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 2014

(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 2014. 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 auditor, KPMG.

Consolidated income statement

		Year ended 31 March	
	Note	**2014**	2013
		$'000	*$'000*
Turnover	3	**606,262**	518,878
Cost of services		**(67,368)**	(67,824)
Gross profit		**538,894**	451,054
Other revenue	5(a)	**3,813**	4,866
Other net income	5(b)	**33**	18,208
Administrative expenses		**(40,024)**	(38,517)
Profit from operations before valuation changes in investment properties		**502,716**	435,611
Valuation gains on investment properties		**965,544**	2,369,058
Profit from operations after valuation changes in investment properties		**1,468,260**	2,804,669
Finance costs	6(a)	**(3,048)**	(2,257)
Profit before taxation	6	**1,465,212**	2,802,412
Income tax	7	**(82,914)**	(68,832)
Profit for the year attributable to equity shareholders of the Company		**1,382,298**	2,733,580
Earnings per share — basic and diluted	9	**$3.84**	$7.59

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 8.

Consolidated statement of comprehensive income

	Year ended 31 March	
	2014	2013
	$'000	*$'000*
Profit for the year	**1,382,298**	2,733,580
Other comprehensive income for the year (after tax and reclassification adjustments):		
Item that may be reclassified subsequently to profit or loss:		
— Realisation of exchange reserve upon liquidation of overseas subsidiaries	**–**	(18,355)
Total comprehensive income for the year	**1,382,298**	2,715,225

Consolidated balance sheet

	Note	At 31 March 2014		At 31 March 2013	
		$'000	*$'000*	*$'000*	*$'000*
Non-current assets					
Fixed assets					
— Investment properties			**13,375,140**		12,425,250
— Other properties, plant and equipment			**94,206**		100,832
			13,469,346		12,526,082
Current assets					
Accounts receivable, deposits and prepayments	10	**25,591**		31,458	
Current tax recoverable		**–**		3	
Pledged bank deposits		**244,580**		262,550	
Cash and cash equivalents		**209,917**		139,365	
		480,088		433,376	
Current liabilities					
Bank loan — secured		**–**		200,000	
Other payables and accruals	11	**58,925**		77,612	
Deposits received		**176,229**		167,255	
Provision for long service payments		**1,520**		1,573	
Obligations under finance leases		**34**		41	
Current tax payable		**29,625**		23,184	
		266,333		469,665	
Net current assets/(liabilities)			**213,755**		(36,289)
Total assets less current liabilities			**13,683,101**		12,489,793
Non-current liabilities					
Bank loan — secured		**200,000**		–	
Government lease premiums payable		**2,091**		2,143	
Obligations under finance leases		**4**		38	
Deferred tax liabilities		**39,675**		32,579	
			241,770		34,760
NET ASSETS			**13,441,331**		12,455,033
CAPITAL AND RESERVES					
Share capital			**360,000**		360,000
Reserves			**13,081,331**		12,095,033
TOTAL EQUITY			**13,441,331**		12,455,033

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") and accounting principles generally accepted in Hong Kong. The financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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 2013, except for the accounting policy changes that have been reflected in the financial statements for the year ended 31 March 2014. 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 new HKFRSs and amendments to HKFRSs 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:

— Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*

— HKFRS 10, *Consolidated financial statements*

— HKFRS 13, *Fair value measurement*

— *Annual Improvements to HKFRSs 2009–2011 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of new or amended HKFRSs are discussed below:

(a) Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of comprehensive income in the financial statements has been modified accordingly.

(b) HKFRS 10, *Consolidated financial statements*

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements*, relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

(c) **HKFRS 13,** ***Fair value measurement***

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in the financial statements. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

The other developments have had no material impact on the Group's financial statements.

3. Turnover

The principal activity of the Group is property investment.

Turnover represents gross rental income received and receivable from investment properties.

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenues. During the year, revenue from this customer amounted to approximately $89,154,000 (2013: $67,947,000).

4. Segment information

The Group has a single reportable segment which is "Property leasing". Accordingly, the business segment information for this sole reportable segment is equivalent to the consolidated figures.

