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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 2011

(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 2011. 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

	Note	Year ended 31 March 2011 \$'000	2010 (restated) \$'000
Continuing operation			
Turnover	3	376,374	119,956
Cost of services		(79,162)	(40,222)
Gross profit		297,212	79,734
Other revenue	6(a)	4,442	3,483
Other net income	6(b)	8,901	773
Valuation gains on investment properties		759,864	2,725,350
Administrative expenses		(33,740)	(32,376)
Profit from operations		1,036,679	2,776,964
Finance costs	7(a)	(9,175)	(4,325)
Profit before taxation	7	1,027,504	2,772,639
Income tax	8	(7,555)	(7,904)
Profit for the year from continuing operation		1,019,949	2,764,735
Discontinued operation			
Profit for the year from discontinued operation	5(a)	202,494	5,366
Profit for the year attributable to equity shareholders of the Company		1,222,443	2,770,101
Earnings per share — basic and diluted	10		
Continuing operation		\$2.84	\$7.67
Discontinued operation		\$0.56	\$0.02
		\$3.40	\$7.69

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

Consolidated statement of comprehensive income

	Year ended 31 March	
	2011	2010
	\$'000	(restated) \$'000
Profit for the year	1,222,443	2,770,101
Other comprehensive income for the year (after tax and reclassification adjustments):		
Exchange differences on translation of financial statements of overseas subsidiaries	22,456	30,243
Surplus on revaluation of other properties	16,884	—
	39,340	30,243
Total comprehensive income for the year	1,261,783	2,800,344

Consolidated balance sheet

	<i>Note</i>	At 31 March 2011 \$'000	At 31 March 2010 (restated) \$'000	At 1 April 2009 (restated) \$'000
Non-current assets				
Fixed assets				
— Investment properties		9,859,010	9,044,420	5,945,610
— Other properties, plant and equipment		102,006	129,416	236,864
		9,961,016	9,173,836	6,182,474
Deferred tax assets		—	7,284	14,984
		9,961,016	9,181,120	6,197,458
Current assets				
Inventories		—	—	203
Accounts receivable, deposits and prepayments	11	56,032	52,726	9,580
Current tax recoverable		209	—	—
Pledged bank deposits		502,768	159,802	2,226
Cash and cash equivalents		892,024	402,731	444,886
		1,451,033	615,259	456,895
Assets of a disposal group classified as held for sale	5(c)	—	291,757	—
		1,451,033	907,016	456,895
Current liabilities				
Bank loan — secured		200,000	—	—
Other payables and accruals	12	145,225	203,024	206,018
Deposits received		129,899	99,672	5,335
Provision for long service payments		1,370	1,399	1,774
Obligations under finance leases		41	31	73
Current tax payable		—	3	68
		476,535	304,129	213,268
Liabilities of a disposal group classified as held for sale	5(c)	—	5,509	—
		476,535	309,638	213,268
Net current assets				
		974,498	597,378	243,627
Total assets less current liabilities				
		10,935,514	9,778,498	6,441,085
Non-current liabilities				
Bank loan — secured		1,000,000	1,105,000	568,000
Government lease premiums payable		2,240	2,284	2,327
Obligations under finance leases		120	114	—
Deferred tax liabilities		271	—	—
Other financial liabilities		—	—	2
		1,002,631	1,107,398	570,329
NET ASSETS				
		9,932,883	8,671,100	5,870,756
CAPITAL AND RESERVES				
Share capital		360,000	360,000	360,000
Reserves		9,572,883	8,311,100	5,510,756
TOTAL EQUITY				
		9,932,883	8,671,100	5,870,756

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 2010, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ended 31 March 2011. Details of these changes in accounting policies are set out in note 2.

2. Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two 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 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*
- HK Interpretation 5, *Presentation of financial statements — classification by the borrower of a term loan that contains a repayment on demand clause*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with the exception of the amendments to HKAS 12, *Income taxes*, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, *Investment property*, and non-depreciable assets measured under the revaluation model in HKAS 16, *Property, plant and equipment*. The amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the amendments, the Group has decided to adopt the amendments early.

