4,014**	3,596
Selling expenses		**(721)**	(634)
Administrative expenses		**(36,781)**	(39,107)
Profit from operations	2	**448,255**	640,164
Finance costs	4(a)	**(141)**	(215)
Profit before taxation	4	**448,114**	639,949
Income tax	5	**(48,678)**	(109,500)
Profit for the year attributable to equity shareholders of the Company		**399,436**	530,449
Dividends payable to equity shareholders of the Company attributable to the year:	6(a)		
Interim dividend declared during the year		**—**	—
Final dividend proposed after the balance sheet date		**—**	—
		—	—
Earnings per share — basic and diluted	7	**$1.11**	$1.47

Consolidated balance sheet

	Note	**At 31 March 2008**		At 31 March 2007	
		$'000	***$'000***	*$'000*	*$'000*
Non-current assets					
Fixed assets					
— Investment properties			**5,561,101**		4,963,672
— Other properties, plant and equipment			**270,668**		256,234
			5,831,769		5,219,906
Deferred tax assets			**97**		109
			5,831,866		5,220,015
Current assets					
Inventories		**235**		259	
Accounts receivable, deposits and prepayments	8	**3,883**		5,403	
Tax recoverable		**—**		69	
Cash and cash equivalents		**474,145**		457,370	
		478,263		463,101	
Current liabilities					
Accounts payable, other payables and accruals	9	**67,062**		38,345	
Deposits received		**5,022**		4,977	
Provision for long service payments		**1,282**		1,253	
Obligations under finance leases		**140**		124	
Current taxation		**44**		64	
		73,550		44,763	
Net current assets			**404,713**		418,338
Total assets less current liabilities			**6,236,579**		5,638,353
Non-current liabilities					
Bank loan — secured		**130,000**		—	
Government lease premiums payable		**2,367**		2,406	
Obligations under finance leases		**70**		188	
Deferred tax liabilities		**730,655**		699,732	
Other financial liabilities		**2**		2	
			863,094		702,328
NET ASSETS			**5,373,485**		4,936,025
CAPITAL AND RESERVES					
Share capital			**360,000**		360,000
Reserves			**5,013,485**		4,576,025
TOTAL EQUITY			**5,373,485**		4,936,025

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 financial statements have been prepared in accordance with the same accounting policies adopted in the financial statements for the year ended 31 March 2007, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ended 31 March 2008.

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

There have been no significant changes to the accounting policies applied in the financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 revenue and results, assets and liabilities, and other information for the years ended 31 March 2008 and 2007 by business segments is as follows:

(a) Segment revenue and results

	Segment revenue Year ended 31 March		Segment profit/(loss) Year ended 31 March	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Property leasing — Hong Kong	**295**	259	**282**	242
Golf and recreational club operation — Malaysia	**19,400**	18,326	**(6,077)**	(9,238)
	19,695	18,585	**(5,795)**	(8,996)
Valuation gains on investment properties			**455,008**	649,447
Reversal of impairment loss in respect of other properties			**4,014**	3,596
Unallocated other revenue			**23,913**	23,197
Unallocated operating income and expenses			**(28,885)**	(27,080)
Profit from operations			**448,255**	640,164
Finance costs			**(141)**	(215)
Profit before taxation			**448,114**	639,949
Income tax			**(48,678)**	(109,500)
Profit for the year			**399,436**	530,449
Analysed by:				
Turnover	**17,792**	18,585		
Other revenue — allocated	**1,903**	—		
	19,695	18,585		

(b) Segment assets and liabilities

	Assets At 31 March		Liabilities At 31 March	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Property leasing — Hong Kong	**5,497,050**	4,904,130	**57,922**	27,310
Golf and recreational club operation — Malaysia	**238,110**	225,113	**13,062**	14,930
	5,735,160	5,129,243	**70,984**	42,240
Unallocated items	**574,969**	553,873	**865,660**	704,851
	6,310,129	5,683,116	**936,644**	747,091

(c) Other segment information

	Depreciation Year ended 31 March		Capital expenditure Year ended 31 March	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Property leasing — Hong Kong	**—**	—	**137,912**	62,733
Golf and recreational club operation — Malaysia	**5,302**	5,326	**1,570**	758
	5,302	5,326	**139,482**	63,491
Unallocated items	**2,880**	2,889	**737**	715
	8,182	8,215	**140,219**	64,206

3. Other revenue and net (loss)/income

	Year ended 31 March	
	2008	2007
	$'000	*$'000*
(a) Other revenue		
Interest income	**22,670**	20,393
Dividend income from listed securities	**—**	210
Management fee received from holding company	**1,200**	1,200
Others	**1,946**	1,394
	25,816	23,197
(b) Other net (loss)/income		
Net profit on disposal of fixed assets	**249**	401
Net foreign exchange (losses)/gains	**(1,534)**	734
Transfer from equity on disposal of available-for-sale equity securities	**—**	619
	(1,285)	1,754

4. Profit before taxation

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

	Year ended 31 March	
	2008	2007
	$'000	*$'000*
(a) Finance costs		
Interest on government lease premiums payable	**121**	122
Finance charges on obligations under finance leases	**20**	93
Interest on bank loan	**3,555**	—
Other borrowing costs	**1,228**	4,836
Total borrowing costs	**4,924**	5,051
Less: Borrowing costs capitalised into property under redevelopment*	**(4,783)**	(4,836)
	141	215

* The borrowing costs have been capitalised at a rate of 3.68% per annum (2007: Nil).