No separate geographical information is presented as the Group's revenue and results of property leasing were derived from Hong Kong.

5. Other revenue and net income

	Year ended 31 March	
	2014	2013
	$'000	*$'000*
(a) Other revenue		
Interest income	**2,088**	2,928
Management fee received from holding company	**1,200**	1,200
Others	**525**	738
	3,813	4,866
(b) Other net income		
Realisation of exchange reserve upon liquidation of overseas subsidiaries	**–**	18,355
Net gain/(loss) on disposals of fixed assets	**69**	(101)
Net foreign exchange loss	**(58)**	(193)
Others	**22**	147
	33	18,208

6. Profit before taxation

Profit before taxation is arrived at after charging:

		Year ended 31 March	
		2014	2013
		$'000	*$'000*
(a)	**Finance costs**		
	Interest on bank loan	**2,045**	1,947
	Interest on government lease premiums payable	**108**	110
	Other borrowing costs	**895**	200
		3,048	2,257
(b)	**Other item**		
	Depreciation	**9,646**	9,428

7. Income tax

	Year ended 31 March	
	2014	2013
	$'000	*$'000*
Current tax — Hong Kong profits tax		
Provision for the year	**75,771**	61,348
Under-provision in respect of prior years	**47**	183
	75,818	61,531
Deferred tax		
Origination and reversal of temporary differences	**7,096**	7,301
	82,914	68,832

The provision for Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the year.

8. Dividends

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

	Year ended 31 March	
	2014	2013
	$'000	*$'000*
Interim dividend declared and paid of $0.55 per share (2013: $0.45 per share)	**198,000**	162,000
Final dividend proposed after the balance sheet date of $0.60 per share (2013: $0.55 per share)	**216,000**	198,000
	414,000	360,000

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	
	2014	2013
	$'000	*$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of $0.55 per share (2013: $0.55 per share)	**198,000**	198,000

9. Earnings per share — basic and diluted

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $1,382,298,000 (2013: $2,733,580,000) and 360,000,000 (2013: 360,000,000) ordinary shares in issue during the year. There were no potential dilutive ordinary shares in existence in 2013 and 2014.

10. 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	
	2014	2013
	$'000	*$'000*
Current	**18,758**	20,992
Less than 1 month past due	**225**	574
1 to 3 months past due	**3**	239
More than 3 months but less than 12 months past due	**1**	14
More than 12 months past due	**–**	2
Amounts past due	**229**	829
Total accounts receivable, net of allowance for bad and doubtful debts	**18,987**	21,821
Deposits and prepayments	**6,604**	9,637
	25,591	31,458

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.

11. Other payables and accruals

	At 31 March	
	2014	2013
	$'000	*$'000*
Accruals and retention monies payable for redevelopment work	**43,687**	62,735
Other payables and accruals	**15,238**	14,877
	58,925	77,612

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 $0.60 per share for the year ended 31 March 2014 (2013: $0.55 per share). As the Company paid an interim dividend of $0.55 per share during the year (2013: $0.45 per share), the total distribution will be $1.15 per share for the year (2013: $1.00 per share).

Subject to the shareholders' approval on the proposed final dividend at the forthcoming Annual General Meeting, the register of members of the Company will be closed for the purpose of determining entitlement to the said final dividend from Wednesday, 10 September 2014 to Friday, 12 September 2014, 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, 8 September 2014. The proposed final dividend will be paid on Monday, 22 September 2014 to shareholders whose names appear on the register of members on Friday, 12 September 2014 following approval at the Annual General Meeting.

BUSINESS REVIEW

- The Group achieved a profit from operations before valuation changes in investment properties of $502.7 million for the financial year ended 31 March 2014, representing an increase of approximately 15.4% 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 2014 amounted to $965.5 million, representing a decrease of approximately $1,403.6 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.

- The Group recorded a profit attributable to equity shareholders of $1,382.3 million, compared with a profit attributable to equity shareholders of $2,733.6 million for the previous financial year.

