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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 Interim Results
for the six months ended 30 September 2015**

(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 2015. 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 members of the Company.

Consolidated statement of profit or loss and other comprehensive income — unaudited

		Six months ended 30 September	
	<i>Note</i>	2015	2014
		\$'000	\$'000
Revenue	3	332,300	318,019
Cost of services		(40,983)	(41,535)
Gross profit		291,317	276,484
Other revenue	5(a)	2,306	4,407
Other net loss	5(b)	(13)	(10)
Administrative expenses		(17,680)	(17,720)
Profit from operations before valuation changes in investment properties		275,930	263,161
Net valuation (losses)/gains on investment properties		(4,676)	195,068
Profit from operations after valuation changes in investment properties		271,254	458,229
Finance costs	6(a)	(1,193)	(1,165)
Profit before taxation	6	270,061	457,064
Income tax	7	(45,414)	(43,327)
Profit and total comprehensive income for the period attributable to equity shareholders of the Company		224,647	413,737
Earnings per share — basic and diluted	9	\$0.62	\$1.15

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

Consolidated statement of financial position — unaudited

	<i>Note</i>	At 30 September 2015	At 31 March 2015
		\$'000	\$'000
Non-current assets			
Fixed assets			
— Investment properties		14,228,030	14,232,730
— Other properties, plant and equipment		81,913	85,507
		14,309,943	14,318,237
Current assets			
Accounts receivable, deposits and prepayments	10	21,729	24,575
Pledged bank deposits		154,156	152,718
Cash and cash equivalents		353,123	300,637
		529,008	477,930
Current liabilities			
Other payables and accruals	11	28,739	24,106
Deposits received		201,156	198,312
Provision for long service payments		1,507	1,434
Obligations under finance leases		29	29
Current tax payable		46,102	23,324
		277,533	247,205
Net current assets		251,475	230,725
Total assets less current liabilities		14,561,418	14,548,962
Non-current liabilities			
Bank loan — secured		200,000	200,000
Government lease premiums payable		2,037	2,037
Obligations under finance leases		90	104
Deferred tax liabilities		50,934	47,111
		253,061	249,252
NET ASSETS		14,308,357	14,299,710
CAPITAL AND RESERVES			
Share capital		360,000	360,000
Reserves		13,948,357	13,939,710
TOTAL EQUITY		14,308,357	14,299,710

Notes:

1. 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 2015, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2016. 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.

The financial information relating to the financial year ended 31 March 2015 that is included in this preliminary announcement of interim results as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Hong Kong Companies Ordinance (Cap. 32)).

2. Changes in accounting policies

The HKICPA has issued the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group.

— *Annual improvements to HKFRSs 2010-2012 cycle*

— *Annual improvements to HKFRSs 2011-2013 cycle*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

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

3. Revenue

The principal activity of the Group is property investment.

Revenue 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 revenue. During the period, revenue from this customer amounted to approximately \$43,910,000 (2014: \$44,710,000).

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 loss

		Six months ended 30 September	
		2015	2014
		\$'000	\$'000
(a)	Other revenue		
	Interest income	1,679	1,617
	Management fee received from holding company	600	600
	Compensation from early termination of lease	–	2,174
	Others	27	16
		<u>2,306</u>	<u>4,407</u>
(b)	Other net loss		
	Net loss on disposals of fixed assets	(13)	(9)
	Net foreign exchange loss	–	(1)
		<u>(13)</u>	<u>(10)</u>

6. Profit before taxation

Profit before taxation is arrived at after charging:

		Six months ended 30 September	
		2015	2014
		\$'000	\$'000
(a)	Finance costs		
	Interest on bank loan	1,044	1,015
	Interest on government lease premiums payable	24	25
	Other borrowing costs	125	125
		<u>1,193</u>	<u>1,165</u>
(b)	Other item		
	Depreciation	<u>3,698</u>	<u>5,040</u>

7. Income tax

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
Current tax		
Hong Kong profits tax	41,591	39,710
Deferred tax		
Origination and reversal of temporary differences	3,823	3,617
	<u>45,414</u>	<u>43,327</u>

The provision for Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the six months ended 30 September 2015.

