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 2008

(Expressed in Hong Kong dollars)

The Board of Directors would like to announce the unaudited consolidated results of the Group for the half year ended 30 September 2008. 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	**2008**	2007
		$'000	*$'000*
Turnover	2	**8,765**	8,566
Cost of services/sales		**(7,719)**	(7,847)
		1,046	719
Other revenue	3(a)	**7,095**	14,778
Other net loss	3(b)	**(1,065)**	(2,645)
Net valuation (losses)/gains on investment properties		**(43,023)**	329,314
Reversal of impairment loss in respect of other properties		**2,090**	1,946
Selling expenses		**(270)**	(365)
Administrative expenses		**(18,768)**	(16,842)
(Loss)/profit from operations	2	**(52,895)**	326,905
Finance costs	4(a)	**(38)**	(38)
(Loss)/profit before taxation	4	**(52,933)**	326,867
Income tax	5	**9,059**	(55,740)
(Loss)/profit for the period attributable to equity shareholders of the Company		**(43,874)**	271,127
Dividends payable to equity shareholders of the Company attributable to the interim period	6(a)	**—**	—
(Loss)/earnings per share — basic and diluted	7	**$(0.12)**	$0.75

Consolidated balance sheet — unaudited

	Note	**At 30 September 2008**		At 31 March 2008	
		$'000	***$'000***	*$'000*	*$'000*
Non-current assets					
Fixed assets					
— Investment properties			**5,667,506**		5,561,101
— Other properties, plant and equipment			**251,121**		270,668
			5,918,627		5,831,769
Deferred tax assets			**94**		97
			5,918,721		5,831,866
Current assets					
Inventories		**232**		235	
Accounts receivable, deposits and prepayments	8	**4,863**		3,883	
Cash and cash equivalents		**468,708**		474,145	
		473,803		478,263	
Current liabilities					
Accounts payable, other payables and accruals	9	**88,948**		67,062	
Deposits received		**5,382**		5,022	
Provision for long service payments		**1,727**		1,282	
Obligations under finance leases		**132**		140	
Current taxation		**95**		44	
		96,284		73,550	
Net current assets			**377,519**		404,713
Total assets less current liabilities			**6,296,240**		6,236,579
Non-current liabilities					
Bank loan — secured		**265,000**		130,000	
Government lease premiums payable		**2,367**		2,367	
Obligations under finance leases		**4**		70	
Deferred tax liabilities		**721,498**		730,655	
Other financial liabilities		**2**		2	
			988,871		863,094
NET ASSETS			**5,307,369**		5,373,485
CAPITAL AND RESERVES					
Share capital			**360,000**		360,000
Reserves			**4,947,369**		5,013,485
TOTAL EQUITY			**5,307,369**		5,373,485

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 2008.

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 2008. 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 2009 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 2008 and 2007 is as follows:

	Segment revenue Six months ended 30 September		**Segment profit/(loss) Six months ended 30 September**	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Property leasing — Hong Kong	**155**	140	**150**	132
Golf and recreational club operation — Malaysia	**9,057**	9,971	**(2,980)**	(2,988)
	9,212	10,111	**(2,830)**	(2,856)
Net valuation (losses)/gains on investment properties			**(43,023)**	329,314
Reversal of impairment loss in respect of other properties			**2,090**	1,946
Unallocated other revenue			**6,648**	13,233
Unallocated operating income and expenses			**(15,780)**	(14,732)
(Loss)/profit from operations			**(52,895)**	326,905
Analysed by:				
Turnover	**8,765**	8,566		
Other revenue — allocated	**447**	1,545		
	9,212	10,111		

3. Other revenue and net loss

	Six months ended 30 September	
	2008	2007
	$'000	*$'000*
(a) Other revenue		
Interest income	**6,048**	12,633
Management fee received from holding company	**600**	600
Others	**447**	1,545
	7,095	14,778
(b) Other net loss		
Net (loss)/profit on disposal of fixed assets	**(2)**	247
Net foreign exchange losses	**(1,063)**	(2,892)
	(1,065)	(2,645)

4. (Loss)/profit before taxation

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

	Six months ended 30 September	
	2008	2007
	$'000	*$'000*
(a) Finance costs		
Interest on government lease premiums payable	**28**	28
Finance charges on obligations under finance leases	**10**	10
Interest on bank loan	**2,554**	1,094
Other borrowing costs	**499**	579
Total borrowing costs	**3,091**	1,711
Less: Borrowing costs capitalised into property under redevelopment	**(3,053)**	(1,673)
	38	38
(b) Other item		
Depreciation	**4,040**	4,044