(a) Early adoption of the amendments to HKAS 12, *Income taxes*

The change in policy arising from the amendments to HKAS 12 is the only change which has had a material impact on the current and comparative periods. As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the balance sheet date, unless the property is depreciable and is held within the business model whose objective is to consume substantially all of the economic benefits embodied in the property over time rather than through sale. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset’s value through use.

The Group’s revaluation reserve includes hotel properties revaluation surpluses recognised in prior years. The hotel was previously measured using the revaluation model in HKAS 16 and has been redeveloped into iSQUARE. The amendments to HKAS 12 require that deferred tax arising from a non-depreciable asset measured using the revaluation model in HKAS 16 shall reflect the tax consequences of recovering the carrying amount of the underlying asset through sale.

This change in policy has been applied retrospectively by restating the opening balances at 1 April 2009 and 2010, with consequential adjustments to comparatives for the year ended 31 March 2010. This has resulted in a reduction in the amount of deferred tax provided on valuation gains as follows:

	As previously reported \$'000	Effect of adoption of amendments to HKAS 12 \$'000	As restated \$'000
Consolidated income statement for the year ended 31 March 2010			
Income tax	(457,587)	449,683	(7,904)
Profit for the year attributable to equity shareholders of the Company	2,320,418	449,683	2,770,101
Earnings per share — basic and diluted	\$6.45	\$1.24	\$7.69
Consolidated balance sheet at 31 March 2010			
Deferred tax assets	71	7,213	7,284
Deferred tax liabilities	(1,152,527)	1,152,527	—
Retained earnings	5,529,064	869,132	6,398,196
Revaluation reserve	1,470,658	290,608	1,761,266
Consolidated balance sheet at 1 April 2009			
Deferred tax assets	91	14,893	14,984
Deferred tax liabilities	(695,164)	695,164	—
Retained earnings	3,208,646	419,449	3,628,095
Revaluation reserve	1,470,658	290,608	1,761,266

(b) Other changes in accounting policies as a result of developments in HKFRSs

The issuance of HK Interpretation 5 has had no material impact on the Group's financial statements as the Interpretation was consistent with the policy already adopted by the Group.

The rest of the above developments have 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 year is as follows:

	Year ended 31 March	
	2011 \$'000	2010 \$'000
Continuing operation		
Gross rentals from investment properties	<u>376,374</u>	<u>119,956</u>
Discontinued operation		
Revenue from golf and recreational club operation (note 5(a))	<u>17,010</u>	<u>17,246</u>

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\$508,531,000 at 2 March 2011).

Upon completion of the disposal of the Properties, the Group's golf and recreational club operation would cease. Accordingly, all the assets and liabilities related to the operation including the Properties were classified as held for sale and the operation was therefore classified as discontinued operation. No impairment loss was recognised on reclassification of the assets as held for sale.

The disposal of the Properties was completed on 2 March 2011 and the Group's golf and recreational club operation ceased thereafter.

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

	<i>Note</i>	Year ended 31 March	
		2011 \$'000	2010 \$'000
Turnover	3	17,010	17,246
Cost of services/sales		<u>(11,554)</u>	<u>(15,631)</u>
Gross profit		5,456	1,615
Other revenue		1,623	6,599
Other net income/(loss)		100	(39)
Gain on disposal of fixed assets		203,831	6
Reversal of impairment loss in respect of other properties		—	4,145
Selling expenses		(544)	(600)
Administrative expenses		<u>(7,971)</u>	<u>(6,343)</u>
Profit from operations		202,495	5,383
Finance costs		<u>—</u>	<u>(13)</u>
Profit before taxation		202,495	5,370
Income tax		<u>(1)</u>	<u>(4)</u>
Profit for the year		<u>202,494</u>	<u>5,366</u>

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

	Year ended 31 March	
	2011 \$'000	2010 \$'000
Net cash (used in)/generated from operating activities	(514,467)	75
Net cash generated from/(used in) investing activities	511,986	(99)
Net cash used in financing activities	<u>—</u>	<u>(93)</u>
Net cash flows	<u>(2,481)</u>	<u>(117)</u>

