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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)

Interim Results
for the six months ended 30 September 2009
(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 2009. 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	
	<i>Note</i>	2009	2008
		\$'000	\$'000
Turnover	3(a)	12,899	8,765
Cost of services/sales		<u>(11,459)</u>	<u>(7,719)</u>
		1,440	1,046
Other revenue	4(a)	7,879	7,095
Other net income/(loss)	4(b)	40	(1,065)
Net valuation gains/(losses) on investment properties		2,151,228	(43,023)
Reversal of impairment loss in respect of other properties		2,014	2,090
Selling expenses		(257)	(270)
Administrative expenses		<u>(17,198)</u>	<u>(18,768)</u>
Profit/(loss) from operations		2,145,146	(52,895)
Finance costs	5(a)	<u>(970)</u>	<u>(38)</u>
Profit/(loss) before taxation	5	2,144,176	(52,933)
Income tax	6	<u>(352,994)</u>	<u>9,059</u>
Profit/(loss) for the period attributable to equity shareholders of the Company	3(b)	<u>1,791,182</u>	<u>(43,874)</u>
Earnings/(loss) per share — basic and diluted	8	<u>\$4.98</u>	<u>\$(0.12)</u>

Details of dividends payable to equity shareholders of the Company are set out in note 7.

Consolidated statement of comprehensive income — unaudited

	<i>Note</i>	Six months ended 30 September	
		2009	2008
		\$'000	\$'000
Profit/(loss) for the period	3(b)	<u>1,791,182</u>	<u>(43,874)</u>
Other comprehensive income/(expenses) for the period (after tax and reclassification adjustments):			
Exchange differences on translation of financial statements of overseas subsidiaries:			
— credited/(charged) to exchange reserve		6,066	(11,040)
— credited/(charged) to capital reserve		<u>6,298</u>	<u>(11,202)</u>
		<u>12,364</u>	<u>(22,242)</u>
Total comprehensive income/(expenses) for the period		<u>1,803,546</u>	<u>(66,116)</u>

Consolidated balance sheet — unaudited

	<i>Note</i>	At 30 September 2009	At 31 March 2009
		\$'000	\$'000
Non-current assets			
Fixed assets			
— Investment properties		8,420,438	5,945,610
— Other properties, plant and equipment		245,303	236,864
		8,665,741	6,182,474
Deferred tax assets		88	91
		8,665,829	6,182,565
Current assets			
Inventories		210	203
Accounts receivable, deposits and prepayments	9	22,841	9,580
Tax recoverable		1	—
Pledged bank deposits		38,167	2,226
Cash and cash equivalents		424,818	444,886
		486,037	456,895
Current liabilities			
Accounts payable, other payables and accruals	10	159,245	206,018
Deposits received		41,439	5,335
Provision for long service payments		1,363	1,774
Obligations under finance leases		29	73
Current taxation		132	68
		202,208	213,268
Net current assets		283,829	243,627
Total assets less current liabilities		8,949,658	6,426,192
Non-current liabilities			
Bank loan — secured		935,000	568,000
Government lease premiums payable		2,327	2,327
Obligations under finance leases		40	—
Deferred tax liabilities		1,048,045	695,164
Other financial liabilities		1	2
		1,985,413	1,265,493
NET ASSETS		6,964,245	5,160,699
CAPITAL AND RESERVES			
Share capital		360,000	360,000
Reserves		6,604,245	4,800,699
TOTAL EQUITY		6,964,245	5,160,699

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 2009, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2010. Details of these changes in accounting policies are set out in note 2.

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. Changes in accounting policies

The HKICPA has issued one new Hong Kong Financial Reporting Standard (“HKFRS”), a number of amendments to HKFRSs and new interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- HKFRS 8 “Operating segments”
- HKAS 1 (revised 2007) “Presentation of financial statements”
- Amendments to HKAS 27 “Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate”
- Amendments to HKFRS 7 “Financial instruments: Disclosures — improving disclosures about financial instruments”
- HKAS 23 (revised 2007) “Borrowing costs”

The amendments to HKAS 23 have had no material impact on the Group’s financial statements as the amendments were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group’s chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group’s chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group’s financial statements into segments based on related services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group’s most senior executive management, but has resulted no change in reportable segments being identified and presented (see note 3). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in the interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 April 2009 all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. Segment reporting

The Group manages its businesses by segments which are organised by business lines and geography. On first-time adoption of HKFRS 8 "Operating segments" and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments, namely "Property leasing" and "Golf and recreational club operation".

