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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 2009**

(Expressed in Hong Kong dollars)

The Board of Directors would like to announce the audited results of the Group for the year ended 31 March 2009. 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	
	<i>Note</i>	2009	2008
		\$'000	\$'000
Turnover	2	16,836	17,792
Cost of services/sales		<u>(15,350)</u>	<u>(15,588)</u>
		1,486	2,204
Other revenue	3(a)	12,608	25,816
Other net loss	3(b)	(1,804)	(1,285)
Valuation (losses)/gains on investment properties		(180,925)	455,008
Reversal of impairment loss in respect of other properties		4,008	4,014
Selling expenses		(572)	(721)
Administrative expenses		<u>(44,825)</u>	<u>(36,781)</u>
(Loss)/profit from operations	2	(210,024)	448,255
Finance costs	4(a)	<u>(138)</u>	<u>(141)</u>
(Loss)/profit before taxation	4	(210,162)	448,114
Income tax	5	<u>35,280</u>	<u>(48,678)</u>
(Loss)/profit for the year attributable to equity shareholders of the Company		<u>(174,882)</u>	<u>399,436</u>
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		—	—
		<u>—</u>	<u>—</u>
(Loss)/earnings per share — basic and diluted	7	<u>\$(0.49)</u>	<u>\$1.11</u>

Consolidated balance sheet

	<i>Note</i>	At 31 March 2009	At 31 March 2008
		\$'000	\$'000
Non-current assets			
Fixed assets			
— Investment properties		5,945,610	5,561,101
— Other properties, plant and equipment		236,864	270,668
		6,182,474	5,831,769
Deferred tax assets		91	97
		6,182,565	5,831,866
Current assets			
Inventories		203	235
Accounts receivable, deposits and prepayments	8	9,580	3,883
Pledged bank deposits		2,226	—
Cash and cash equivalents		444,886	474,145
		456,895	478,263
Current liabilities			
Accounts payable, other payables and accruals	9	206,018	67,062
Deposits received		5,335	5,022
Provision for long service payments		1,774	1,282
Obligations under finance leases		73	140
Current taxation		68	44
		213,268	73,550
Net current assets		243,627	404,713
Total assets less current liabilities		6,426,192	6,236,579
Non-current liabilities			
Bank loan — secured		568,000	130,000
Government lease premiums payable		2,327	2,367
Obligations under finance leases		—	70
Deferred tax liabilities		695,164	730,655
Other financial liabilities		2	2
		1,265,493	863,094
NET ASSETS		5,160,699	5,373,485
CAPITAL AND RESERVES			
Share capital		360,000	360,000
Reserves		4,800,699	5,013,485
TOTAL EQUITY		5,160,699	5,373,485

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 2008.

The HKICPA has issued a number of new interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group. However, none of these developments are relevant to the Group’s operations.

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 2009 and 2008 by business segments is as follows:

(a) Segment revenue and results

	Segment revenue		Segment results	
	Year ended 31 March		Year ended 31 March	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Property leasing — Hong Kong	311	295	299	282
Golf and recreational club operation — Malaysia	<u>17,338</u>	<u>19,400</u>	<u>(5,971)</u>	<u>(6,077)</u>
	<u>17,649</u>	<u>19,695</u>	(5,672)	(5,795)
Valuation (losses)/gains on investment properties			(180,925)	455,008
Reversal of impairment loss in respect of other properties			4,008	4,014
Unallocated other revenue			11,795	23,913
Unallocated operating income and expenses			<u>(39,230)</u>	<u>(28,885)</u>
(Loss)/profit from operations			(210,024)	448,255
Finance costs			<u>(138)</u>	<u>(141)</u>
(Loss)/profit before taxation			(210,162)	448,114
Income tax			<u>35,280</u>	<u>(48,678)</u>
(Loss)/profit for the year			<u>(174,882)</u>	<u>399,436</u>
Analysed by:				
Turnover	16,836	17,792		
Other revenue — allocated	<u>813</u>	<u>1,903</u>		
	<u>17,649</u>	<u>19,695</u>		

