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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 2021

(Expressed in Hong Kong dollars)

The Board of Directors would like to announce the audited results of the Group for the year ended 31 March 2021. These results have been reviewed with no disagreement by the audit committee of the Company. The figures in respect of this preliminary announcement of the Group's results have been agreed by the Company's auditor, KPMG, to the amounts set out in the Group's consolidated financial statements for the year.

### Consolidated statement of profit or loss and other comprehensive income

	Note	Year ended 31 March	
		2021	2020
		\$'000	\$'000
<b>Revenue</b>	3	<b>434,184</b>	588,560
Cost of services		<u>(92,367)</u>	<u>(90,785)</u>
<b>Gross profit</b>		<b>341,817</b>	497,775
Other revenue	5(a)	<b>8,953</b>	16,184
Other net loss	5(b)	<b>(10)</b>	–
Administrative expenses		<u>(34,525)</u>	<u>(36,930)</u>
<b>Profit from operations before valuation changes in investment properties</b>		<b>316,235</b>	477,029
Valuation losses on investment properties		<u>(1,787,972)</u>	<u>(1,306,281)</u>
<b>Loss from operations after valuation changes in investment properties</b>		<b>(1,471,737)</b>	(829,252)
Finance costs	6(a)	<u>(3,047)</u>	<u>(6,532)</u>
<b>Loss before taxation</b>	6	<b>(1,474,784)</b>	(835,784)
Income tax	7	<u>(50,720)</u>	<u>(77,080)</u>
<b>Loss and total comprehensive income for the year attributable to equity shareholders of the Company</b>		<u><b>(1,525,504)</b></u>	<u>(912,864)</u>
<b>Loss per share — basic and diluted</b>	9	<u><b>\$(4.24)</b></u>	<u>\$(2.54)</u>

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

## Consolidated statement of financial position

	<i>Note</i>	<b>At 31 March 2021</b>		At 31 March 2020	
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>					
Fixed assets					
— Investment properties		<b>10,408,610</b>		12,195,550	
— Other properties, plant and equipment		<b>58,093</b>		61,687	
		<b>10,466,703</b>		12,257,237	
<b>Current assets</b>					
Accounts receivable, deposits and prepayments	10	<b>188,314</b>		103,389	
Current tax recoverable		<b>7,886</b>		—	
Pledged bank deposits		<b>21,801</b>		2,956	
Cash and cash equivalents		<b>373,697</b>		421,903	
		<b>591,698</b>		528,248	
<b>Current liabilities</b>					
Other payables and accruals	11	<b>30,488</b>		24,239	
Deposits received		<b>151,333</b>		173,511	
Provision for long service payments		<b>1,505</b>		1,747	
Bank loan — secured		<b>200,000</b>		—	
Current tax payable		<b>—</b>		13,615	
		<b>383,326</b>		213,112	
<b>Net current assets</b>		<b>208,372</b>		315,136	
<b>Total assets less current liabilities</b>		<b>10,675,075</b>		12,572,373	
<b>Non-current liabilities</b>					
Bank loan — secured		<b>—</b>		200,000	
Government lease premiums payable		<b>1,649</b>		1,722	
Deferred tax liabilities		<b>96,027</b>		87,748	
		<b>97,676</b>		289,470	
<b>NET ASSETS</b>		<b>10,577,399</b>		12,282,903	
<b>CAPITAL AND RESERVES</b>					
Share capital		<b>360,000</b>		360,000	
Reserves		<b>10,217,399</b>		11,922,903	
<b>TOTAL EQUITY</b>		<b>10,577,399</b>		12,282,903	

Notes:

## 1. 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 2020, except for the accounting policy changes that have been reflected in the financial statements for the year ended 31 March 2021. Details of these changes in accounting policies are set out in note 2.

The financial information relating to the years ended 31 March 2021 and 2020 included in this preliminary announcement of results does not constitute the Company’s statutory annual consolidated financial statements for those years 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 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 March 2021 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; 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 HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group:

- Amendments to HKFRS 3, *Definition of a business*
- Amendments to HKAS 1 and HKAS 8, *Definition of material*

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 does not include any customers with whom transactions have exceeded 10% of the Group's revenue for the years ended 31 March 2021 and 2020.