(b) Other items		
Cost of inventories	**1,520**	1,840
Depreciation	**8,182**	8,215

5. Income tax

	Year ended 31 March	
	2008	2007
	$'000	*$'000*
Current tax — Hong Kong profits tax		
Provision for the year	**164**	166
Under-provision in respect of prior years	**—**	90
	164	256
Current tax — Overseas		
Provision for the year	**10**	20
Over-provision in respect of prior years	**(44)**	—
	(34)	20
Deferred tax		
Changes in fair value of investment properties	**75,076**	113,653
Origination and reversal of temporary differences	**(4,162)**	(4,429)
Effect of decrease in tax rate on deferred tax balances at 1 April 2007	**(22,366)**	—
	48,548	109,224
	48,678	109,500

The provision for Hong Kong profits tax is calculated at 17.5% (2007: 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.

On 27 February 2008, the Government of the Hong Kong Special Administrative Region announced a proposed reduction in the profits tax rate in Hong Kong from 17.5% to 16.5% with effect from the year of assessment 2008/09. Accordingly, in the preparation of the financial statements, the relevant deferred tax assets and liabilities are calculated at 16.5% (2007: 17.5%).

6. Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	Year ended 31 March	
	2008	2007
	$'000	*$'000*
No interim dividend declared and paid (2007: $Nil)	**—**	—
No final dividend proposed after the balance sheet date (2007: $Nil)	**—**	—
	—	—

(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	
	2008	2007
	$'000	*$'000*
No final dividend in respect of the previous financial year, approved and paid during the year (2007: $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 $399,436,000 (2007: $530,449,000) and 360,000,000 (2007: 360,000,000) ordinary shares in issue during the year. There were no potential dilutive ordinary shares in existence in 2007 and 2008.

8. Accounts receivable, deposits and prepayments

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

	At 31 March	
	2008	2007
	$'000	*$'000*
Current	**416**	709
Less than 1 month past due	**91**	74
1 to 3 months past due	**278**	520
More than 3 months but less than 12 months past due	**974**	583
Amounts past due	**1,343**	1,177
Total accounts receivable, net of allowance for bad and doubtful debts	**1,759**	1,886
Deposits and prepayments	**2,124**	3,517
	3,883	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 $2,728,000 (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:

	At 31 March	
	2008	2007
	$'000	*$'000*
Due within 1 month or on demand	**376**	384
Due after 1 month but within 3 months	**619**	795
Due after 3 months but within 6 months	**298**	171
Due after 6 months but within 12 months	**7**	10
Due after 12 months	**290**	1,026
Total accounts payable	**1,590**	2,386
Accruals and retention monies payable for redevelopment work	**56,678**	27,234
Other payables and accruals	**8,794**	8,725
	67,062	38,345

DIVIDEND

The Board has resolved that in view of the cessation of the main business of the Group which was the operation of a hotel and the hotel's shopping arcade, no final dividend will be paid to shareholders (2007: $Nil). As no interim dividend was paid during the year, there will be no dividend paid for the entire year (2007: $Nil).

BUSINESS REVIEW

- The Group achieved a profit from operations of approximately $448.3 million for the financial year ended 31 March 2008, representing a decrease of approximately 30.0% compared with the previous financial year. The decrease was almost entirely due to a decrease in valuation gains on investment properties, which was $455.0 million in the said year, compared with the valuation gains of $649.4 million in last year. Excluding the valuation gains on investment properties, the Group recorded a loss from operations for the financial year ended 31 March 2008 of approximately $6.8 million as compared with the loss from operations of approximately $9.3 million of last year.

- Austin Hills Golf Resort, the Group's golf and recreational club operation, suffered a segment loss of $6.1 million for the financial year ended 31 March 2008. Segment revenue for the said year was $19.4 million, representing an increase of approximately $1.1 million compared with the previous financial year. The operation results have shown slight improvement for the year under review compared with the previous financial year due to implementation of several cost-retrenchment measures during the year.

- Interest income amounted to $22.7 million, an increase of approximately $2.3 million compared with the previous financial year.

- The total equity for the Group at 31 March 2008 was $5,373.5 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 31 March 2008, the banking facilities were utilised to the extent of $130 million and the Group's gearing ratio was 2.4% (calculated as total bank loan over total equity).

- At 31 March 2008, the total number of employees of the Group was 122 and the related costs incurred during the year were approximately $25.0 million.

OUTLOOK

The development of iSQUARE on the site located at No. 63 Nathan Road, Kowloon (Kowloon Inland Lot No. 7425) owned by the Company is in progress. Foundation and basement excavation works had been completed and the superstructure construction was commenced in February 2008. 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 a 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 redevelopment.

CONTINGENT LIABILITIES

In November 2007, an overseas subsidiary filed a claim in court against a subscriber of the golf club membership in Malaysia for the payment of approximately $1.3 million being the remaining outstanding balance of certain preference shares of the subsidiary. However, the subscriber refuted the claim and filed a counter claim of approximately $4.7 million on 28 January 2008 on the alleged grounds that the subscriber had suffered loss of reputation and other losses.

The subsidiary on legal advice is contesting this counter claim. The Directors are of the opinion that no provision for the counter claim is necessary as the case is still at its preliminary stage and pending court hearing.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders of the Company will be held on Wednesday, 10 September 2008.

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, 4 September 2008 to Wednesday, 10 September 2008 (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, 3 September 2008.

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 ("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.

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

ANNUAL REPORT

The Company's annual report containing all information required by the Listing Rules will be dispatched to shareholders in due course.

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

Hong Kong, 8 July 2008

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.