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 2016

(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 2016. 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	
	Note	**2016**	2015
		$'000	*$'000*
Revenue	3	**334,552**	332,300
Cost of services		**(41,282)**	(40,983)
Gross profit		**293,270**	291,317
Other revenue	5(a)	**3,511**	2,306
Other net loss	5(b)	**(7)**	(13)
Administrative expenses		**(16,504)**	(17,680)
Profit from operations before valuation changes in investment properties		**280,270**	275,930
Net valuation losses on investment properties		**(145,687)**	(4,676)
Profit from operations after valuation changes in investment properties		**134,583**	271,254
Finance costs	6(a)	**(1,189)**	(1,193)
Profit before taxation	6	**133,394**	270,061
Income tax	7	**(45,799)**	(45,414)
Profit and total comprehensive income for the period attributable to equity shareholders of the Company		**87,595**	224,647
Earnings per share — basic and diluted	9	**$0.24**	$0.62

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

Consolidated statement of financial position — unaudited

	Note	**At 30 September 2016**		At 31 March 2016	
		$'000	***$'000***	*$'000*	*$'000*
Non-current assets					
Fixed assets					
— Investment properties			**14,500,730**		14,646,230
— Other properties, plant and equipment			**75,180**		78,407
			14,575,910		14,724,637
Current assets					
Accounts receivable, deposits and prepayments	10	**18,442**		20,580	
Pledged bank deposits		**148,230**		161,791	
Cash and cash equivalents		**391,611**		338,250	
		558,283		520,621	
Current liabilities					
Bank loan — secured		**–**		200,000	
Other payables and accruals	11	**19,854**		20,398	
Deposits received		**196,402**		204,307	
Provision for long service payments		**1,526**		1,581	
Obligations under finance leases		**29**		29	
Current tax payable		**45,203**		23,017	
		263,014		449,332	
Net current assets			**295,269**		71,289
Total assets less current liabilities			**14,871,179**		14,795,926
Non-current liabilities					
Bank loan — secured		**200,000**		–	
Government lease premiums payable		**1,980**		1,980	
Obligations under finance leases		**61**		75	
Deferred tax liabilities		**58,464**		54,792	
			260,505		56,847
NET ASSETS			**14,610,674**		14,739,079
CAPITAL AND RESERVES					
Share capital			**360,000**		360,000
Reserves			**14,250,674**		14,379,079
TOTAL EQUITY			**14,610,674**		14,739,079

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 2016, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2017. 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 2016 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 required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by 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 sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

— *Annual improvements to HKFRSs 2012-2014 cycle*

— Amendments to HKAS 1, *Disclosure initiative*

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 $38,626,000 (2015: $43,910,000).

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	
	2016	2015
	$'000	*$'000*
(a) Other revenue		
Interest income	**1,880**	1,679
Management fee received from holding company	**600**	600
Compensation from early termination of lease	**1,005**	–
Others	**26**	27
	3,511	2,306
(b) Other net loss		
Net loss on disposals of fixed assets	**(7)**	(13)

6. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2016	2015
	$'000	*$'000*
(a) Finance costs		
Interest on bank loan	**1,040**	1,044
Interest on government lease premiums payable	**23**	24
Other borrowing costs	**126**	125
	1,189	1,193
(b) Other item		
Depreciation	**3,596**	3,698

7. Income tax

	Six months ended 30 September	
	2016	2015
	$'000	*$'000*
Current tax		
Hong Kong profits tax	**42,127**	41,591
Deferred tax		
Origination and reversal of temporary differences	**3,672**	3,823
	45,799	45,414

The provision for Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the six months ended 30 September 2016.

8. Dividends

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

	Six months ended 30 September	
	2016	2015
	$'000	*$'000*
Interim dividend declared after the interim period of $0.60 per share (2015: $0.60 per share)	**216,000**	216,000

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	
	2016	2015
	$'000	*$'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 2015: $0.60 per share)	**216,000**	216,000

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 $87,595,000 (2015: $224,647,000) and 360,000,000 (2015: 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 2016 and 2015.

