



**凱聯國際酒店有限公司**  
**Associated International Hotels Limited**

**Interim Report 2002**

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# ASSOCIATED INTERNATIONAL HOTELS LIMITED

## INTERIM REPORT

*(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 2002. These results have been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants, by KPMG, certified public accountants in Hong Kong. The review report issued by KPMG is attached.

### CONSOLIDATED PROFIT AND LOSS ACCOUNT for the six months ended 30 September 2002 — unaudited

	<i>Note</i>	<i>Six months ended 30 September</i>	
		<i>2002</i>	<i>2001</i>
		<b>\$'000</b>	<b>\$'000</b>
<b>Turnover</b>	2	<b>199,791</b>	191,269
Cost of services/sales		<u><b>(68,533)</b></u>	<u>(64,369)</u>
		<b>131,258</b>	126,900
Other revenue		<b>3,519</b>	5,962
Other net income		<b>771</b>	1,713
Selling expenses		<b>(11,485)</b>	(12,015)
Administrative expenses		<u><b>(51,976)</b></u>	<u>(49,321)</u>
<b>Profit from operations</b>	2	<b>72,087</b>	73,239
Finance costs	3(a)	<b>(278)</b>	(547)
Impairment loss in respect of other properties		<u>—</u>	<u>(6,500)</u>
<b>Profit from ordinary activities before taxation</b>	3	<b>71,809</b>	66,192
Taxation	4	<u><b>(11,537)</b></u>	<u>(11,172)</u>
<b>Profit from ordinary activities after taxation</b>		<b>60,272</b>	55,020
Minority interests		<u><b>1</b></u>	<u>—</u>
<b>Profit attributable to shareholders</b>		<u><b>60,273</b></u>	<u>55,020</u>
Dividends attributable to the interim period	5	<u><b>28,800</b></u>	<u>28,800</u>
Earnings per share	6	<u><b>17 cents</b></u>	<u>15 cents</u>

The notes on pages 5 to 8 form part of this interim financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the six months ended 30 September 2002 — unaudited**

		<i>Six months ended 30 September</i>	
		<i>2002</i>	<i>2001</i>
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>
Balance at 1 April		<u>3,754,164</u>	<u>3,936,026</u>
Deficit on revaluation of hotel properties		—	(170,000)
Premium in respect of shares issued to minority shareholders of a subsidiary	12	1,123	1,468
Exchange differences arising on translation of the accounts of foreign subsidiaries	12	<u>22</u>	<u>(74)</u>
<b>Net gains/(losses) not recognised in the profit and loss account</b>		<u>1,145</u>	<u>(168,606)</u>
Net profit for the period		60,273	55,020
Dividends approved during the period		<u>(72,000)</u>	<u>(72,000)</u>
		<u>(11,727)</u>	<u>(16,980)</u>
<b>Balance as at 30 September</b>		<u><u>3,743,582</u></u>	<u><u>3,750,440</u></u>

The notes on pages 5 to 8 form part of this interim financial report.

**CONSOLIDATED BALANCE SHEET**  
**at 30 September 2002 — unaudited**

		<i>At 30 September 2002</i>		<i>At 31 March 2002</i>	
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>Non-current assets</b>					
Fixed assets	7		<b>3,521,800</b>		3,532,358
Land held for development			<b>31,033</b>		31,033
Other investments in securities			<b>7,072</b>		6,322
			<u><b>3,559,905</b></u>		<u>3,569,713</u>
<b>Current assets</b>					
Inventories			<b>2,286</b>		2,435
Accounts receivable, deposits and prepayments	8		<b>22,058</b>		20,792
Cash and cash equivalents	9		<b>353,413</b>		278,069
			<u><b>377,757</b></u>		<u>301,296</u>
<b>Current liabilities</b>					
Bank loans — secured			<b>6,400</b>		6,400
Accounts payable, other payables and accruals	10		<b>37,656</b>		36,816
Deposits received			<b>31,331</b>		29,726
Provision for long service payments			<b>8,666</b>		8,539
Tax payable			<b>25,292</b>		19,122
Dividend payable			<b>72,000</b>		—
			<u><b>181,345</b></u>		<u>100,603</u>
<b>Net current assets</b>			<u><b>196,412</b></u>		<u>200,693</u>
<b>Total assets less current liabilities</b>			<b>3,756,317</b>		3,770,406
<b>Non-current liabilities</b>					
Bank loans — secured			<b>(8,800)</b>		(12,000)
Government lease premiums payable			<b>(2,573)</b>		(2,573)
Deferred taxation			<b>(1,361)</b>		(1,667)
			<b>(12,734)</b>		(16,240)
Minority interests			<u><b>(1)</b></u>		<u>(2)</u>
<b>NET ASSETS</b>			<u><b>3,743,582</b></u>		<u>3,754,164</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	11		<b>360,000</b>		360,000
Reserves	12		<b>3,383,582</b>		3,394,164
			<u><b>3,743,582</b></u>		<u>3,754,164</u>