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of corporate assets. Segment liabilities include all liabilities managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Property leasing		Golf and recreational club operation		Total	
	— Hong Kong		— Malaysia			
	Six months ended		Six months ended		Six months ended	
	30 September		30 September		30 September	
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment revenue						
Revenue from external customers	<u>4,263</u>	<u>155</u>	<u>8,636</u>	<u>8,610</u>	<u>12,899</u>	<u>8,765</u>
Reportable segment profit/(loss)	<u>1,785,490</u>	<u>(43,073)</u>	<u>5,732</u>	<u>(774)</u>	<u>1,791,222</u>	<u>(43,847)</u>
Net valuation gains/(losses) on investment properties	2,151,228	(43,023)	—	—	2,151,228	(43,023)
Reversal of impairment loss in respect of other properties	—	—	2,014	2,090	2,014	2,090
Depreciation	(1,413)	(1,435)	(2,419)	(2,605)	(3,832)	(4,040)
	At 30	At 31	At 30	At 31	At 30	At 31
	September	March	September	March	September	March
	2009	2009	2009	2009	2009	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Reportable segment assets	<u>8,876,601</u>	<u>6,378,282</u>	<u>274,422</u>	<u>260,917</u>	<u>9,151,023</u>	<u>6,639,199</u>
Additions to non-current segment assets during the period	321,003	154,434	84	134	321,087	154,568
Reportable segment liabilities	<u>2,181,899</u>	<u>1,467,789</u>	<u>5,685</u>	<u>10,957</u>	<u>2,187,584</u>	<u>1,478,746</u>

(b) Reconciliations of reportable segment profit or loss, assets and liabilities

	Six months ended 30 September	
	2009	2008
	\$'000	\$'000
Profit/(loss)		
Reportable segment profit/(loss) derived from Group's external customers	1,791,222	(43,847)
Unallocated corporate expenses	<u>(40)</u>	<u>(27)</u>
Consolidated profit/(loss) for the period	<u>1,791,182</u>	<u>(43,874)</u>
	At 30 September	At 31 March
	2009	2009
	\$'000	\$'000
Assets		
Reportable segment assets	9,151,023	6,639,199
Unallocated corporate assets	<u>843</u>	<u>261</u>
Consolidated total assets	<u>9,151,866</u>	<u>6,639,460</u>
Liabilities		
Reportable segment liabilities	2,187,584	1,478,746
Unallocated corporate liabilities	<u>37</u>	<u>15</u>
Consolidated total liabilities	<u>2,187,621</u>	<u>1,478,761</u>

4. Other revenue and net income/(loss)

	Six months ended 30 September	
	2009	2008
	\$'000	\$'000
(a) Other revenue		
Interest income	1,300	6,048
Management fee received from holding company	600	600
Write-back of retention monies payable in respect of other properties	5,487	—
Others	<u>492</u>	<u>447</u>
	<u>7,879</u>	<u>7,095</u>
(b) Other net income/(loss)		
Net loss on disposal of fixed assets	(4)	(2)
Net foreign exchange gains/(losses)	<u>44</u>	<u>(1,063)</u>
	<u>40</u>	<u>(1,065)</u>

5. Profit/(loss) before taxation

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

	Six months ended 30 September	
	2009	2008
	\$'000	\$'000
(a) Finance costs		
Interest on government lease premiums payable	27	28
Finance charges on obligations under finance leases	10	10
Interest on bank loan	3,488	2,554
Other borrowing costs	<u>205</u>	<u>499</u>
Total borrowing costs	3,730	3,091
Less: Borrowing costs capitalised into property under redevelopment	<u>(2,760)</u>	<u>(3,053)</u>
	<u>970</u>	<u>38</u>
(b) Other item		
Depreciation	<u>3,832</u>	<u>4,040</u>

6. Income tax

	Six months ended 30 September	
	2009	2008
	\$'000	\$'000
Current tax		
— Hong Kong profits tax	109	92
— Overseas tax	<u>1</u>	<u>3</u>
	<u>110</u>	<u>95</u>
Deferred tax		
— Changes in fair value of investment properties	354,953	(7,099)
— Origination and reversal of temporary differences	<u>(2,069)</u>	<u>(2,055)</u>
	<u>352,884</u>	<u>(9,154)</u>
	<u>352,994</u>	<u>(9,059)</u>

The provision for Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the six months ended 30 September 2009. 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 interim period

Six months ended 30 September	
2009	2008
\$'000	\$'000

No interim dividend declared and paid after the interim period (2008: Nil)

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(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	
2009	2008
\$'000	\$'000

No final dividend in respect of the financial year ended 31 March 2009
approved and paid during the following interim period (year ended
31 March 2008: Nil)

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8. Earnings/(loss) per share — basic and diluted

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of \$1,791,182,000 (2008: loss of \$43,874,000) and 360,000,000 (2008: 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 2009 and 2008.