5. Income tax

	Six months ended 30 September	
	2008	2007
	$'000	*$'000*
Current tax		
— Hong Kong profits tax	**92**	95
— Overseas tax	**3**	(37)
	95	58
Deferred tax	**(9,154)**	55,682
	(9,059)	55,740

The provision for Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the six months ended 30 September 2008. 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	
	2008	2007
	$'000	*$'000*
No interim dividend declared and paid after the interim period end (2007: 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	
	2008	2007
	$'000	*$'000*
No final dividend in respect of the financial year ended 31 March 2008 approved and paid during the following interim period (year ended 31 March 2007: Nil)	**—**	—

7. (Loss)/earnings per share — basic and diluted

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of $43,874,000 (2007: profit of $271,127,000) and 360,000,000 (2007: 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 2008 and 2007.

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:

	30 September 2008 **$'000**	31 March 2008 *$'000*
Current	**494**	416
Less than 1 month past due	**64**	91
1 to 3 months past due	**231**	278
More than 3 months but less than 12 months past due	**692**	974
Amounts past due	**987**	1,343
Total accounts receivable, net of allowance for bad and doubtful debts	**1,481**	1,759
Deposits and prepayments	**3,382**	2,124
	4,863	3,883

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 past due 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 past due debtors whenever the situation is appropriate.

9. Accounts payable, other payables and accruals

All of the accounts payable, other payables and accruals except for $16,235,000 (31 March 2008: $2,728,000), 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 2008 **$'000**	31 March 2008 *$'000*
Due within 1 month or on demand	**349**	376
Due after 1 month but within 3 months	**553**	619
Due after 3 months but within 6 months	**160**	298
Due after 6 months but within 12 months	**39**	7
Due after 12 months	**25**	290
Total accounts payable	**1,126**	1,590
Accruals and retention monies payable for redevelopment work	**79,276**	56,678
Other payables and accruals	**8,546**	8,794
	88,948	67,062

INTERIM 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 interim dividend will be paid to shareholders (2007: Nil).

BUSINESS REVIEW

- The Group recorded a loss from operations of $52.9 million for the half year ended 30 September 2008. The loss was mainly attributable to the valuation loss on investment property concerning the development of iSQUARE on the site located at No. 63 Nathan Road, Kowloon (Kowloon Inland Lot No. 7425) owned by the Company.

  The Group's net valuation losses on investment properties recorded for the half year ended 30 September 2008 were $43.0 million, compared with the valuation gains on investment properties of $329.3 million for the corresponding period of last year. Such losses will only affect the accounting profit or loss but not the cash flow of the Group. Excluding the net valuation losses on investment properties, the Group recorded a loss from operations of approximately $9.9 million for the half year ended 30 September 2008 as compared with the loss from operations of approximately $2.4 million for the corresponding period of last year. It was mainly due to a steep reduction in interest income.

- 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 2008. Segment revenue for the said period was $9.1 million, representing a decrease of approximately $0.9 million compared with the corresponding period of last year.

- Interest income for the half year ended 30 September 2008 amounted to $6.0 million, a decrease of approximately $6.6 million mainly due to a decrease in interest rates compared with the corresponding period in 2007.

- The total equity for the Group at 30 September 2008 was $5,307.4 million, compared with $5,373.5 million at 31 March 2008. 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 2008, the banking facilities were utilised to the extent of $265 million and the Group's gearing ratio was 5.0% (calculated as total bank loan over total equity).

- At 30 September 2008, the total number of employees of the Group was 118 and the related costs incurred during the period were approximately $10.9 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 2008 which necessitates additional disclosure to that made herein.

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. The superstructure construction is underway. Barring unforeseen circumstances, the entire project is expected to be completed in the second half of 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 ceased 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.

The recent global financial turmoil has profound impact on the economy. The Directors expect the operating environment to be tough, property values will likely decline and in consequence the Group's results for the second half of the financial year will be affected.

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 for certain preference shares of the subsidiary. However, the subscriber disputed the claim and filed a counterclaim of approximately $4.7 million on 28 January 2008 on the alleged grounds that the subscriber had suffered loss of reputation and other losses.

In August 2008, the overseas subsidiary and the subscriber agreed to settle by withdrawing their respective claims against each other and a notice of discontinuance for this purpose was filed in court. The case will be closed upon the judge striking out the above claims in the pre-trial conference fixed to be held in December 2008. Accordingly, the Directors are of the opinion that no provision for the counterclaim is necessary.

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.

INTERIM REPORT

The Company's interim 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, 10 December 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.