(b) Segment assets and liabilities

	Assets		Liabilities	
	At 31 March		At 31 March	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Property leasing — Hong Kong	5,889,970	5,497,050	198,147	57,922
Golf and recreational club operation — Malaysia	205,277	238,110	10,883	13,062
	6,095,247	5,735,160	209,030	70,984
Unallocated items	544,213	574,969	1,269,731	865,660
	6,639,460	6,310,129	1,478,761	936,644

(c) Other segment information

	Depreciation		Capital expenditure	
	Year ended 31 March		Year ended 31 March	
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Property leasing — Hong Kong	—	—	573,845	137,912
Golf and recreational club operation — Malaysia	4,995	5,302	351	1,570
	4,995	5,302	574,196	139,482
Unallocated items	2,869	2,880	123	737
	7,864	8,182	574,319	140,219

3. Other revenue and net loss

Year ended 31 March

2009	2008
\$'000	\$'000

(a) Other revenue

Interest income	10,537	22,670
Management fee received from holding company	1,200	1,200
Others	871	1,946
	<u>12,608</u>	<u>25,816</u>

(b) Other net loss

Net (loss)/profit on disposal of fixed assets	(8)	249
Net foreign exchange losses	(1,796)	(1,534)
	<u>(1,804)</u>	<u>(1,285)</u>

4. (Loss)/profit before taxation

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

Year ended 31 March

2009	2008
\$'000	\$'000

(a) Finance costs

Interest on government lease premiums payable	119	121
Finance charges on obligations under finance leases	19	20
Interest on bank loan	5,883	3,555
Other borrowing costs	1,004	1,228
	<u>7,025</u>	<u>4,924</u>
Total borrowing costs	7,025	4,924
Less: Borrowing costs capitalised into property under redevelopment*	(6,887)	(4,783)
	<u>138</u>	<u>141</u>

* The borrowing costs have been capitalised at a rate of 1.21% (2008: 3.68%) per annum.

(b) Other items

Cost of inventories	1,451	1,520
Depreciation	7,864	8,182
	<u>1,451</u>	<u>1,520</u>

5. Income tax

	Year ended 31 March	
	2009	2008
	\$'000	\$'000
Current tax — Hong Kong profits tax		
Provision for the year	201	164
Current tax — Overseas		
Provision for the year	4	10
Over-provision in respect of prior years	—	(44)
	4	(34)
Deferred tax		
Changes in fair value of investment properties	(29,853)	75,076
Origination and reversal of temporary differences	(5,632)	(4,162)
Effect of decrease in tax rate on deferred tax balances at 1 April 2007	—	(22,366)
	(35,485)	48,548
	(35,280)	48,678

On 27 February 2008, the Government of the Hong Kong Special Administrative Region announced a decrease in the profits tax rate in Hong Kong from 17.5% to 16.5% with effect from the year of assessment 2008/09. The Revenue Bill was passed in June 2008. This decrease is taken into account in the preparation of the Group's financial statements. Accordingly, the relevant deferred tax assets and liabilities at the balance sheet date are calculated at 16.5% (2008: 16.5%) and the provision for Hong Kong profits tax is calculated at 16.5% (2008: 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.

6. Dividends

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

	Year ended 31 March	
	2009	2008
	\$'000	\$'000
No interim dividend declared and paid (2008: \$Nil)	—	—
No final dividend proposed after the balance sheet date (2008: \$Nil)	—	—
	<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	
	2009	2008
	\$'000	\$'000
No final dividend in respect of the previous financial year, approved and paid during the year (2008: \$Nil)	—	—
	<u>—</u>	<u>—</u>

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 \$174,882,000 (2008: profit of \$399,436,000) and 360,000,000 (2008: 360,000,000) ordinary shares in issue during the year. There were no potential dilutive ordinary shares in existence in 2008 and 2009.