### 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

	Year ended 31 March	
	2021	2020
	\$'000	\$'000
<b>(a) Other revenue</b>		
Interest income	6,838	12,330
Management fee received from holding company	1,200	1,200
Compensation from early termination of leases	743	2,350
Others	172	304
	<u>8,953</u>	<u>16,184</u>
<b>(b) Other net loss</b>		
Net loss on disposals of fixed assets	<u>(10)</u>	<u>—</u>

### 6. Loss before taxation

Loss before taxation is arrived at after charging:

	Year ended 31 March	
	2021	2020
	\$'000	\$'000
<b>(a) Finance costs</b>		
Interest on bank loan	2,710	5,711
Other borrowing costs	250	731
Interest on government lease premiums payable	87	90
	<u>3,047</u>	<u>6,532</u>
<b>(b) Other items</b>		
Depreciation charge		
— owned properties, plant and equipment	4,254	4,248
— right-of-use assets	—	17
Impairment losses on accounts receivable	10,834	1,168
	<u>10,834</u>	<u>1,168</u>

7. **Income tax**

	<b>Year ended 31 March</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
<b>Current tax — Hong Kong Profits Tax</b>		
Provision for the year	42,478	67,801
Over-provision in respect of prior years	(37)	(40)
	<u>42,441</u>	<u>67,761</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	8,279	9,319
	<u>50,720</u>	<u>77,080</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime. For the Company, the first \$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for the Company was calculated at the same basis in 2020.

8. **Dividends**

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

	<b>Year ended 31 March</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Interim dividend declared and paid of \$0.25 per share (2020: \$0.56 per share)	90,000	201,600
Final dividend proposed after the end of the reporting period of \$0.19 per share (2020: \$0.25 per share)	68,400	90,000
	<u>158,400</u>	<u>291,600</u>

The final dividend proposed after the end of the reporting 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 year**

	<b>Year ended 31 March</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of \$0.25 per share (2020: \$0.57 per share)	90,000	205,200
	<u>90,000</u>	<u>205,200</u>

## 9. Loss per share — basic and diluted

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of \$1,525,504,000 (2020: \$912,864,000) and 360,000,000 (2020: 360,000,000) ordinary shares in issue during the year. There were no potential dilutive ordinary shares in existence in 2021 and 2020.

## 10. Accounts receivable, deposits and prepayments

The ageing analysis of accounts receivable (net of allowance for credit losses) which was included in accounts receivable, deposits and prepayments as of the end of the reporting period is as follows:

	<b>At 31 March</b>	
	<b>2021</b>	2020
	<b>\$'000</b>	\$'000
Current (Note)	<b>142,364</b>	76,609
Less than 1 month past due	<b>11,608</b>	8,292
1 to 3 months past due	<b>17,759</b>	9,445
More than 3 months but less than 12 months past due	<b>9,334</b>	1,362
More than 12 months past due	<b>399</b>	–
Amounts past due	<b>39,100</b>	19,099
Total accounts receivable, net of allowance for credit losses	<b>181,464</b>	95,708
Deposits and prepayments	<b>6,850</b>	7,681
	<b>188,314</b>	103,389

Note: The amount includes the receivable for lease incentives of \$142,186,000 (2020: \$76,067,000) which is not past due. The movement in the said receivable during the year will only affect the accounting revenue but not the contractual cash flows of the Group.

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.

## **DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS**

The Board is pleased to recommend a final dividend of \$0.19 per share for the year ended 31 March 2021 (2020: \$0.25 per share). As the Company paid an interim dividend of \$0.25 per share during the year (2020: \$0.56 per share), the total distribution will be \$0.44 per share for the year (2020: \$0.81 per share).

Subject to the members' 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, 15 September 2021 to Friday, 17 September 2021, 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 p.m. (Hong Kong time) on Tuesday, 14 September 2021. The proposed final dividend will be paid on Tuesday, 5 October 2021 to members whose names appear on the register of members on Friday, 17 September 2021 following approval at the annual general meeting.

