



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

Interim Report 2005

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 2005. 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 INCOME STATEMENT for the six months ended 30 September 2005 — unaudited

	<i>Note</i>	<i>Six months ended 30 September</i>	
		<i>2005</i>	<i>2004</i>
		<i>\$'000</i>	<i>\$'000</i>
Turnover	3	216,160	206,118
Cost of services/sales		<u>(73,555)</u>	<u>(68,317)</u>
		142,605	137,801
Other revenue		7,539	2,029
Other net (loss)/income		(478)	1,792
Valuation gains on investment properties		3,010	—
Selling expenses		(13,034)	(12,738)
Administrative expenses		<u>(52,342)</u>	<u>(51,626)</u>
Profit from operations	3	87,300	77,258
Finance costs	4(a)	<u>(49)</u>	<u>(29)</u>
Profit before taxation	4	87,251	77,229
Income tax	5	<u>(15,180)</u>	<u>(13,845)</u>
Profit after taxation attributable to equity holders of the parent	12	<u>72,071</u>	<u>63,384</u>
Dividends attributable to the interim period	6(a)	<u>—</u>	<u>28,800</u>
Earnings per share	7	<u>\$0.20</u>	<u>\$0.18</u>

The notes on pages 5 to 13 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET
at 30 September 2005 — unaudited

		<i>At 30 September 2005</i>		<i>At 31 March 2005</i>	
	<i>Note</i>	<i>\$'000</i>	<i>\$'000</i>	<i>(restated)</i>	
				<i>\$'000</i>	<i>\$'000</i>
Non-current assets					
Fixed assets	8		4,271,581		4,214,641
Other investments in securities			7,572		7,440
Deferred tax assets			119		122
			<u>4,279,272</u>		<u>4,222,203</u>
Current assets					
Inventories			1,507		1,938
Accounts receivable, deposits and prepayments	9		18,340		16,398
Tax recoverable			63		63
Cash and cash equivalents	10		<u>545,642</u>		<u>472,286</u>
			<u>565,552</u>		<u>490,685</u>
Current liabilities					
Accounts payable, other payables and accruals	11		62,088		48,551
Deposits received			33,229		32,037
Provision for long service payments			4,689		4,731
Obligations under finance leases			238		235
Current taxation			<u>27,893</u>		<u>17,142</u>
			<u>128,137</u>		<u>102,696</u>
Net current assets			<u>437,415</u>		<u>387,989</u>
Total assets less current liabilities			4,716,687		4,610,192
Non-current liabilities					
Government lease premiums payable			(2,478)		(2,478)
Obligations under finance leases			(693)		(841)
Deferred tax liabilities			(547,284)		(536,046)
Other financial liabilities			<u>(1)</u>		<u>(1)</u>
			<u>(550,456)</u>		<u>(539,366)</u>
NET ASSETS			<u>4,166,231</u>		<u>4,070,826</u>
CAPITAL AND RESERVES					
Share capital	12		360,000		360,000
Reserves			<u>3,806,231</u>		<u>3,710,826</u>
TOTAL EQUITY	12		<u>4,166,231</u>		<u>4,070,826</u>

The notes on pages 5 to 13 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2005 — unaudited

	Note	<i>Six months ended 30 September</i>	
		<i>2005</i>	<i>2004</i>
		\$'000	(restated) \$'000
Total equity at 1 April:			
Attributable to equity holders of the parent (as previously reported at 31 March)	12	4,612,768	3,962,542
Minority interests (as previously presented separately from liabilities and equity at 31 March)	12	<u>1</u>	<u>1</u>
	12	4,612,769	3,962,543
Prior period adjustments arising from changes in accounting policies	2(a)(i), 12	<u>(541,943)</u>	<u>(444,008)</u>
At 1 April, after prior period adjustments	12	<u>4,070,826</u>	<u>3,518,535</u>
Net income for the period recognised directly in equity:			
Surplus on revaluation of hotel properties, net of deferred tax	12	56,935	—
Premium in respect of preference shares issued to preference shareholders of a subsidiary	12	213	496
Exchange differences arising on translation of the financial statements of overseas subsidiaries	12	<u>(5,014)</u>	<u>32</u>
Net income for the period recognised directly in equity		52,134	528
Net profit for the period	12	<u>72,071</u>	<u>63,384</u>
Total recognised net income for the period		<u>124,205</u>	<u>63,912</u>
Dividends approved during the period	6(b)	<u>(28,800)</u>	<u>(36,000)</u>
Total equity at 30 September		<u>4,166,231</u>	<u>3,546,447</u>

