



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

Interim Report 2004

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 2004. These results have been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants, by KPMG, certified public accountants in Hong Kong, and the Audit Committee. The unmodified review report of the auditors is attached.

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the six months ended 30 September 2004 — unaudited

	<i>Note</i>	<i>Six months ended 30 September</i>	
		2004	2003
		\$'000	\$'000
Turnover	2	206,118	126,375
Cost of services/sales		<u>(68,317)</u>	<u>(51,201)</u>
		137,801	75,174
Other revenue		2,029	2,963
Other net income/(loss)		1,792	(3,049)
Selling expenses		(12,738)	(7,639)
Administrative expenses		<u>(51,626)</u>	<u>(41,363)</u>
Profit from operations	2	77,258	26,086
Finance costs	3(a)	<u>(29)</u>	<u>(149)</u>
Profit from ordinary activities before taxation	3	77,229	25,937
Income tax	4	<u>(13,845)</u>	<u>(4,990)</u>
Profit from ordinary activities after taxation		63,384	20,947
Minority interests		<u>—</u>	<u>—</u>
Profit attributable to shareholders		<u>63,384</u>	<u>20,947</u>
Dividends attributable to the interim period	5	<u>28,800</u>	<u>21,600</u>
Earnings per share	6	<u>\$0.18</u>	<u>\$0.06</u>

The notes on pages 5 to 9 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET
at 30 September 2004 — unaudited

	<i>Note</i>	<i>At 30 September 2004</i>		<i>At 31 March 2004</i>	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets	7		3,617,031		3,620,912
Land held for development			26,306		26,298
Other investments in securities			7,415		7,351
Deferred tax assets			<u>5,056</u>		<u>4,263</u>
			3,655,808		3,658,824
Current assets					
Inventories			1,893		1,816
Accounts receivable, deposits and prepayments	8		20,657		18,508
Tax recoverable			45		27
Cash and cash equivalents	9		<u>458,332</u>		<u>368,421</u>
			<u>480,927</u>		<u>388,772</u>
Current liabilities					
Accounts payable, other payables and accruals	10		46,683		33,434
Deposits received			33,684		31,863
Provision for long service payments			8,282		7,731
Current taxation			18,981		9,371
Dividends payable			<u>36,000</u>		<u>—</u>
			<u>143,630</u>		<u>82,399</u>
Net current assets			<u>337,297</u>		<u>306,373</u>
Total assets less current liabilities			3,993,105		3,965,197
Non-current liabilities					
Government lease premiums payable			(2,511)		(2,511)
Deferred tax liabilities			<u>(139)</u>		<u>(143)</u>
			(2,650)		(2,654)
Minority interests			<u>(1)</u>		<u>(1)</u>
Net assets			<u>3,990,454</u>		<u>3,962,542</u>
Capital and reserves					
Share capital	11		360,000		360,000
Reserves	12		<u>3,630,454</u>		<u>3,602,542</u>
			<u>3,990,454</u>		<u>3,962,542</u>

The notes on pages 5 to 9 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2004 — unaudited

	<i>Note</i>	<i>Six months ended 30 September</i>	
		<i>2004</i>	<i>2003</i>
		\$'000	\$'000
Shareholders' equity at 1 April		<u>3,962,542</u>	<u>3,784,441</u>
Premium in respect of shares issued to minority shareholders of a subsidiary	12	496	1,735
Exchange differences arising on translation of the accounts of foreign subsidiaries	12	<u>32</u>	<u>739</u>
Net gains not recognised in the profit and loss account		<u>528</u>	<u>2,474</u>
Net profit for the period		63,384	20,947
Dividends approved during the period		<u>(36,000)</u>	<u>(25,200)</u>
		<u>27,384</u>	<u>(4,253)</u>
Shareholders' equity at 30 September		<u><u>3,990,454</u></u>	<u><u>3,782,662</u></u>

The notes on pages 5 to 9 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2004 — unaudited

	<i>Six months ended 30 September</i>	
	<i>2004</i>	<i>2003</i>
	\$'000	\$'000
Net cash from operating activities	88,998	31,443
Net cash from investing activities	607	1,413
Net cash from/(used in) financing activities	<u>237</u>	<u>(3,359)</u>
Net increase in cash and cash equivalents	89,842	29,497
Cash and cash equivalents at 1 April	368,421	321,916
Effect of foreign exchange rates changes	<u>69</u>	<u>(478)</u>
Cash and cash equivalents at 30 September	<u>458,332</u>	<u>350,935</u>

The notes on pages 5 to 9 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 Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the Board of Directors is included on page 16.