The notes on pages 5 to 8 form part of this interim financial report.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
for the six months ended 30 September 2002 — unaudited

	<i>Six months ended 30 September</i>	
	<i>2002</i>	<i>2001</i>
	<i>\$'000</i>	<i>\$'000</i>
Net cash from operating activities	77,705	70,733
Net cash from investing activities	1,167	1,892
Net cash used in financing activities	<u>(3,528)</u>	<u>(664)</u>
Net increase in cash and cash equivalents	75,344	71,961
Cash and cash equivalents at 1 April	<u>278,069</u>	<u>254,166</u>
Cash and cash equivalents at 30 September	<u><u>353,413</u></u>	<u><u>326,127</u></u>

The notes on pages 5 to 8 form part of this interim financial report.

## NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

### 1. Basis of preparation

This interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports", issued by the Hong Kong Society of Accountants ("HKSA"). KPMG's independent review report to the board of directors is included on page 14.

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the HKSA.

The financial information relating to the financial year ended 31 March 2002 included in the interim financial report does not constitute the Group's statutory accounts for that financial year but is derived from those accounts. Statutory accounts for the year ended 31 March 2002 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 10 July 2002.

The same accounting policies adopted in the 2002 annual accounts have been applied to the interim financial report, except that the Group has adopted the following revised Statements of Standard Accounting Practice ("SSAPs") which became effective for the current accounting period.

(a) *SSAP 11 (revised) "Foreign currency translation"*

In previous years, the results of foreign entities were translated into Hong Kong dollars at exchange rates ruling at the balance sheet date.

SSAP 11 (revised) has eliminated the choice of translating the results of foreign entities at the closing rate for that period. The results of foreign entities are now required to be translated at the average exchange rates during the period. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

(b) *SSAP 1 (revised) "Presentation of financial statements" and SSAP 15 (revised) "Cash flow statements"*

Certain presentational changes have been made in accordance with SSAP 1 (revised) and SSAP 15 (revised).

### 2. Segment reporting

An analysis of the Group's revenue and results for the six months ended 30 September 2002 and 2001 by business segments is as follows:

	<i>Segment revenue</i>		<i>Segment profit/(loss)</i>	
	<i>Six months ended</i>		<i>Six months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Hotel operation	137,875	129,450	37,204	36,091
Property investment	49,898	48,801	45,929	44,473
Golf and recreational club operation	12,018	13,018	(5,068)	(3,181)
	<u>199,791</u>	<u>191,269</u>	<u>78,065</u>	<u>77,383</u>
Unallocated other revenue			3,519	5,962
Unallocated operating income and expenses			(9,497)	(10,106)
Profit from operations			<u>72,087</u>	<u>73,239</u>

## 2. Segment reporting (continued)

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's revenue and profit from operations were derived from activities outside Hong Kong.

## 3. Profit from ordinary activities before taxation

*Profit from ordinary activities before taxation is arrived at after charging/(crediting):*

	<i>Six months ended 30 September</i>	
	<i>2002</i>	<i>2001</i>
	<i>\$'000</i>	<i>\$'000</i>
(a) Finance costs:		
Interest on bank advances and other borrowings repayable within 5 years	<u>278</u>	<u>547</u>
(b) Other items:		
Depreciation	12,011	12,522
Dividend income from listed securities	(354)	(120)
Net (profit)/loss on sale of fixed assets	(16)	26
Net unrealised gain on other securities	<u>(750)</u>	<u>(431)</u>

## 4. Taxation

	<i>Six months ended 30 September</i>	
	<i>2002</i>	<i>2001</i>
	<i>\$'000</i>	<i>\$'000</i>
Hong Kong profits tax	11,841	10,940
Overseas taxation	2	64
Deferred taxation	<u>(306)</u>	<u>168</u>
	<u>11,537</u>	<u>11,172</u>

The provision for Hong Kong profits tax is calculated at 16% (2001: 16%) of the estimated assessable profits for the six months ended 30 September 2002. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

## 5. Dividends attributable to the interim period

	<i>Six months ended 30 September</i>	
	<i>2002</i>	<i>2001</i>
	<i>\$'000</i>	<i>\$'000</i>
Interim dividend declared after the interim period end of 8 cents (2001: 8 cents) per share	<u>28,800</u>	<u>28,800</u>

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

## 6. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$60,273,000 (2001: \$55,020,000) and 360,000,000 (2001: 360,000,000) ordinary shares in issue during the period. There were no potential dilutive shares in existence during the six months ended 30 September 2001 and 2002.