9. Accounts receivable, deposits and prepayments

The ageing analysis of accounts receivable (net of allowance for bad and doubtful debts) which was included in accounts receivable, deposits and prepayments as of the balance sheet date is as follows:

	At 30 September 2009 \$'000	At 31 March 2009 \$'000
Current	3,894	378
Less than 1 month past due	459	72
1 to 3 months past due	182	181
More than 3 months but less than 12 months past due	503	506
Amounts past due	1,144	759
Total accounts receivable, net of allowance for bad and doubtful debts	5,038	1,137
Deposits and prepayments	17,803	8,443
	22,841	9,580

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 legal 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.

10. Accounts payable, other payables and accruals

All of the accounts payable, other payables and accruals except for \$24,525,000 (31 March 2009: \$43,040,000), mainly represented retention monies payable, is expected to be settled within one year.

The ageing analysis of accounts payable which was included in accounts payable, other payables and accruals as of the balance sheet date is as follows:

	At 30 September 2009 \$'000	At 31 March 2009 \$'000
Due within 1 month or on demand	245	350
Due after 1 month but within 3 months	568	495
Due after 3 months but within 6 months	140	253
Due after 6 months but within 12 months	—	—
Due after 12 months	30	28
Total accounts payable	983	1,126
Accruals and retention monies payable for redevelopment work	145,716	195,873
Other payables and accruals	12,546	9,019
	159,245	206,018

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: Nil).

BUSINESS REVIEW

- The Group recorded a profit from operations of \$2,145.1 million for the half year ended 30 September 2009, compared with a loss from operations of \$52.9 million for the corresponding period of last year. The profit was almost entirely due to the valuation gains on investment properties in particular 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 valuation gains on investment properties recorded for the half year ended 30 September 2009 were \$2,151.2 million, compared with the net valuation losses on investment properties of \$43.0 million for the corresponding period of last year. The valuation gains on investment properties will only affect the accounting profit or loss but not the cash flow of the Group. Excluding the valuation movement on investment properties, the Group recorded a loss from operations of approximately \$6.1 million for the half year ended 30 September 2009 as compared with a loss from operations of approximately \$9.9 million for the corresponding period of last year. The improvement was mainly due to initial contribution from certain effective tenancy agreements of iSQUARE.

- Austin Hills Golf Resort, the Group's golf and recreational club operation, recorded a segment profit of \$5.7 million for the half year ended 30 September 2009, compared with a segment loss of \$0.8 million (restated) for the corresponding period of last year. It was mainly due to the write-back of retention monies payable in respect of the other properties during the period.
- Interest income for the half year ended 30 September 2009 amounted to \$1.3 million, a decrease of approximately \$4.7 million mainly due to a decrease in interest rates compared with the corresponding period in 2008.
- The total equity for the Group at 30 September 2009 was \$6,964.2 million, compared with \$5,160.7 million at 31 March 2009. 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 2009, the banking facilities were utilised to the extent of \$935 million and the Group's gearing ratio was 13.4% (calculated as total bank loan over total equity).

- At 30 September 2009, the total number of employees of the Group, excluding the staff employed by DTZ Debenham Tie Leung Property Management Limited for general building and property management of iSQUARE, was 121 (30 September 2008: 118) and the related costs incurred during the period were approximately \$10.3 million (30 September 2008: \$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 2009 which necessitates additional disclosure to that made herein.

OUTLOOK

The occupation permit of iSQUARE was issued by the Building Authority in August 2009 and the development of iSQUARE has been substantially completed. Finishing and enhancement works are underway. Leasing of units in iSQUARE is in progress. Management targets to have its soft opening before the end of 2009.

Though signs of easing in the contraction of the global economy have emerged, management still expects the operating environment to be challenging. Management will monitor the market situation and will adopt appropriate leasing strategies and marketing programs to attract customers. Given its excellent location and the high quality of construction, management is confident that over time iSQUARE should become a popular shopping centre.

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, 27 November 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.