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 HKICPA.

The financial information relating to the financial year ended 31 March 2004 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 2004 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those accounts in their report dated 6 July 2004.

The same accounting policies adopted in the 2004 annual accounts have been applied to the interim financial report.

2. Segment reporting

An analysis of the Group's revenue and results for the six months ended 30 September 2004 and 2003 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>2004</i>	<i>2003</i>	<i>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Continuing operations				
Property investment	50,321	42,205	47,166	38,819
Golf and recreational club operation	<u>11,374</u>	<u>11,897</u>	<u>(2,858)</u>	<u>(10,768)</u>
	61,695	54,102	44,308	33,051
Discontinuing operation				
Hotel operation	<u>144,423</u>	<u>72,273</u>	<u>42,759</u>	<u>110</u>
	<u>206,118</u>	<u>126,375</u>	<u>87,067</u>	<u>33,161</u>
Unallocated other revenue			2,029	2,963
Unallocated operating income and expenses			<u>(11,838)</u>	<u>(10,038)</u>
Profit from operations			<u>77,258</u>	<u>26,086</u>

Segment information is presented only in respect of the Group's business segments as it is chosen as the Group's primary basis of segment reporting.

2. Segment reporting (continued)

Discontinuing operation — hotel operation

On 28 July 2004, the Directors made an announcement of their decision to pursue the possibility of redeveloping the property comprising the Hyatt Regency Hotel and the Hyatt Regency Shopping Arcade (the "Property") into a building with mainly retail components. On 20 October 2004, the Directors made a further announcement stating that they had resolved to proceed with the proposal to redevelop the Property as mentioned in the aforesaid announcement.

It is currently expected by the Directors that the operations of the Hyatt Regency Hotel and the Hyatt Regency Shopping Arcade will cease from 1 January 2006, the Property will then be demolished and a new building will be constructed. Barring unforeseen circumstances, it is expected by the Directors that the time period for the redevelopment will be three to four years from commencement of the redevelopment work.

A discontinuing operation is a clearly distinguishable component of the Group's business that is disposed of or abandoned pursuant to a single plan, and which represents a separate major line of business or geographical area of operations.

As a result, hotel operation is considered as a discontinuing operation. Property investment is not considered as a discontinuing operation as the Group will continue to generate rental income upon completion of the property redevelopment.

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>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>
(a) Finance costs:		
Interest on government lease premiums payable	29	30
Interest on bank advances	—	119
	<u>29</u>	<u>149</u>
(b) Other items:		
Depreciation	10,447	10,398
Dividend income from listed securities	(366)	(366)
Net (profit)/loss on disposal of fixed assets	(1,635)	32
Net unrealised (gain)/loss on other securities	(64)	268
	<u>(1,635)</u>	<u>268</u>

4. Income tax

	<i>Six months ended 30 September</i>	
	<i>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>
Hong Kong profits tax	14,598	5,731
Overseas tax	44	75
Deferred tax	(797)	(816)
	<u>13,845</u>	<u>4,990</u>

The provision for Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profits for the six months ended 30 September 2004. 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>2004</i>	<i>2003</i>
	<i>\$'000</i>	<i>\$'000</i>
Interim dividend declared after the interim period end of 8 cents (2003: 6 cents) per share	<u>28,800</u>	<u>21,600</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 \$63,384,000 (2003: \$20,947,000) and 360,000,000 (2003: 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 2004 and 2003.

7. Fixed assets

The hotel and investment properties were revalued at 30 September 2004 by the Directors, who are not qualified valuers, using relevant market indices to update the professional valuations that were carried out at 31 March 2004.

No significant changes in the value of the hotel and investment properties since 31 March 2004 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 provisions for bad and doubtful debts) with the following ageing analysis:

	30 September	31 March
	2004	2004
	\$'000	\$'000
Current	11,659	10,247
1 to 3 months overdue	2,578	1,296
More than 3 months overdue but less than 12 months overdue	<u>741</u>	<u>1,300</u>
	<u>14,978</u>	<u>12,843</u>

Debts are generally due within 45 days in respect of hotel operation and 14 days in respect of the operation of investment properties from the date of billing. 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

	30 September	31 March
	2004	2004
	\$'000	\$'000
Deposits with bank	440,696	357,950
Cash at bank and in hand	<u>17,636</u>	<u>10,471</u>
	<u>458,332</u>	<u>368,421</u>

10. Accounts payable, other payables and accruals

All of the accounts payable, other payables and accruals except for \$3,078,000 (at 31 March 2004: \$1,944,000), mainly represented retention monies payable and instalment payments to a contractor of its subsidiary, are expected to be settled within one year.