## 7. Fixed assets

The hotel and investment properties were revalued at 30 September 2002 by the directors, who are not qualified valuers, using relevant market indices to update the professional valuations that were carried out at 31 March 2002.

No significant changes in the value of the hotel and investment properties since 31 March 2002 was identified and therefore, no adjustments are considered necessary in this respect.

## 8. Accounts receivable, deposits and prepayments

Included in accounts receivable, deposits and prepayments are accounts receivable (net of specific provisions for bad and doubtful debts) with the following ageing analysis:

	<i>30 September</i> <i>2002</i> \$'000	<i>31 March</i> <i>2002</i> \$'000
Current	10,489	9,094
1 to 3 months overdue	3,054	2,008
More than 3 months overdue but less than 12 months overdue	<u>1,068</u>	<u>796</u>
	<u><u>14,611</u></u>	<u><u>11,898</u></u>

Debts are generally due within 45 days in respect of hotel operation from the date of billing and 14 days in respect of the operation of properties from the first day of the month. Debtors of the hotel operation with balances that are 60 days overdue are requested to settle all outstanding balances before any further credit is granted. For debtors of the operation of investment properties, legal action will be taken against overdue debtors whenever the situation is appropriate.

## 9. Cash and cash equivalents

	<i>30 September</i> <i>2002</i> \$'000	<i>31 March</i> <i>2002</i> \$'000
Deposits with bank	342,588	267,068
Cash at bank and in hand	<u>10,825</u>	<u>11,001</u>
	<u><u>353,413</u></u>	<u><u>278,069</u></u>



**10. Accounts payable, other payables and accruals**

Included in accounts payable, other payables and accruals are accounts payable with the following ageing analysis:

	<b>30 September 2002 \$'000</b>	<b>31 March 2002 \$'000</b>
Due within 1 month or on demand	4,303	5,188
Due after 1 month but within 3 months	402	236
Due after 3 months but within 6 months	5	42
Due after 6 months but within 12 months	19	26
Retention monies payable after 12 months	<u>2,958</u>	<u>3,096</u>
	<u><b>7,687</b></u>	<u><b>8,588</b></u>

**11. Share capital**

	<b>No. of shares '000</b>	<b>Amount \$'000</b>
<i>Issued and fully paid:</i>		
At 1 April 2002 and 30 September 2002	<u>360,000</u>	<u>360,000</u>

**12. Reserves**

	<b>Investment properties revaluation reserve \$'000</b>	<b>Hotel properties revaluation reserve \$'000</b>	<b>Exchange reserve \$'000</b>	<b>Capital reserve \$'000</b>	<b>Retained earnings \$'000</b>	<b>Total \$'000</b>
At 1 April 2002	869,999	1,530,166	(4,852)	118,158	880,693	3,394,164
Dividends approved in respect of the previous year	—	—	—	—	(72,000)	(72,000)
Premium in respect of shares issued to minority shareholders of a subsidiary	—	—	—	1,123	—	1,123
Exchange differences	—	—	22	—	—	22
Profit for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>60,273</u>	<u>60,273</u>
At 30 September 2002	<u>869,999</u>	<u>1,530,166</u>	<u>(4,830)</u>	<u>119,281</u>	<u>868,966</u>	<u>3,383,582</u>

**13. Capital commitments outstanding not provided for in the interim financial report**

	<b>30 September 2002 \$'000</b>	<b>31 March 2002 \$'000</b>
Contracted for	427	2,025
Authorised but not contracted for	<u>2,535</u>	<u>3,014</u>
	<u><b>2,962</b></u>	<u><b>5,039</b></u>

**14. Approval of interim financial report**

The interim financial report was approved and authorised for issue by the board of directors on 5 December 2002.

## INTERIM DIVIDEND

The Directors have resolved that an interim dividend of 8 cents (2001 : 8 cents) per share be payable on or about 8 January 2003 to shareholders whose names appear on the register of members of the Company on 30 December 2002. The register of members of the Company will be closed from 23 December 2002 to 30 December 2002, both dates inclusive. Accordingly, transfers must be lodged with the Company's registrars by not later than 4:00 p.m. on Friday, 20 December 2002.

