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 2012

(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 2012. 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	
	Note	**2012**	2011
		$'000	*$'000*
Continuing operation			
Turnover	3	**455,269**	376,374
Cost of services		**(63,291)**	(79,162)
Gross profit		**391,978**	297,212
Other revenue	6(a)	**4,618**	4,442
Other net income	6(b)	**196**	8,901
Administrative expenses		**(36,788)**	(33,740)
Profit from operations before valuation changes in investment properties		**360,004**	276,815
Valuation gains on investment properties		**173,464**	759,864
Profit from operations after valuation changes in investment properties		**533,468**	1,036,679
Finance costs	7(a)	**(2,464)**	(9,175)
Profit before taxation	7	**531,004**	1,027,504
Income tax	8	**(101,264)**	(7,555)
Profit for the year from continuing operation		**429,740**	1,019,949
Discontinued operation			
Profit for the year from discontinued operation	5(a)	**—**	202,494
Profit for the year attributable to equity shareholders of the Company		**429,740**	1,222,443
Earnings per share — basic and diluted	10		
Continuing operation		**$1.19**	$2.84
Discontinued operation		**—**	$0.56
		$1.19	$3.40

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	
	2012	2011
	$'000	*$'000*
Profit for the year	**429,740**	1,222,443
Other comprehensive income for the year (after tax and reclassification adjustments):		
Exchange differences on translation of financial statements of overseas subsidiaries	**(15)**	22,456
Surplus on revaluation of other properties	**—**	16,884
	(15)	39,340
Total comprehensive income for the year	**429,725**	1,261,783

Consolidated balance sheet

	Note	At 31 March 2012		At 31 March 2011	
		$'000	*$'000*	*$'000*	*$'000*
Non-current assets					
Fixed assets					
— Investment properties			**10,047,350**		9,859,010
— Other properties, plant and equipment			**109,382**		102,006
			10,156,732		9,961,016
Current assets					
Accounts receivable, deposits and prepayments	11	**40,147**		56,032	
Current tax recoverable		**7**		209	
Pledged bank deposits		**276,352**		502,768	
Cash and cash equivalents		**114,757**		892,024	
		431,263		1,451,033	
Current liabilities					
Bank loan — secured		**—**		200,000	
Other payables and accruals	12	**82,464**		145,225	
Deposits received		**136,538**		129,899	
Provision for long service payments		**1,601**		1,370	
Obligations under finance leases		**41**		41	
Current tax payable		**39,993**		—	
		260,637		476,535	
Net current assets			**170,626**		974,498
Total assets less current liabilities			**10,327,358**		10,935,514
Non-current liabilities					
Bank loan — secured		**200,000**		1,000,000	
Government lease premiums payable		**2,193**		2,240	
Obligations under finance leases		**79**		120	
Deferred tax liabilities		**25,278**		271	
			227,550		1,002,631
NET ASSETS			**10,099,808**		9,932,883
CAPITAL AND RESERVES					
Share capital			**360,000**		360,000
Reserves			**9,739,808**		9,572,883
TOTAL EQUITY			**10,099,808**		9,932,883

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 2011, except for the accounting policy changes that have been reflected in the financial statements for the year ended 31 March 2012. Details of these changes in accounting policies are set out in note 2.

2. Changes in accounting policies

The HKICPA has issued 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:

— HKAS 24 (revised 2009), *Related party disclosures*

— Improvements to HKFRSs (2010)

The impacts of these developments are discussed below:

— HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

— Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

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 using 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 decided to adopt the amendments during the year ended 31 March 2011.

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	
	2012	2011
	$'000	*$'000*
Continuing operation		
Gross rentals from investment properties	**455,269**	376,374
Discontinued operation		
Revenue from golf and recreational club operation (note 5(a))	**—**	17,010

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. Discontinued operation — Golf and recreational club operation

On 2 March 2011, the Group completed the disposal of 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, 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:

	Note	**Year ended 31 March** **2012** ***$'000***	2011 *$'000*
Turnover	3	—	17,010
Cost of services/sales		—	(11,554)
Gross profit		—	5,456
Other revenue		—	1,623
Other net income		—	100
Gain on disposal of fixed assets		—	203,831
Selling expenses		—	(544)
Administrative expenses		—	(7,971)
Profit from operations		—	202,495
Finance costs		—	—
Profit before taxation		—	202,495
Income tax	8	—	(1)
Profit for the year		—	202,494

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

	Year ended 31 March **2012** ***$'000***	2011 *$'000*
Net cash used in operating activities	—	(514,467)
Net cash generated from investing activities	—	511,986
Net cash flows	—	(2,481)

6. Other revenue and net income

	Year ended 31 March 2012 $'000	2011 $'000
(a) Other revenue		
Interest income	**2,909**	3,029
Management fee received from holding company	**1,200**	1,200
Others	**509**	213
	4,618	4,442
(b) Other net income		
Net (loss)/gain on disposal of fixed assets	**(60)**	6
Net foreign exchange gains	**256**	8,895
	196	8,901

7. Profit before taxation

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

	Year ended 31 March 2012 $'000	2011 $'000
(a) Finance costs		
Interest on bank loan	**2,065**	8,920
Interest on government lease premiums payable	**113**	115
Other borrowing costs	**286**	140
	2,464	9,175
(b) Other items		
Cost of inventories (including write off of inventories of Nil (2011: $212,000))	**—**	1,875
Depreciation	**7,048**	6,583