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

	30 September	31 March
	2004	2004
	\$'000	\$'000
Due within 1 month or on demand	4,229	4,686
Due after 1 month but within 3 months	421	353
Due after 3 months but within 6 months	9	75
Due after 6 months but within 12 months	3	1
Due after 12 months	<u>307</u>	<u>1,944</u>
	<u>4,969</u>	<u>7,059</u>

11. Share capital

	<i>No. of ordinary shares '000</i>	<i>Amount \$'000</i>
<i>Issued and fully paid:</i>		
At 1 April 2004 and 30 September 2004	<u>360,000</u>	<u>360,000</u>

12. Reserves

	<i>Investment properties revaluation reserve \$'000</i>	<i>Hotel properties revaluation reserve \$'000</i>	<i>Exchange reserve \$'000</i>	<i>Capital reserve \$'000</i>	<i>Retained earnings \$'000</i>	<i>Total \$'000</i>
At 1 April 2004	1,263,034	1,275,704	(5,725)	124,530	944,999	3,602,542
Dividends approved in respect of the previous year	—	—	—	—	(36,000)	(36,000)
Premium in respect of shares issued to minority shareholders of a subsidiary	—	—	—	496	—	496
Exchange differences	—	—	(4)	36	—	32
Profit for the period	—	—	—	—	63,384	63,384
At 30 September 2004	<u>1,263,034</u>	<u>1,275,704</u>	<u>(5,729)</u>	<u>125,062</u>	<u>972,383</u>	<u>3,630,454</u>

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

	<i>30 September 2004 \$'000</i>	<i>31 March 2004 \$'000</i>
Contracted for	24	5
Authorised but not contracted for	<u>3,483</u>	<u>3,249</u>
	<u>3,507</u>	<u>3,254</u>

As at 30 September 2004, no commitments have been entered into in respect of the intended redevelopment referred to in note 2.

14. Approval of interim financial report

The interim financial report was approved and authorised for issue by the Board of Directors on 7 December 2004.

INTERIM DIVIDEND

The Directors have resolved that an interim dividend of 8 cents (2003: 6 cents) per share be payable on or about 7 January 2005 to shareholders whose names appear on the register of members of the Company on 30 December 2004. The register of members of the Company will be closed from 23 December 2004 to 30 December 2004, both dates inclusive. Accordingly, transfers must be lodged with the Company's registrars not later than 4:00 p.m. on Wednesday, 22 December 2004.

BUSINESS REVIEW

- The Group achieved a profit from operations of \$77.3 million for the half year ended 30 September 2004, representing an increase of 196.2% compared with the corresponding period in 2003 when the operations of the Hyatt Regency Hotel (the "Hotel") owned by the Company were severely affected by the outbreak of Severe Acute Respiratory Syndrome ("SARS"). The substantial increment was mainly due to the recovery of the hotel business after the SARS period. In addition, the influx of mainland Chinese visitors following the introduction of the "Individual Visit Scheme" and the general improvement in the tourist industry in Hong Kong improved both the room occupancy rate and room rate of the Hotel during the period under review.
- The average room rate obtained at the Hotel during the half year ended 30 September 2004 was \$819, representing an increase of 31.3% in comparison with the corresponding period in 2003.
- The average room occupancy of the Hotel during the half year ended 30 September 2004 was 89.4% as compared with 47.2% for the half year ended 30 September 2003.
- Rental income for the Hotel's shopping arcade for the half year ended 30 September 2004 was \$50.2 million, representing an increase of 19.2% against the corresponding period in 2003. Apart from a bounce back from the adverse impact caused by the outbreak of SARS in the last financial period, the improvement was attributable to the growth in the retail market in Hong Kong which has benefited from a resurgence in tourist arrivals including the influx of mainland Chinese visitors.
- As at 30 September 2004, 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 153 and the related costs incurred during the period amounted to \$13.0 million.
- The shareholders' funds for the Group as at 30 September 2004 were \$3,990.5 million, compared with \$3,782.7 million on the same date of the last financial year. The Group's gearing ratio as at 30 September 2004 was nil compared with 0.2% as at 30 September 2003.
- 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 2004 which necessitates additional disclosure to that made herein.