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	
	2009	2008
	\$'000	\$'000
Current	<u>378</u>	<u>416</u>
Less than 1 month past due	72	91
1 to 3 months past due	181	278
More than 3 months but less than 12 months past due	<u>506</u>	<u>974</u>
Amounts past due	<u>759</u>	<u>1,343</u>
Total accounts receivable, net of allowance for bad and doubtful debts	1,137	1,759
Deposits and prepayments	<u>8,443</u>	<u>2,124</u>
	<u>9,580</u>	<u>3,883</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 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 \$43,040,000 (2008: \$2,728,000), mainly represented retention monies payable, are 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	
	2009	2008
	\$'000	\$'000
Due within 1 month or on demand	350	376
Due after 1 month but within 3 months	495	619
Due after 3 months but within 6 months	253	298
Due after 6 months but within 12 months	—	7
Due after 12 months	<u>28</u>	<u>290</u>
Total accounts payable	1,126	1,590
Accruals and retention monies payable for redevelopment work	195,873	56,678
Other payables and accruals	<u>9,019</u>	<u>8,794</u>
	<u>206,018</u>	<u>67,062</u>

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 (2008: \$Nil). As no interim dividend was paid during the year, there will be no dividend paid for the entire year (2008: \$Nil).

BUSINESS REVIEW

- The Group recorded a loss from operations of \$210.0 million for the financial year ended 31 March 2009, compared with a profit from operations of \$448.3 million for the previous financial year. The loss was mainly attributable to the valuation losses on investment properties of \$180.9 million, compared with the valuation gains on investment properties of \$455.0 million in the previous financial year. Such valuation losses will only affect the accounting profit or loss but not the cash flow of the Group. Excluding the valuation losses on investment properties, the Group recorded a loss from operations for the financial year ended 31 March 2009 of approximately \$29.1 million as compared with the loss from operations of approximately \$6.8 million in the previous financial year. It was mainly due to a steep reduction in interest income plus advertising and marketing expenses incurred for iSQUARE during the year.
- Austin Hills Golf Resort, the Group's golf and recreational club operation, suffered a segment loss of \$6.0 million for the financial year ended 31 March 2009. Segment revenue for the said year was \$17.3 million, representing a decrease of approximately \$2.1 million compared with the previous financial year.
- Interest income amounted to \$10.5 million, representing a decrease of approximately \$12.1 million compared with the previous financial year. The steep reduction in interest income was mainly due to a decrease in interest rates.
- The total equity for the Group at 31 March 2009 was \$5,160.7 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 31 March 2009, the banking facilities were utilised to the extent of \$568 million and the Group's gearing ratio was 11.0% (calculated as total bank loan over total equity).
- At 31 March 2009, the total number of employees of the Group was 117 and the related costs incurred during the year were approximately \$24.5 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 has entered its final stage. The superstructure was topped out in February 2009. Internal and external finishing works are now in progress. The occupation permit is anticipated to be obtained in the third quarter of this year. Barring unforeseen circumstances, the entire project is expected to be completed before December 2009, targeting to open for business by the end 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.

The global financial turmoil has had a profound impact on the economy and such impact has affected the leasing market in Hong Kong. The management expects the operating environment to be challenging. However, given its location and quality of construction, the Directors believe that, over time, iSQUARE should become a popular shopping centre.

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 was closed upon the judge striking out the above claims in December 2008. Accordingly, the Directors are of the opinion that no provision for the counterclaim is necessary.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders of the Company will be held on Wednesday, 9 September 2009.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of members who are entitled to attend and vote at the forthcoming Annual General Meeting, the register of members of the Company will be closed from Thursday, 3 September 2009 to Wednesday, 9 September 2009, both days inclusive, during which period no transfer of shares will be effected. All transfers must be lodged with the Company's share registrars not later than 4:30 pm on Wednesday, 2 September 2009.

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, 9 July 2009

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.