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

	At 31 March	
	2011 \$'000	2010 \$'000
Assets of a disposal group classified as held for sale		
Fixed assets	<u>—</u>	286,900
Inventories	<u>—</u>	228
Accounts receivable, deposits and prepayments	<u>—</u>	2,147
Current tax recoverable	<u>—</u>	1
Cash and cash equivalents	<u>—</u>	2,481
	<u>—</u>	<u>291,757</u>
Liabilities of a disposal group classified as held for sale		
Accounts payable, other payables and accruals	<u>—</u>	2,348
Deposits received	<u>—</u>	3,160
Other financial liabilities	<u>—</u>	1
	<u>—</u>	<u>5,509</u>

6. Other revenue and net income

		Year ended 31 March	
		2011	2010
		\$'000	\$'000
(a)	Other revenue		
	Interest income	3,029	2,038
	Management fee received from holding company	1,200	1,200
	Others	213	245
		<u>4,442</u>	<u>3,483</u>
(b)	Other net income		
	Net gain/(loss) on disposal of fixed assets	6	(12)
	Net foreign exchange gains	8,895	785
		<u>8,901</u>	<u>773</u>

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.

		Year ended 31 March	
		2011	2010
		\$'000	\$'000
(a)	Finance costs		
	Interest on government lease premiums payable	115	117
	Finance charges on obligations under finance leases	—	13
	Interest on bank loan	8,920	6,536
	Other borrowing costs	140	379
		<u>9,175</u>	<u>7,045</u>
	Total borrowing costs	9,175	7,045
	Less: Borrowing costs capitalised into property under redevelopment*	—	(2,707)
		<u>9,175</u>	<u>4,338</u>
	Attributable to:		
	Continuing operation	9,175	4,325
	Discontinued operation (note 5(a))	—	13
		<u>9,175</u>	<u>4,338</u>
(b)	Other items		
	Cost of inventories (including write off of inventories of \$212,000 (2010: Nil))	1,875	1,624
	Depreciation	6,583	8,834

* The borrowing costs were capitalised at a rate of 0.25% per annum in 2010.

8. Income tax

	Year ended 31 March	
	2011	2010
	\$'000	(restated) \$'000
Current tax — Hong Kong profits tax		
Provision for the year	—	204
Current tax — Overseas		
Provision for the year	1	4
Deferred tax		
Origination and reversal of temporary differences	7,555	7,700
	<u>7,556</u>	<u>7,908</u>
Attributable to:		
Continuing operation	7,555	7,904
Discontinued operation (note 5(a))	1	4
	<u>7,556</u>	<u>7,908</u>

The provision for Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) 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.

9. Dividends

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

	Year ended 31 March	
	2011	2010
	\$'000	\$'000
No interim dividend declared and paid (2010: Nil)	—	—
Final dividend proposed after the balance sheet date of \$0.45 per share (2010: Nil)	162,000	—
	<u>162,000</u>	<u>—</u>

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(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	
	2011	2010
	\$'000	\$'000
No final dividend in respect of the previous financial year, approved and paid during the year (2010: 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 \$1,222,443,000 (2010 (restated): \$2,770,101,000) represented by the profit from continuing operation of \$1,019,949,000 (2010 (restated): \$2,764,735,000) and the profit from discontinued operation of \$202,494,000 (2010: \$5,366,000), and 360,000,000 (2010: 360,000,000) ordinary shares in issue during the year. There were no potential dilutive ordinary shares in existence in 2010 and 2011.

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 31 March	
	2011	2010
	\$'000	\$'000
Current	44,272	39,635
Less than 1 month past due	1,366	2,625
1 to 3 months past due	666	477
More than 3 months but less than 12 months past due	557	60
More than 12 months past due	1	—
Amounts past due	2,590	3,162
Total accounts receivable, net of allowance for bad and doubtful debts	46,862	42,797
Deposits and prepayments	9,170	9,929
	56,032	52,726

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. Legal action will be taken against past due debtors whenever the situation is appropriate.