OUTLOOK

The Directors believe the overall regional economy will keep growing in 2005 and that Hong Kong will continue to benefit from an increase in arrivals of mainland Chinese visitors.

The management also anticipates stronger market demand in hotel rooms in the fourth quarter as traditionally it is the busy period for business travel. In addition, Hong Kong WinterFest is expected to attract more travellers to Hong Kong. The Japanese leisure market has shown steady recovery and it is expected that more Japanese leisure travellers will come to Hong Kong in December. Barring unforeseen circumstances, the Hotel's revenue and rental income from the Hotel's shopping arcade for the second half of the current financial year are expected to be satisfactory.

As announced on 20 October 2004, the Directors have resolved to proceed with the proposal to redevelop the property comprising the Hotel and the Hotel's shopping arcade into a building comprising mainly retail components. The operations of the Hotel and the Hotel's shopping arcade which are currently the main business segments of the Group are expected to cease from 1 January 2006 and the existing property will be demolished and a new building comprising mainly retail components will be constructed. Barring unforeseen circumstances, the time period for the redevelopment will be three to four years from commencement of the redevelopment work. The cessation of the Hotel and the Hotel's shopping arcade operations will have a significant negative impact on the revenue and results of the Group during the redevelopment period. However, the Directors consider that upon completion of the redevelopment, it will increase the return to the Group in the long run and will enhance value for shareholders because it is anticipated that a retail development is likely to generate a higher return on capital in the long term than the hotel operation. The management will take steps to endeavour to reduce any adverse impact on the Hotel's operations before the end of 2005 which may arise owing to the Hotel's imminent closure.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

The Directors and Chief Executives of the Company who held office at 30 September 2004 had the following interests in the shares of the Company, its holding companies, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) at that date as recorded in the register of Directors' and Chief Executives' interests and short positions required to be kept under section 352 of the SFO:

(a) The Company

<i>Name</i>	<i>Number of ordinary shares of \$1 each</i>				<i>% of total issued shares</i>
	<i>Personal interests</i>	<i>Family interests</i>	<i>Corporate interests</i>	<i>Total beneficial interests</i>	
Cheong Hooi Hong	2,073,992	—	—	2,073,992	0.58%
Cheong Kheng Lim	26,089,715	34,000	—	26,123,715	7.26%
Cheong Keng Hooi	15,325,839	275,280	—	15,601,119	4.33%
Cheong Sim Lam	1,807,155	24,000	—	1,831,155	0.51%
Cheong Been Kheng	3,931,198	—	—	3,931,198	1.09%
Sin Cho Chiu, Charles	242,000	—	120,000 (Note)	362,000	0.10%
Lau Wah Sum	—	—	—	—	—
Chow Wan Hoi, Paul	—	—	—	—	—
Yau Lee Nam, Allen	—	—	—	—	—
Lee Chung	—	—	—	—	—

Note: The corporate interests of 120,000 shares represent 120,000 ordinary shares held by Chason Limited where Mr Sin Cho Chiu, Charles is taken to be interested in such shares under the SFO.

(b) Austin Hills Country Resort Bhd.

<i>Name</i>	<i>Number of ordinary shares of Malaysian Ringgit 1 each</i>				<i>% of total issued shares</i>
	<i>Personal interests</i>	<i>Family interests</i>	<i>Corporate interests</i>	<i>Total beneficial interests</i>	
Cheong Hooi Hong	—	—	—	—	—
Cheong Kheng Lim	1	—	—	1	0.00001%
Cheong Keng Hooi	—	—	—	—	—
Cheong Sim Lam	—	3	—	3	0.00003%
Cheong Been Kheng	—	—	—	—	—
Sin Cho Chiu, Charles	—	—	—	—	—
Lau Wah Sum	—	—	—	—	—
Chow Wan Hoi, Paul	—	—	—	—	—
Yau Lee Nam, Allen	—	—	—	—	—
Lee Chung	—	—	—	—	—