## BUSINESS REVIEW

- The Group achieved a profit from operations of approximately \$72.1 million for the half year ended 30 September 2002 representing a decrease of approximately 1.6% compared with the corresponding period in 2001. The slight decrease in profit from operations despite increased revenue from Hyatt Regency Hotel (the "Hotel") was mainly due to a one-off expense on sewage and water piping maintenance carried out on certain floors of the Hotel during the period.
- The average room rate obtained at the Hotel during the half year ended 30 September 2002 was approximately \$733, representing a decrease of approximately 5.7% in comparison with the corresponding period in 2001.
- The average room occupancy of the Hotel during the half year ended 30 September 2002 was approximately 88.6% as compared to approximately 70.4% for the half year ended 30 September 2001.
- For the period under review, despite the decrease in the average room rate, total room revenues increased due to increased room yield owing to the increase in the average room occupancy and the growth in tourist arrivals in Hong Kong during this period.
- Rental income for the Hotel's shopping arcade for the half year ended 30 September 2002 was approximately \$49.8 million, representing an increase of approximately 2.3% against the corresponding period in 2001.
- As at 30 September 2002, the total number of employees of the Group (excluding the employees of the Hotel but including the Executive Directors and employees of the Group's resort operation) was 174 and the related costs incurred during the period amounted to \$12.7 million.
- The shareholders' funds for the Group as at 30 September 2002 were approximately \$3,743.6 million and total borrowings of the Group were approximately \$15.2 million. The Group's gearing ratio as at 30 September 2002 was approximately 0.4%.
- There has been no material change to the information disclosed in the Company's annual report for the year ended 31 March 2002 which necessitates additional disclosure to be made herein.

## OUTLOOK

Similar to other top grade hotels in Hong Kong, it is anticipated that the Hotel will continue to operate in a difficult environment. Despite the decline in room rates which was pervasive in Hong Kong, the Hotel achieved better revenues as a result of higher occupancy rates. Numbers released by the Hong Kong Tourism Board ("HKTB") for the six months to September 2002 showed a 17.7% increase in tourist arrivals in Hong Kong during this period. Tourist arrivals in Hong Kong from most countries showed an increase and the increase in arrivals was primarily from Mainland China.

Although the latest data from the HKTB shows that to date the Bali terrorist bombing has had limited impact on Hong Kong tourist arrivals, it is likely that it will dampen sentiment overseas regarding travel in Asia. Further, the near future is clouded by an uncertain geopolitical and economic environment. The Group will try to counter these negative factors by strengthening its marketing activities and cost management. As a major regional transport hub and with China's accession to the WTO, the management is optimistic that the long-term trend in the level of visitor arrivals will remain positive.

Owing to the sluggish retail market in Hong Kong, rental income from the Hotel's shopping arcade is not expected to improve and may even decline slightly in the foreseeable future.

## DIRECTORS' INTERESTS

The following table shows the beneficial interests as at 30 September 2002 of the Directors in shares of HK\$1 each in the share capital of the Company, as recorded in the Company's register maintained pursuant to the Securities (Disclosure of Interests) Ordinance:

<b>Name</b>	<b>Number of shares</b>			<b>Total beneficial interests</b>
	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	
Cheong Hooi Hong ( <i>Chairman</i> )	2,073,992	—	—	2,073,992
Cheong Kheng Lim ( <i>Deputy Chairman &amp; Managing Director</i> )	25,381,715	34,000	—	25,415,715
Cheong Keng Hooi	15,325,839	275,280	—	15,601,119
Cheong Sim Lam	3,269,155	24,000	—	3,293,155
Cheong Been Kheng	3,431,198	—	—	3,431,198
Sin Cho Chiu, Charles	242,000	—	120,000	362,000
Lau Wah Sum	—	—	—	—

Note: The corporate interest of 120,000 shares represents 120,000 shares held by Chason Limited where Mr Sin Cho Chiu, Charles is taken to be interested in such shares under the Securities (Disclosure of Interests) Ordinance.

The following table shows the beneficial interests as at 30 September 2002 of the Directors in shares of Malaysian Ringgit 1 each in the share capital of Austin Hills Country Resort Bhd., an indirectly held subsidiary of the Company:

<b>Name</b>	<b>Number of shares</b>			<b>Total beneficial interests</b>
	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	
Cheong Hooi Hong	—	—	—	—
Cheong Kheng Lim	1	—	—	1
Cheong Keng Hooi	—	—	—	—
Cheong Sim Lam	—	3	—	3
Cheong Been Kheng	—	—	—	—
Sin Cho Chiu, Charles	—	—	—	—
Lau Wah Sum	—	—	—	—

The following table shows the beneficial interests as at 30 September 2002 of the Directors in shares of HK\$0.25 each in the share capital of Tian Teck Land Limited (which, including shares held by its wholly-owned subsidiary, beneficially owned 180,030,681 shares of HK\$1 each in the Company, representing 50.01% of its issued share capital):

