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 2010

(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 2010. 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	**2010**	2009 (restated)
		$'000	*$'000*
Continuing operation			
Turnover	3	**181,649**	4,263
Cost of services		**(30,482)**	(3,914)
Gross profit		**151,167**	349
Other revenue	6(a)	**2,042**	1,841
Other net income	6(b)	**1,914**	63
Valuation gains on investment properties		**659,901**	2,151,228
Administrative expenses		**(15,345)**	(14,078)
Profit from operations		**799,679**	2,139,403
Finance costs	7(a)	**(4,450)**	(960)
Profit before taxation	7	**795,229**	2,138,443
Income tax	8	**(98,387)**	(352,993)
Profit for the period from continuing operation		**696,842**	1,785,450
Discontinued operation			
(Loss)/profit for the period from discontinued operation	5(a)	**(385)**	5,732
Profit for the period attributable to equity shareholders of the Company		**696,457**	1,791,182
Earnings per share — basic and diluted	10		
Continuing operation		**$1.93**	$4.96
Discontinued operation		**$(0.00)**	$0.02
		$1.93	$4.98

Details of dividends payable to equity shareholders of the Company are set out in note 9.

Consolidated statement of comprehensive income — unaudited

	Six months ended 30 September	
	2010	2009
	$'000	*$'000*
Profit for the period	**696,457**	1,791,182
Other comprehensive income for the period (after tax and reclassification adjustments):		
Surplus on revaluation of other properties, net of deferred tax	**14,098**	—
Exchange differences on translation of financial statements of overseas subsidiaries	**16,845**	12,364
	30,943	12,364
Total comprehensive income for the period	**727,400**	1,803,546

Consolidated balance sheet — unaudited

	Note	**At 30 September 2010**		At 31 March 2010	
		$'000	***$'000***	*$'000*	*$'000*
Non-current assets					
Fixed assets					
— Investment properties			**9,747,793**		9,044,420
— Other properties, plant and equipment			**105,172**		129,416
			9,852,965		9,173,836
Deferred tax assets			**—**		71
			9,852,965		9,173,907
Current assets					
Accounts receivable, deposits and prepayments	11	**52,545**		52,726	
Pledged bank deposits		**314,606**		159,802	
Cash and cash equivalents		**397,600**		402,731	
		764,751		615,259	
Assets of a disposal group classified as held for sale	5(c)	**308,501**		291,757	
		1,073,252		907,016	
Current liabilities					
Bank loan — secured		**100,000**		—	
Other payables and accruals	12	**144,873**		203,024	
Deposits received		**106,319**		99,672	
Provision for long service payments		**1,374**		1,399	
Obligations under finance leases		**41**		31	
Current taxation		**3**		3	
		352,610		304,129	
Liabilities of a disposal group classified as held for sale	5(c)	**5,793**		5,509	
		358,403		309,638	
Net current assets			**714,849**		597,378
Total assets less current liabilities			**10,567,814**		9,771,285
Non-current liabilities					
Bank loan — secured		**1,073,000**		1,105,000	
Government lease premiums payable		**2,284**		2,284	
Obligations under finance leases		**141**		114	
Deferred tax liabilities		**1,253,629**		1,152,527	
			2,329,054		2,259,925
NET ASSETS			**8,238,760**		7,511,360
CAPITAL AND RESERVES					
Share capital			**360,000**		360,000
Reserves			**7,878,760**		7,151,360
TOTAL EQUITY			**8,238,760**		7,511,360

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 2010, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2011. 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 two revised Hong Kong Financial Reporting Standards ("HKFRSs"), a number of amendments to HKFRSs and one new interpretation 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 3 (revised 2008) "Business combinations"

— HKAS 27 (revised 2008) "Consolidated and separate financial statements"

— Amendments to HKFRS 5 "Non-current assets held for sale and discontinued operations — plan to sell the controlling interest in a subsidiary"

— Improvements to HKFRSs (2009)

— HK(IFRIC) Interpretation 17 "Distributions of non-cash assets to owners"

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

The developments resulted in changes in accounting policies but none of these changes in policies have a material impact on the current or comparative periods for the following reasons:

— The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK(IFRIC) Interpretation 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

— The amendment introduced by the "Improvements to HKFRSs (2009)" omnibus standard in respect of HKAS 17 "Leases" did not result in a change of classification of the Group's leasehold land interests.

3. Turnover

The principal activity of the Group is property investment after the Group's golf and recreational club operation has been classified as discontinued operation as set out in note 5.