(c) Tian Teck Land Limited

Name	Number of shares of \$0.25 each				% of total issued shares
	Personal interests	Family interests	Corporate interests	Total beneficial interests	
Cheong Hooi Hong	4,625,792	—	—	4,625,792	0.97%
Cheong Kheng Lim	46,023,872	115,292	—	46,139,164	9.72%
Cheong Keng Hooi	26,962,036	1,002,384	—	27,964,420	5.89%
Cheong Sim Lam	1,099,504	—	—	1,099,504	0.23%
Cheong Been Kheng	300,100	—	—	300,100	0.06%
Sin Cho Chiu, Charles	2,000	—	115,200 (Note)	117,200	0.02%
Lau Wah Sum	—	—	—	—	—
Chow Wan Hoi, Paul	—	—	—	—	—
Yau Lee Nam, Allen	—	—	—	—	—
Lee Chung	—	—	—	—	—

Note: The corporate interests of 115,200 shares represent 115,200 shares held by Chason Limited where Mr Sin Cho Chiu, Charles is taken to be interested in such shares under the SFO.

(d) Tian Teck Investment Holding Co., Limited

Name	Number of ordinary shares of \$1 each				% of total issued shares
	Personal interests	Family interests	Corporate interests	Total beneficial interests	
Cheong Hooi Hong	25	—	—	25	25%
Cheong Kheng Lim	25	—	—	25	25%
Cheong Keng Hooi	25	—	—	25	25%
Cheong Sim Lam	25	—	—	25	25%
Cheong Been Kheng	—	—	—	—	—
Sin Cho Chiu, Charles	—	—	—	—	—
Lau Wah Sum	—	—	—	—	—
Chow Wan Hoi, Paul	—	—	—	—	—
Yau Lee Nam, Allen	—	—	—	—	—
Lee Chung	—	—	—	—	—

(e) **Yik Fok Investment Holding Company, Limited**

Name	Number of ordinary shares of \$1 each				% of total issued shares
	Personal interests	Family interests	Corporate interests	Total beneficial interests	
Cheong Hooi Hong	10	—	—	10	0.00005%
Cheong Kheng Lim	10	—	—	10	0.00005%
Cheong Keng Hooi	10	—	—	10	0.00005%
Cheong Sim Lam	10	—	—	10	0.00005%
Cheong Been Kheng	1,350	—	—	1,350	0.00675%
Sin Cho Chiu, Charles	—	—	—	—	—
Lau Wah Sum	—	—	—	—	—
Chow Wan Hoi, Paul	—	—	—	—	—
Yau Lee Nam, Allen	—	—	—	—	—
Lee Chung	—	—	—	—	—

Apart from the foregoing, none of the Directors and Chief Executives of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company, any of its holding companies, subsidiaries or fellow subsidiaries, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN SHARES AND UNDERLYING SHARES

The Company has been notified of the following interests in the Company's issued shares at 30 September 2004 amounting to 5% or more of the ordinary shares in issue:

	Number of ordinary shares of \$1 each	Percentage of total issued shares
Tian Teck Investment Holding Co., Limited	180,030,681 (Note 1)	50.01%
Tian Teck Land Limited	180,030,681 (Note 1)	50.01%
Cheong Kheng Lim	26,123,715 (Note 2)	7.26%
Lim Yoke Soon	26,123,715 (Note 3)	7.26%

Notes:

- (1) The register of interests in shares and short positions kept under 336 of the SFO indicates that the interest disclosed by Tian Teck Investment Holding Co., Limited is the same as the 180,030,681 shares disclosed by Tian Teck Land Limited.
- (2) Out of the 26,123,715 shares in which Mr Cheong Kheng Lim is interested, 26,089,715 shares were held by Mr Cheong Kheng Lim himself, and 34,000 shares were held by his spouse, Ms Lim Yoke Soon.
- (3) Out of the 26,123,715 shares in which Ms Lim Yoke Soon is interested, 34,000 shares were held by Ms Lim Yoke Soon herself, and 26,089,715 shares were held by her spouse, Mr Cheong Kheng Lim.

Apart from the foregoing, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

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.

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
Associated International Hotels Limited
Ng Sau Fong
Company Secretary

Hong Kong, 7 December 2004

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 9.

Respective responsibilities of directors and auditors

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 Institute of Certified Public Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 Institute of Certified Public 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 2004.

KPMG

Certified Public Accountants

Hong Kong, 7 December 2004