8. Dividends

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

	Six months ended 30 September	
	2015	2014
	\$'000	\$'000
Interim dividend declared after the interim period of \$0.60 per share (2014: \$0.60 per share)	<u>216,000</u>	<u>216,000</u>

The interim dividend declared after the interim period has not been recognised as a liability at the end of the reporting period.

(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	
	2015	2014
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of \$0.60 per share (year ended 31 March 2014: \$0.60 per share)	<u>216,000</u>	<u>216,000</u>

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 \$224,647,000 (2014: \$413,737,000) and 360,000,000 (2014: 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 2015 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 end of the reporting period is as follows:

	At 30 September 2015 \$'000	At 31 March 2015 \$'000
Current	14,741	17,002
Less than 1 month past due	646	471
1 to 3 months past due	126	324
More than 3 months but less than 12 months past due	10	41
Amounts past due	782	836
Total accounts receivable, net of allowance for bad and doubtful debts	15,523	17,838
Deposits and prepayments	6,206	6,737
	21,729	24,575

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

All of the other payables and accruals are expected to be settled within one year except for \$289,000 (31 March 2015: \$257,000) which is expected to be settled after more than one year.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved that an interim dividend of \$0.60 per share (2014: \$0.60 per share) will be paid on Tuesday, 5 January 2016 to members whose names appear on the register of members of the Company on Monday, 21 December 2015. The register of members of the Company will be closed for the purpose of determining entitlement to the said interim dividend from Thursday, 17 December 2015 to Monday, 21 December 2015, 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, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Wednesday, 16 December 2015.

BUSINESS REVIEW AND COMMENTARY

- The Group achieved a profit from operations before valuation changes in investment properties of \$275.9 million for the half year ended 30 September 2015, representing an increase of approximately 4.9% compared with the corresponding period of last year. The increase was mainly due to increase of rental income from iSQUARE compared to the corresponding period of last year.
- Net valuation losses on investment properties for the half year ended 30 September 2015 amounted to \$4.7 million, compared with the valuation gains of \$195.1 million for the corresponding period of last year. The valuation changes 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 \$224.6 million, compared with a profit attributable to equity shareholders of \$413.7 million for the corresponding period of last year.
- iSQUARE is a commercial complex housing retail, entertainment, food and beverage establishments. Rental income from iSQUARE amounted to approximately \$330.7 million for the half year ended 30 September 2015, representing an increase of approximately 4.5% compared with the corresponding period of last year. The occupancy rate at 30 September 2015 was approximately 98.1% compared with approximately 99.5% at 30 September 2014.
- The total equity for the Group at 30 September 2015 was \$14,308.4 million, compared with \$14,299.7 million at 31 March 2015.
- On 7 October 2013, the Company entered into a 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 30 September 2015, the banking facilities were utilised to the extent of \$200 million (31 March 2015: \$200 million) and the Group's gearing ratio (calculated as total bank loans divided by total equity) was 1.4% (31 March 2015: 1.4%).
- At 30 September 2015, 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 (30 September 2014: 37) and the related costs incurred during the period were approximately \$10.6 million (30 September 2014: \$9.6 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 2015 which necessitates additional disclosure to that made herein.

OUTLOOK

Weaker retail sentiment has applied downward pressure on the Hong Kong leasing market. Despite the current slowdown in Hong Kong retail market, rental income from iSQUARE and the results from operations of the Group for the current financial year are expected to be relatively stable.

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 six months ended 30 September 2015.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company throughout the six months ended 30 September 2015 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.

- 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 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 members of the Company.

- 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.

INTERIM REPORT

The Company's interim report containing all information required by the Listing Rules will be despatched to its members in due course.

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

Hong Kong, 27 November 2015

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.