The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 30 September	
	2010	2009
	$'000	*$'000*
Continuing operation		
Gross rentals from investment properties	**181,649**	4,263
Discontinued operation		
Revenue from golf and recreational club operation	**8,531**	8,636

4. Segment reporting

The Group manages its businesses by segments which are organised by business lines and geography. 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". The golf and recreational club operation has been classified as discontinued operation and the related information has been set out in note 5. The information regarding continuing operation as presented in the consolidated income statement represents the information of the other reportable segment, property leasing.

Geographical information presents similar information 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 information is presented.

5. Disposal group and discontinued operation — Golf and recreational club operation

On 11 December 2009, the Directors made an announcement stating that certain subsidiaries had entered into a sale and purchase agreement with an independent third party to dispose of the Group's properties located in Malaysia mainly comprising the golf course land, the golf resort which is situated on the golf course land, the condominium land and the bungalow land (together referred to as the "Properties") at an aggregate consideration of approximately MYR204,582,000 (equivalent to HK$500,571,000 at the balance sheet date).

Upon completion of the disposal of the Properties, the Group's golf and recreational club operation will cease. Accordingly, all the assets and liabilities related to the operation including the Properties are classified as held for sale and the operation is therefore classified as discontinued operation. No impairment loss was recognised on reclassification of the assets as held for sale. Pursuant to the terms of the agreement, the sale transaction is conditional upon and subject to the fulfilment of certain conditions precedent. The sale transaction was in progress at the balance sheet date and is anticipated to be completed in or about April 2011.

(a) The results of the discontinued operation for the current and prior periods are as follows:

		Six months ended 30 September	
	Note	**2010**	2009
		$'000	*$'000*
Turnover	3	**8,531**	8,636
Cost of services/sales		**(5,748)**	(7,545)
Gross profit		**2,783**	1,091
Other revenue		**1,188**	6,038
Other net income/(loss)		**2**	(23)
Reversal of impairment loss in respect of other properties		**—**	2,014
Selling expenses		**(320)**	(257)
Administrative expenses		**(4,037)**	(3,120)
(Loss)/profit from operations		**(384)**	5,743
Finance costs		**—**	(10)
(Loss)/profit before taxation		**(384)**	5,733
Income tax		**(1)**	(1)
(Loss)/profit for the period		**(385)**	5,732

(b) **The cash flows of the discontinued operation for the current and prior periods are as follows:**

	Six months ended 30 September	
	2010	2009
	$'000	*$'000*
Net cash (used in)/generated from operating activities	**(643)**	670
Net cash generated from/(used in) investing activities	**180**	(12)
Net cash used in financing activities	**—**	(68)
Net cash flows	**(463)**	590

(c) **The major classes of assets and liabilities comprising the golf and recreational club operation are as follows:**

	At 30 September	At 31 March
	2010	2010
	$'000	*$'000*
Assets of a disposal group classified as held for sale		
Fixed assets	**304,004**	286,900
Inventories	**199**	228
Accounts receivable, deposits and prepayments	**2,130**	2,147
Tax recoverable	**2**	1
Cash and cash equivalents	**2,166**	2,481
	308,501	291,757
Liabilities of a disposal group classified as held for sale		
Accounts payable, other payables and accruals	**2,681**	2,348
Deposits received	**3,111**	3,160
Other financial liabilities	**1**	1
	5,793	5,509

6. Other revenue and net income

		Six months ended 30 September	
		2010	2009
			(restated)
		$'000	*$'000*
(a)	**Other revenue**		
	Interest income	**1,284**	1,228
	Management fee received from holding company	**600**	600
	Others	**158**	13
		2,042	1,841
(b)	**Other net income**		
	Net profit on disposal of fixed assets	**6**	—
	Net foreign exchange gains	**1,908**	63
		1,914	63

7. Profit before taxation

Profit before taxation is arrived at after charging/(crediting) the amounts as set out below. The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operation.

		Six months ended 30 September	
		2010	2009
		$'000	*$'000*
(a)	**Finance costs**		
	Interest on government lease premiums payable	**27**	27
	Finance charges on obligations under finance leases	**—**	10
	Interest on bank loan	**4,391**	3,488
	Other borrowing costs	**32**	205
	Total borrowing costs	**4,450**	3,730
	Less: Borrowing costs capitalised into property under redevelopment	**—**	(2,760)
		4,450	970
	Attributable to:		
	Continuing operation	**4,450**	960
	Discontinued operation (note 5(a))	**—**	10
		4,450	970
(b)	**Other item**		
	Depreciation	**3,259**	3,832

8. **Income tax**

	Six months ended 30 September	
	2010	2009
	$'000	*$'000*
Current tax		
— Hong Kong profits tax	**—**	109
— Overseas tax	**1**	1
	1	110
Deferred tax		
— Changes in fair value of investment properties	**108,884**	354,953
— Origination and reversal of temporary differences	**(10,497)**	(2,069)
	98,387	352,884
	98,388	352,994
Attributable to:		
Continuing operation	**98,387**	352,993
Discontinued operation (note 5(a))	**1**	1
	98,388	352,994