8. Income tax

	Year ended 31 March	
	2012	2011
	$'000	*$'000*
Current tax — Hong Kong profits tax		
Provision for the year	**50,379**	—
Under-provision in respect of prior years	**25,878**	—
	76,257	—
Current tax — Overseas		
Provision for the year	**—**	1
Deferred tax		
Origination and reversal of temporary differences	**25,007**	7,555
	101,264	7,556
Attributable to:		
Continuing operation	**101,264**	7,555
Discontinued operation (note 5(a))	**—**	1
	101,264	7,556

The provision for Hong Kong profits tax is calculated at 16.5% (2011: 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	
	2012	2011
	$'000	*$'000*
Interim dividend declared and paid of $0.28 per share (2011: Nil)	**100,800**	—
Final dividend proposed after the balance sheet date of $0.55 per share (2011: $0.45 per share)	**198,000**	162,000
	298,800	162,000

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	
	2012	2011
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of $0.45 per share (2011: Nil)	**162,000**	—

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 $429,740,000 (2011: $1,222,443,000) represented by the profit from continuing operation of $429,740,000 (2011: $1,019,949,000) and the profit from discontinued operation of Nil (2011: $202,494,000), and 360,000,000 (2011: 360,000,000) ordinary shares in issue during the year. There were no potential dilutive ordinary shares in existence in 2011 and 2012.

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	
	2012	2011
	$'000	*$'000*
Current	**32,247**	44,272
Less than 1 month past due	**953**	1,366
1 to 3 months past due	**665**	666
More than 3 months but less than 12 months past due	**57**	557
More than 12 months past due	**2**	1
Amounts past due	**1,677**	2,590
Total accounts receivable, net of allowance for bad and doubtful debts	**33,924**	46,862
Deposits and prepayments	**6,223**	9,170
	40,147	56,032

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	
	2012	2011
	$'000	*$'000*
Accruals and retention monies payable for redevelopment work	**67,015**	87,101
Other payables and accruals	**15,449**	58,124
	82,464	145,225

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

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board is pleased to recommend a final dividend of $0.55 per share for the year ended 31 March 2012 (2011: $0.45 per share). As the Company paid an interim dividend of $0.28 per share during the year (2011: Nil), the total distribution will be $0.83 per share for the year (2011: $0.45 per share).

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 Tuesday, 11 September 2012 to Thursday, 13 September 2012, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates 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 Monday, 10 September 2012. The proposed final dividend will be paid on Friday, 21 September 2012 to shareholders whose names appear on the register of members on Thursday, 13 September 2012 following approval at the AGM.

BUSINESS REVIEW

- The Group achieved a profit from operations before valuation changes in investment properties (under Continuing operation) of $360.0 million for the financial year ended 31 March 2012, representing an increase of approximately 30.1% compared with the previous financial year. The increase was mainly due to increase of rental income from iSQUARE compared to the previous financial year.

- Valuation gains on investment properties for the financial year ended 31 March 2012 amounted to $173.5 million, representing a decrease of approximately $586.4 million compared with the previous financial year. The valuation gains will only affect the accounting profit or loss but not the cash flow of the Group.

- With the inclusion of the discontinued operation (see note 5), the Group recorded a profit attributable to equity shareholders of $429.7 million, compared with a profit attributable to equity shareholders of $1,222.4 million for the previous financial year.

- iSQUARE is a commercial complex housing a number of retail, entertainment, food and beverage establishments. Rental income from iSQUARE amounted to approximately $452.7 million for the financial year ended 31 March 2012, representing an increase of approximately 20.4% compared with the previous financial year. The occupancy rate at 31 March 2012 was approximately 98.5% compared with approximately 92.3% at 31 March 2011.

- The total equity for the Group at 31 March 2012 was $10,099.8 million, compared with $9,932.9 million at 31 March 2011.

- During the year under review, the Company repaid $1,000 million being substantial part repayment of the bank loan granted by the facility agreement entered on 20 October 2006. The facilities have, subject to certain conditions, been extended for two additional years. At 31 March 2012, the outstanding bank loan was $200 million and the Group's gearing ratio was 2.0% (calculated as total bank loan over total equity).

- At 31 March 2012, 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 37 (31 March 2011: 127) and the related costs incurred during the year were approximately $22.0 million (31 March 2011: $28.2 million).

OUTLOOK

The external economic environment remains uncertain and the management continues to evaluate its impact on the leasing market. The Group will adopt appropriate leasing strategies to enhance the leasing performance of iSQUARE. Barring unforeseen circumstances, it is expected rental income from iSQUARE would generally benefit from increased rental arising from the renewal of certain existing tenancies.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of shareholders of the Company will be held on Wednesday, 5 September 2012.

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 Monday, 3 September 2012 to Wednesday, 5 September 2012, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates 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 Friday, 31 August 2012.

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") which were then in force 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 2012

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 is a non-executive director, and Mr Chow Wan Hoi, Paul, Mr Yau Allen Lee-nam and Mr Lee Chung are independent non-executive directors.