- iSQUARE is a commercial complex housing retail, entertainment, food and beverage establishments. Rental income from iSQUARE amounted to approximately $603.1 million for the financial year ended 31 March 2014, representing an increase of approximately 16.8% compared with the previous financial year. The occupancy rate at 31 March 2014 was 100% compared with approximately 97.8% at 31 March 2013.

- The total equity for the Group at 31 March 2014 was $13,441.3 million, compared with $12,455.0 million at 31 March 2013.

- The Company repaid $200 million in October 2013 for the remaining balance of the bank loan granted by the facility agreement entered on 20 October 2006. On 7 October 2013, the Company entered into a new facility agreement with a bank comprising of a 3-year term loan facility of up to $200 million and a 3-year revolving loan facility of up to $100 million. At 31 March 2014, the banking facilities were utilised to the extent of $200 million and the Group's gearing ratio was 1.5% (calculated as total bank loans over total equity).

- At 31 March 2014, 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 (2013: 38) and the related costs incurred during the year were approximately $22.7 million (2013: $23.1 million).

OUTLOOK

Considering retail business could be affected by external economic environment, volume of visitor arrival and their spending habits, management will carefully evaluate their impact on iSQUARE. The Group will adopt appropriate leasing strategies for securing suitable tenants to enhance the leasing performance of iSQUARE. Barring unforeseen circumstances, it is anticipated that rental income from iSQUARE and the results from operations of the Group will continue to be satisfactory for the coming financial year.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of shareholders of the Company will be held on Wednesday, 3 September 2014.

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, 1 September 2014 to Wednesday, 3 September 2014, 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, 29 August 2014.

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 CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company throughout the year complied with all the code provisions, where applicable, set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for the deviations as disclosed hereunder:

- Code Provision A.1.8: Appropriate insurance cover in respect of legal action against directors should be arranged

  Currently, the Company does not have insurance cover for legal action against its Directors. The Board believes that with the current internal control system and the close supervision of the management, the Directors' risk of being sued or getting involved in litigation in their capacity as Directors of the Company is relatively low. Nevertheless, the Board will review the need for insurance cover from time to time.

- Code Provision A.2.1: The roles of chairman and chief executive should be separated and performed by two individuals

  Mr Cheong Hooi Hong is both the Chairman and chief executive 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.

- Code Provision A.6.7: Independent non-executive directors and other non-executive directors should not only give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation, but also attend general meetings and develop a balanced understanding of the views of shareholders

  The attendance of the independent non-executive directors and non-executive director of the Company at Board meetings, Board committee meetings and annual general meeting during the year was in general satisfactory except that one of the independent non-executive directors was unable to attend the annual general meeting of the Company held on 3 September 2013 due to an unexpected business engagement.

- Code Provision B.1.5: Remuneration details of senior management should be disclosed by band in annual reports

  The remuneration details of the senior management are not disclosed by band in the annual report. The Board of Directors notes that none of the senior management members is involved in deciding his/her own remuneration or related to the remuneration committee members (who are authorised to collectively determine the remuneration of the senior management). Also, the disclosure of such information may cause undue comparison and discontent among staff members, and would unnecessarily provide highly sensitive and confidential information to competitors and other third parties looking to recruit the senior management. In light of the above, the Directors are of the view that the disclosure of such information would neither provide pertinent information in furtherance of corporate governance, nor be in the interests of the shareholders.

- Code Provision F.1.3: The company secretary should report to the board chairman and/or the chief executive

  Instead of reporting to the Chairman (who is also the chief executive of the Company), the company secretary reports directly to the deputy chairman. The Board considers that this reporting line does not prevent the Chairman/chief executive from understanding/managing the operation of the Company or discharging his duties, for the Chairman and deputy chairman have ongoing discussion on business affairs, in particular corporate governance and financial issues.

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 despatched to shareholders in due course.

By Order of the Board
Associated International Hotels Limited
Ng Sau Fong
Company Secretary

Hong Kong, 26 June 2014

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.

Note: The translation into Chinese language of this announcement is for reference only. In case of any inconsistency, the English version shall prevail.