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 2016	At 31 March 2016
	$'000	*$'000*
Current	**10,721**	12,676
Less than 1 month past due	**1,107**	1,453
1 to 3 months past due	**208**	19
More than 3 months but less than 12 months past due	**9**	26
More than 12 months past due	**1**	–
Amounts past due	**1,325**	1,498
Total accounts receivable, net of allowance for bad and doubtful debts	**12,046**	14,174
Deposits and prepayments	**6,396**	6,406
	18,442	20,580

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

As at 30 September 2016, all of the other payables and accruals are expected to be settled within one year. As at 31 March 2016, all of the other payables and accruals were expected to be settled within one year except for $32,000 which was 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 (2015: $0.60 per share) will be paid on Thursday, 5 January 2017 to members whose names appear on the register of members of the Company on Tuesday, 20 December 2016. The register of members of the Company will be closed for the purpose of determining entitlement to the said interim dividend from Friday, 16 December 2016 to Tuesday, 20 December 2016, 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 registrar, 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 Thursday, 15 December 2016.

BUSINESS REVIEW AND COMMENTARY

- The Group achieved a profit from operations before valuation changes in investment properties of $280.3 million for the half year ended 30 September 2016, representing an increase of approximately 1.6% 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 2016 amounted to $145.7 million, compared with the net valuation losses of $4.7 million for the corresponding period of last year. The valuation losses 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 $87.6 million, compared with a profit attributable to equity shareholders of $224.6 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 $332.7 million for the half year ended 30 September 2016, representing a slight increase of approximately 0.6% compared with the corresponding period of last year. The occupancy rate at 30 September 2016 was approximately 95.2% compared with approximately 98.1% at 30 September 2015.

- The total equity for the Group at 30 September 2016 was $14,610.7 million, compared with $14,739.1 million at 31 March 2016.

- 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 both at floating interest rate. On 30 August 2016, the Company entered into a supplemental agreement with the bank for extension of the facilities for three years to 8 October 2019. The Company has an option to further extend the facilities for two additional years to 8 October 2021, subject to, among other things, the agreement of the lending bank. At 30 September 2016, the banking facilities were utilised to the extent of $200 million (31 March 2016: $200 million) and the Group's gearing ratio (calculated as total bank loans divided by total equity) was 1.4% (31 March 2016: 1.4%).

- At 30 September 2016, the total number of employees of the Group, excluding the staff employed by DTZ Cushman & Wakefield Property Management Limited for general building and property management of iSQUARE, was 38 (30 September 2015: 37) and the related costs incurred during the period were approximately $10.4 million (30 September 2015: $10.6 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 2016 which necessitates additional disclosure to that made herein.

OUTLOOK

With the continual downward pressure on the Hong Kong leasing market, management has taken steps both in terms of tenant mix and leasing arrangements to minimise the likely impact on the rental income from iSQUARE. Barring unforeseen circumstances, it is anticipated that such impact would be limited for the current financial year.

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 2016.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company throughout the six months ended 30 September 2016 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 is relatively low. Benefits to be derived from taking out insurance may not outweigh the cost. Despite it, every Director is, subject to the provisions of the applicable laws, indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto pursuant to the Articles of Association of the Company. In view of the above, the Board considers that the Directors' exposure to risk is manageable.

- 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. To avoid concentration of power and authority in any one individual, day-to-day management of the Company's business is shared by executive directors whilst formulation of objectives and strategic decisions are collectively made by the Board. In addition, the Board comprises three independent non-executive directors with differing expertise/calibre who can provide a "check and balance" effect on the management through their high attendance at board meetings and therefore ensuring a balance of power. Given consideration to the aforesaid, the Board of Directors is of the view 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. To ensure they are remunerated at a reasonable but not excessive rate, none of them 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 based on a number of factors set out in the Company's remuneration policy). The Directors consider that the non-disclosure does not pose any negative impact on the Company. On the contrary, the disclosure of the remuneration details of the senior management 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. Since the company secretary is located in the same office as the deputy chairman and they work closely on a day-to-day basis, direct reporting to the deputy chairman can provide for a prompt and timely response to issues which require immediate attention. On the other hand, the Chairman keeps having ongoing discussion and dialogue with the deputy chairman on business affairs, in particular corporate governance and financial issues, which enables him to fully understand the operation of the Company and manage it in an effective manner. Taking into account of the above, the Board considers that the current reporting line is apposite to the Company.

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, 29 November 2016

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.