## **BUSINESS REVIEW AND COMMENTARY**

- The Group achieved a profit from operations before valuation changes in investment properties of \$316.2 million for the financial year ended 31 March 2021, representing a decrease of approximately 33.7% compared with the previous financial year. The decrease was mainly due to various rental concessions having been granted continually to most of the tenants of iSQUARE during the whole financial year as a result of the ongoing COVID-19 pandemic. In addition, the drop in both iSQUARE occupancy rate and rental on renewal leases further reduced the rental income from iSQUARE for the year under review.
- Valuation losses on investment properties for the financial year ended 31 March 2021 amounted to \$1,788.0 million, compared with the valuation losses of \$1,306.3 million for the previous financial year. The valuation losses will only affect the accounting profit or loss but not the cash flows of the Group.
- The Group recorded a loss attributable to equity shareholders of \$1,525.5 million for the financial year ended 31 March 2021, compared with a loss attributable to equity shareholders of \$912.9 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 \$434.1 million for the financial year ended 31 March 2021, representing a decrease of approximately 25.8% compared with the previous financial year. The occupancy rate at 31 March 2021 was approximately 76.7% (2020: 87.2%).
- The total equity for the Group at 31 March 2021 was \$10,577.4 million, compared with \$12,282.9 million at 31 March 2020.

- 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. In compliance with certain conditions, the facilities have been further extended for two additional years to 8 October 2021. Upon its maturity, the Company intends to extend the facilities for at least three additional years. At 31 March 2021, the banking facilities were utilised to the extent of \$200 million (2020: \$200 million) and the Group's gearing ratio (calculated as total bank loans divided by total equity) was 1.9% (2020: 1.6%).
- At 31 March 2021, the total number of employees of the Group, excluding the staff employed by Cushman & Wakefield Property Management Limited for general building and property management of iSQUARE, was 38 (2020: 36) and the related costs incurred during the year were approximately \$26.5 million (2020: \$27.7 million). The decrease in the related costs was mainly attributable to the wage subsidy under the Employment Support Scheme of the Hong Kong government.

## **OUTLOOK**

The leasing market in Hong Kong is still in a difficult situation suffering from the recurring waves of the COVID-19 pandemic. With the continuation of the pandemic, the management expects lower rental values to continue and will take appropriate measures to cope with the situation. It is anticipated that the adverse impact on rental income from iSQUARE and the results from operations of the Group for the coming financial year will continue.

## **ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS**

The annual general meeting of members of the Company will be held on Thursday, 9 September 2021.

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, 2 September 2021 to Thursday, 9 September 2021, 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 p.m. (Hong Kong time) on Wednesday, 1 September 2021.

## **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 financial year ended 31 March 2021 complied with all the code provisions, where applicable, set out in the Corporate Governance Code in Appendix 14 to 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 risk management and internal control systems 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 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 C.2.5: Issuer should have an internal audit function and review the need for one in case of its absence annually

At present, the Company does not have an internal audit function. The Board reviewed the need for setting up an internal audit function in March 2021 and considered that there was no such an immediate need after taking into account the Group's current circumstances, such as the focused nature and geographical spread of business, the relatively simple operating structure and small size of the Group and the close involvement and supervision of the management in daily operation, which could provide sufficient risk management and internal control for the Group. Despite it, the Board has taken initiatives to promote the adequacy and effectiveness of the risk management and internal control systems by creating a control environment across the Group (such as building up a corporate culture based on sound business ethics and accountability through the implementation of "whistle-blowing" arrangements and procedure manuals with defined roles, responsibilities and reporting lines) and putting control activities in place (such as conducting group-wide risk assessment exercise biannually). In addition, where the external auditor of the Company considers any internal controls that are relevant to the audit of the financial statements, it will report to the audit committee any significant deficiencies in internal control identified during the audit.

In view of the above considerations and the potential cost to be involved, the Board is of the opinion that it is not cost effective to set up and maintain an internal audit function and that the existing control mechanism could justify its absence for the time being. Nonetheless, the Board will review the need for an internal audit function on an annual basis.

- 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.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its code for dealing in securities in the Company by its Directors ("Model Code"). Specific enquiry has been made to all Directors of the Company as to whether they have complied with or whether there has been any non-compliance with the Model Code, and all Directors have confirmed compliance with the required standard set out in the Model Code during the financial year ended 31 March 2021.

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT**

This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company ([http://aihl.etnet.com.hk/eng/ca\\_calendar.php](http://aihl.etnet.com.hk/eng/ca_calendar.php)). The annual report for the financial year ended 31 March 2021 which contains all information required by the Listing Rules will be despatched to members of the Company and made available on the above websites in due course.

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

Hong Kong, 29 June 2021

*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, and Mr Chow Wan Hoi, Paul, Mr Wong Yiu Tak 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.*