12. Other payables and accruals

	At 31 March	
	2011	2010
	\$'000	\$'000
Accruals and retention monies payable for redevelopment work	87,101	171,059
Other payables and accruals	58,124	31,965
	145,225	203,024

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

DIVIDEND

The Board is pleased to recommend a final dividend of \$0.45 per share for the year ended 31 March 2011 (2010: Nil). With this proposed final dividend, it will make a total distribution of \$0.45 per share for the year (2010: Nil), as no interim dividend was paid during the year. Subject to the shareholders' approval on the proposed final dividend at the forthcoming Annual General Meeting ("AGM"), the register of members of the Company will be closed for the purpose of determining entitlement to the said final dividend from Thursday, 22 September 2011 to Tuesday, 27 September 2011, both days inclusive, during which period no transfer of shares will be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, not later than 4:30 pm on Wednesday, 21 September 2011. The proposed final dividend will be paid on Wednesday, 12 October 2011 to shareholders whose names appear on the register of members on Tuesday, 27 September 2011 following approval at the AGM. A separate announcement pertaining to the closure of register of members for dividend entitlement will be published subsequent to the AGM.

BUSINESS REVIEW

- The Group achieved a profit from operations (under Continuing operation) of \$1,036.7 million for the financial year ended 31 March 2011, representing a decrease of approximately 62.7% compared with the previous financial year. The decrease was mainly due to the reduction in valuation gains on investment properties from \$2,725.4 million for the previous financial year to \$759.9 million for the year 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 financial year ended 31 March 2011 of approximately \$276.8 million, representing an increase of approximately \$225.2 million compared with the previous financial year. The increase was almost attributable to a full year rental income from iSQUARE in the year under review compared to the previous financial 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 \$1,239.2 million, compared with a profit from operations of approximately \$2,782.3 million for the previous financial year.

- As announced on 2 March 2011, the disposal 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 was completed on 2 March 2011 and the Group's golf and recreational club operation ceased thereafter.
- iSQUARE is a commercial complex housing a number of retail, entertainment, food and beverage establishments and had its first full year rental contribution. Rental income from iSQUARE amounted to approximately \$376.1 million for the financial year ended 31 March 2011 and the occupancy rate at 31 March 2011 was approximately 92%.

- With the inclusion of the discontinued operation, interest income for the financial year ended 31 March 2011 amounted to approximately \$3.3 million, representing an increase of approximately \$1.2 million compared with the previous financial year.
- The total equity for the Group at 31 March 2011 was \$9,932.9 million, compared with \$8,671.1 million (restated) 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 exercised the option as contained in the facility agreement to request for the extension of the facilities for two additional years. The lending bank has agreed, subject to certain conditions, to grant such an extension. At 31 March 2011, the banking facilities totalling \$1,200 million were fully utilised and the Group's gearing ratio was 12.1% (calculated as total bank loan over total equity). Subsequent to the balance sheet date, the Company early repaid the bank loan totalling \$900 million in April and May 2011.
- At 31 March 2011, 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 127 (31 March 2010: 126) and the related costs incurred during the year were approximately \$28.2 million (31 March 2010: \$24.7 million). Subsequent to the cessation of the Group's golf and recreational club operation on 2 March 2011, employees engaged in that operation are being retained by the Group until 30 June 2011 under a transitional arrangement with the purchaser, with an arrangement for reimbursement by the purchaser. After 30 June 2011, the number of employees of the Group will reduce accordingly.

OUTLOOK

The retail property market in Hong Kong is currently strong. The Group actively monitors the tenant mix of iSQUARE and continues to market the mall to enhance its leasing performance. Barring unforeseen circumstances, the Directors believe that iSQUARE will continue to evolve into a leading consumer destination in the area and expect rental income will continue to increase.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders of the Company will be held on Tuesday, 6 September 2011.

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, 1 September 2011 to Tuesday, 6 September 2011, both days inclusive, during which period no transfer of shares will be effected. All transfers must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Wednesday, 31 August 2011.

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, 28 June 2011

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.