The notes on pages 5 to 13 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2005 — unaudited

	<i>Note</i>	<i>Six months ended 30 September</i>	
		<i>2005</i>	<i>2004</i>
		\$'000	\$'000
Cash generated from operations		103,445	94,048
Tax paid		<u>(5,265)</u>	<u>(5,050)</u>
Net cash from operating activities		98,180	88,998
Net cash from investing activities		4,464	607
Net cash (used in)/from financing activities		<u>(28,882)</u>	<u>237</u>
Net increase in cash and cash equivalents		73,762	89,842
Cash and cash equivalents at 1 April	10	472,286	368,421
Effect of foreign exchange rates changes		<u>(406)</u>	<u>69</u>
Cash and cash equivalents at 30 September	10	<u><u>545,642</u></u>	<u><u>458,332</u></u>

The notes on pages 5 to 13 form part of this interim financial report.

NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

1. Basis of preparation

This 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 9 December 2005.

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 2005, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2006. 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.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial statements for the year end 31 March 2005. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards.

The 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 HKICPA. KPMG's independent review report to the Board of Directors is included on page 20.

The financial information relating to the financial year ended 31 March 2005 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2005 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 5 July 2005.

2. Changes in accounting policies

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which term collectively includes HKASs and Interpretations) that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation for the Group's annual financial statements for the year ending 31 March 2006, on the basis of HKFRSs currently in issue.

The HKFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 March 2006 may be affected by the issue of additional interpretations or other changes announced by the HKICPA subsequent to the date of issuance of this interim report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

2. Changes in accounting policies (continued)

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 April 2005 which have been reflected in this interim financial report.

(a) Summary of the effect of changes in the accounting policies

(i) Effect on opening balance of total equity at 1 April 2005 and 2004

The following table sets out the retrospective adjustments that have been made to the opening balances at 1 April 2005 and 2004.

Note	Retained profits \$'000	Investment properties revaluation reserve \$'000	Hotel properties revaluation reserve \$'000	Minority interests \$'000	Total equity \$'000
Effect of new policies (increase/(decrease))					
<i>Prior period adjustments at 1 April 2005:</i>					
<i>HKAS 40 and HK(SIC) Interpretation 21</i>					
Changes in fair value of investment properties	2(b)(i)	1,406,020	(1,406,020)	—	—
Deferred tax on changes in the fair value of investment and hotel properties	2(b)(ii)	(245,797)	—	(296,145)	—
<i>HKAS 32</i>					
Redeemable preference shares issued	2(c)	—	—	(1)	(1)
Total effect at 1 April 2005		1,160,223	(1,406,020)	(296,145)	(1)
Effect of new policies (increase/(decrease))					
<i>Prior period adjustments at 1 April 2004:</i>					
<i>HKAS 40 and HK(SIC) Interpretation 21</i>					
Changes in fair values of investment properties	2(b)(i)	1,263,034	(1,263,034)	—	—
Deferred tax on changes in the fair value of investment and hotel properties	2(b)(ii)	(220,759)	—	(223,248)	—
<i>HKAS 32</i>					
Redeemable preference shares issued	2(c)	—	—	(1)	(1)
Total effect at 1 April 2004		1,042,275	(1,263,034)	(223,248)	(1)

2. Changes in accounting policies (continued)

(a) Summary of the effect of changes in the accounting policies (continued)

(ii) Effect on profit after taxation for the six months ended 30 September 2005 and 2004

The following table sets out the aggregate effect on the Group's profit in respect of the six months ended 30 September 2005 as a result of adopting the new accounting policies.