<b>Name</b>	<b>Number of shares</b>			<b>Total beneficial interests</b>
	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	
Cheong Hooi Hong	1,625,792	—	—	1,625,792
Cheong Kheng Lim	45,631,872	115,292	—	45,747,164
Cheong Keng Hooi	26,742,036	1,002,384	—	27,744,420
Cheong Sim Lam	4,329,504	—	—	4,329,504
Cheong Been Kheng	300,100	—	—	300,100
Sin Cho Chiu, Charles	2,000	—	115,200	117,200
Lau Wah Sum	—	—	—	—

*Note: The corporate interest of 115,200 shares represents 115,200 shares held by Chason Limited where Mr Sin Cho Chiu, Charles is taken to be interested in such shares under the Securities (Disclosure of Interests) Ordinance.*

The following table shows the beneficial interests as at 30 September 2002 of the Directors in shares of HK\$1 each in the share capital of Tian Teck Investment Holding Co., Limited (subsidiaries of which, including Tian Teck Land Limited, beneficially held 180,030,681 shares of HK\$1 each in the Company, representing 50.01% of its issued share capital):

<b>Name</b>	<b>Number of shares</b>			<b>Total beneficial interests</b>
	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	
Cheong Hooi Hong	25	—	—	25
Cheong Kheng Lim	25	—	—	25
Cheong Keng Hooi	25	—	—	25
Cheong Sim Lam	25	—	—	25
Cheong Been Kheng	—	—	—	—
Sin Cho Chiu, Charles	—	—	—	—
Lau Wah Sum	—	—	—	—

The following table shows the beneficial interests as at 30 September 2002 of the Directors in shares of HK\$1 each in the share capital of Yik Fok Investment Holding Company, Limited (which is an indirectly-owned subsidiary of Tian Teck Investment Holding Co., Limited), representing 0.00695% of Yik Fok Investment Holding Company, Limited's issued share capital:

<b>Name</b>	<b>Number of shares</b>			<b>Total beneficial interests</b>
	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b>	
Cheong Hooi Hong	10	—	—	10
Cheong Kheng Lim	10	—	—	10
Cheong Keng Hooi	10	—	—	10
Cheong Sim Lam	10	—	—	10
Cheong Been Kheng	1,350	—	—	1,350
Sin Cho Chiu, Charles	—	—	—	—
Lau Wah Sum	—	—	—	—

*Note: "Personal interests" consists of shares owned beneficially by the relevant director and registered in the director's name or in the name of the director's nominee. "Family interests" consists of shares owned beneficially by the spouse of the relevant director and registered in the spouse's name or in the name of the spouse's nominee (no shares being beneficially owned by any children aged under 18 of any of the directors). "Corporate interests" consists of shares beneficially owned by a corporation in which the relevant director is entitled to exercise or control the exercise of one third or more of the voting power in general meetings of that corporation or where the corporation or its directors are accustomed to act in accordance with the director's directions or instructions, and registered in the corporation's name or in the name of the corporation's nominee.*

No director had any interest in or rights to subscribe for relevant securities other than as shown above.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30 September 2002, the following interests in shares in the Company were recorded in the register required to be kept under Section 16(1) of the Securities (Disclosure of Interests) Ordinance:

<b>Name of person having disclosed an interest in shares in the Company</b>	<b>Number of shares of HK\$1 in which an interest was disclosed</b>
Tian Teck Investment Holding Co., Limited	180,030,681
Tian Teck Land Limited	180,030,681

*Note: The registered holders shown on the relevant disclosure notice for Tian Teck Investment Holding Co., Limited were the same as those shown on the disclosure notice for Tian Teck Land Limited.*

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

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## **PLEDGE OF ASSETS**

As at 30 September 2002, certain land and buildings of the Company with an aggregate carrying value of approximately \$3,184.0 million were mortgaged or charged to a bank for credit facilities of \$100.0 million granted to the Company. Such banking facilities were utilised to the extent of \$15.2 million as at 30 September 2002.

## **COMPLIANCE WITH THE CODE OF BEST PRACTICE**

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the period.

By Order of the Board  
**Sin Cho Chiu, Charles**  
*Secretary*

Hong Kong, 5 December 2002

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## **INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF ASSOCIATED INTERNATIONAL HOTELS LIMITED**

### **Introduction**

We have been instructed by the company to review the interim financial report set out on pages 1 to 8.

### **Directors' responsibilities**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

### **Review work performed**

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

### **Review conclusion**

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2002.

### **KPMG**

*Certified Public Accountants*

Hong Kong, 5 December 2002