The provision for Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the six months ended 30 September 2010. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

9. Dividends

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

	Six months ended 30 September	
	2010	2009
	$'000	*$'000*
No interim dividend declared and paid after the interim period (2009: 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	
	2010	2009
	$'000	*$'000*
No final dividend in respect of the financial year ended 31 March 2010 approved and paid during the following interim period (year ended 31 March 2009: Nil)	**—**	—

10. Earnings per share — basic and diluted

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of $696,457,000 (2009: $1,791,182,000) represented by the profit from continuing operation of $696,842,000 (2009: $1,785,450,000) and the loss from discontinued operation of $385,000 (2009: profit of $5,732,000), and 360,000,000 (2009: 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 2010 and 2009.

11. 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 2010	At 31 March 2010
	$'000	*$'000*
Current	**43,961**	39,635
Less than 1 month past due	**694**	2,625
1 to 3 months past due	**252**	477
More than 3 months but less than 12 months past due	**13**	60
More than 12 months past due	**1**	—
Amounts past due	**960**	3,162
Total accounts receivable, net of allowance for bad and doubtful debts	**44,921**	42,797
Deposits and prepayments	**7,624**	9,929
	52,545	52,726

Debts in respect of golf and recreational club operation are generally due after 60 days from the date of billing. For property leasing, debts are generally due on the 1st day of each month and 10 to 14 days are allowed for settlement or else interest will be charged. 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.

12. Other payables and accruals

	At 30 September 2010	At 31 March 2010
	$'000	*$'000*
Accruals and retention monies payable for redevelopment work	**111,553**	171,059
Other payables and accruals	**33,320**	31,965
	144,873	203,024

All of the other payables and accruals are expected to be settled within one year.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: Nil).

BUSINESS REVIEW

- The Group achieved a profit from operations (under Continuing operation) of $799.7 million for the half year ended 30 September 2010, representing a decrease of approximately 62.6% compared with the corresponding period of last year. The decrease was mainly due to the reduction in valuation gains on investment properties from $2,151.2 million for the period of last year to $659.9 million for the period under review. The valuation gains will only affect the accounting profit or loss but not the cash flow of the Group. Excluding the valuation gains on investment properties, the Group achieved a profit from operations (under Continuing operation) for the half year ended 30 September 2010 of approximately $139.8 million as compared with a loss of approximately $11.8 million for the corresponding period of last year. Such change was mainly due to an increase of rental income from iSQUARE throughout the period under review compared to the corresponding period of last year (rental income from iSQUARE started in September 2009).

  With the inclusion of the discontinued operation (see note 5), the Group achieved a profit from operations of approximately $799.3 million, compared with a profit from operations of approximately $2,145.1 million for the corresponding period of last year.

- iSQUARE is a commercial complex housing a number of retail, entertainment, food and beverage establishments and had its soft-opening in December 2009. Rental income from iSQUARE amounted to approximately $181.5 million for the half year ended 30 September 2010 and the occupancy rate at 30 September 2010 was approximately 81%.

- With the inclusion of the discontinued operation, interest income for the half year ended 30 September 2010 amounted to approximately $1.5 million, representing an increase of approximately $0.2 million compared with the corresponding period in 2009.

- The total equity for the Group at 30 September 2010 was $8,238.8 million, compared with $7,511.4 million at 31 March 2010.

- 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 2010, the banking facilities were utilised to the extent of $1,173 million and the Group's gearing ratio was 14.2% (calculated as total bank loan over total equity).

- At 30 September 2010, 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 122 (30 September 2009: 121) and the related costs incurred during the period were approximately $12.1 million (30 September 2009: $10.3 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 2010 which necessitates additional disclosure to that made herein.

OUTLOOK

The Group continues to market iSQUARE to enhance the leasing performance of iSQUARE. The Directors believe that iSQUARE will continue to evolve into a leading consumer destination in the area and expect rental income will increase.

As announced on 11 December 2009, certain subsidiaries have entered into a sale and purchase agreement with an independent third party to dispose of the Group's properties located in Malaysia mainly comprising the golf course land, the golf resort which is situated on the golf course land, the condominium land and the bungalow land (together referred to as the "Properties"). Upon completion of the disposal of the Properties, the Group's golf and recreational club operation will cease. Pursuant to the terms of the agreement, the sale transaction is conditional upon and subject to the fulfilment of certain conditions precedent. The sale transaction was in progress at the balance sheet date and is anticipated to be completed in or about April 2011. The Directors consider that the disposal of the Properties will be beneficial to the Group.

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, 29 November 2010

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.