		Six months ended 30 September 2005		
		Equity holders of the parent	Minority interests	Total
Note		\$'000	\$'000	\$'000
Effect of new policies				
(increase/(decrease))				
<i>HKAS 40 and HK(SIC) Interpretation 21</i>				
	Changes in fair values of investment properties	2(b)(i) 3,010	—	3,010
	Deferred tax on changes in the fair values of investment properties	2(b)(ii) (530)	—	(530)
	Total effect for the period	<u>2,480</u>	<u>—</u>	<u>2,480</u>
	Effect on basic earnings per share	<u>\$0.01</u>		

The changes in the accounting policies do not have an impact on the Group's profit for the six months ended 30 September 2004.

(iii) Effect on net income recognised directly in equity for the six months ended 30 September 2005 and 2004

		Six months ended 30 September 2005		
		Equity holders of the parent	Minority interests	Total
Note		\$'000	\$'000	\$'000
Effect of new policy				
(increase/(decrease))				
<i>HK(SIC) Interpretation 21</i>				
	Deferred tax on changes in the fair values of hotel properties	2(b)(ii) 12,076	—	12,076
	Total effect for the period	<u>12,076</u>	<u>—</u>	<u>12,076</u>

The changes in the accounting policies do not have an impact on the Group's net income recognised directly in equity for the six months ended 30 September 2004.

2. Changes in accounting policies (continued)

(b) *Investment and hotel properties (HKAS 40 "Investment property", and HK(SIC) Interpretation 21 "Income taxes — Recovery of revalued non-depreciable assets")*

Changes in accounting policies relating to investment and hotel properties are as follows:

(i) *Timing of recognition of movements in fair value of investment properties in the income statement*

In prior years movements in the fair value of the Group's investment properties were recognised directly in the investment properties revaluation reserve except when, on a portfolio basis, the reserve was insufficient to cover a deficit on the portfolio, or when a deficit previously recognised in the income statement had reversed, or when an individual investment property was disposed of. In these limited circumstances movements in the fair value were recognised in the income statement.

In addition, in prior years a piece of freehold land in Malaysia, which the Group held for an undetermined future purpose was accounted for under the cost model in Statements of Standard Accounting Practice 17 "Property, plant and equipment".

Upon adoption of HKAS 40 as from 1 April 2005:

- all changes in the fair value of investment properties are recognised directly in the income statement in accordance with the fair value model in HKAS 40; and
- land held for an undetermined future purpose is recognised as "investment property" and accounted for under the fair value model in HKAS 40. As such, movements in the fair value of land held for an undetermined future purpose are also now recognised directly in the income statement as they arise in accordance with the fair value model.

These changes in accounting policy have been adopted retrospectively by increasing the opening balance of retained earnings as of 1 April 2005 by \$1,406,020,000 (1 April 2004: \$1,263,034,000) to include all of the Group's previous investment properties revaluation reserve. In addition, the land held for development is reclassified as investment properties, with comparative figures restated accordingly.

As a result of this new policy, the Group's profit before taxation for the six months ended 30 September 2005 has increased by \$3,010,000 (six months ended 30 September 2004: \$Nil), being the increase in the fair value of the Group's investment properties (including those reclassified as investment property as a result of this change in policy).

(ii) *Measurement of deferred tax on movements in fair values of the investment and hotel properties*

In prior years the Group was required to apply the tax rate that would be applicable to the sale of investment and hotel properties to determine whether any amounts of deferred tax should be recognised on the revaluation of investment and hotel properties. As there would have been no tax payable on the disposal of the Group's investment and hotel properties, no deferred tax was provided in prior years.

As from 1 April 2005, in accordance with HK(SIC) Interpretation 21, the Group recognises deferred tax on movements in the value of the investment and hotel properties using tax rates that are applicable to the property's use, if the Group has no intention to sell it and the properties would have been depreciable had the Group not adopted the fair value model.

The change in accounting policy has been adopted retrospectively by reducing the opening balance of retained earnings and hotel properties revaluation reserve as of 1 April 2005 by \$245,797,000 and \$296,145,000 (1 April 2004: \$220,759,000 and \$223,248,000) respectively and increasing deferred tax liabilities by \$541,942,000 (1 April 2004: \$444,007,000).

As a result of this new policy, the Group's taxation expense for the six months ended 30 September 2005 has increased by \$530,000 (six months ended 30 September 2004: \$Nil).

2. Changes in accounting policies (continued)

(c) *Financial instruments (HKAS 32 "Financial instruments: Disclosure and presentation" and HKAS 39 "Financial instruments: Recognition and measurement")*

Reclassification of redeemable preference shares as financial liabilities

In prior years, redeemable preference shares of a subsidiary were accounted for as minority interests and presented in the consolidated balance sheet separately from liabilities and as deduction from net assets.

With effect from 1 April 2005, in accordance with HKAS 32, the classification of redeemable preference shares is based on the substance of the contractual arrangement. Consequently, the shares have been classified as liabilities.

The change in accounting policy has been adopted retrospectively by reclassifying the minority interests of \$1,000 as at 1 April 2005 (1 April 2004: \$1,000) to other financial liabilities under non-current liabilities. There was no impact to the consolidated income statement for the six months ended 30 September 2005 and 2004 resulted from this change in accounting policy.

3. Segment reporting

An analysis of the Group's revenue and results for the six months ended 30 September 2005 and 2004 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>30 September</i>	<i>30 September</i>
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Hotel operation (<i>Note</i>)	155,251	144,423	46,402	42,759
Property leasing	51,345	50,321	48,640	47,166
Golf and recreational club operation	9,564	11,374	(6,025)	(2,858)
	<u>216,160</u>	<u>206,118</u>	<u>89,017</u>	<u>87,067</u>
Valuation gains on investment properties			3,010	—
Unallocated other revenue			7,539	2,029
Unallocated operating income and expenses			(12,266)	(11,838)
Profit from operations			<u>87,300</u>	<u>77,258</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.

Note: 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.

As a result, hotel operation will cease from 1 January 2006.

4. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	<i>Six months ended 30 September</i>	
	<i>2005</i>	<i>2004</i>
	<i>\$'000</i>	<i>\$'000</i>
(a) Finance costs:		
Interest on government lease premiums payable	29	29
Finance charges on obligations under finance leases	<u>20</u>	<u>—</u>
	<u>49</u>	<u>29</u>
(b) Other items:		
Depreciation	13,161	10,447
Dividend income from listed securities	(131)	(366)
Net profit on disposal of fixed assets	(5)	(1,635)
Net unrealised gains on listed securities	(132)	(64)
Net exchange loss/(gain)	615	(93)
Interest income	<u>(6,433)</u>	<u>(785)</u>

5. Income tax

	<i>Six months ended 30 September</i>	
	<i>2005</i>	<i>2004</i>
	<i>\$'000</i>	<i>\$'000</i>
Current tax		
— Hong Kong profits tax	15,982	14,598
— Overseas tax	34	44
Deferred taxation	<u>(836)</u>	<u>(797)</u>
	<u>15,180</u>	<u>13,845</u>

The provision for Hong Kong profits tax is calculated at 17.5% (2004: 17.5%) of the estimated assessable profits for the six months ended 30 September 2005. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

6. Dividends

(a) *Dividends attributable to the interim period*

	<i>Six months ended 30 September</i>	
	<i>2005</i>	<i>2004</i>
	<i>\$'000</i>	<i>\$'000</i>
No interim dividend declared and paid after the interim period end (2004: 8 cents per share)	<u>—</u>	<u>28,800</u>

The interim dividend has not been recognised as a liability at the balance sheet date.

6. Dividends (continued)

(b) Dividends attributable to the previous financial year, approved and paid during the interim period

	<i>Six months ended 30 September</i>	
	<i>2005</i>	<i>2004</i>
	<i>\$'000</i>	<i>\$'000</i>
Final dividend in respect of the financial year ended 31 March 2005, approved and paid during the following interim period, of 8 cents (year ended 31 March 2004: 10 cents) per share	<u>28,800</u>	<u>36,000</u>

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent of \$72,071,000 (2004: \$63,384,000) and 360,000,000 (2004: 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 2005 and 2004.

8. Fixed assets

The hotel and investment properties carried at fair value were revalued on an open market value basis based on their existing use at 30 September 2005 by Vigers Appraisal & Consulting Limited, an independent firm of professional valuers in Hong Kong. As a result of the update, revaluation surpluses of \$69,011,000 (2004: \$Nil), net of deferred tax thereon of \$12,076,000 (2004: \$Nil), have been transferred to the hotel properties revaluation reserve (see note 12) and a gain of \$3,010,000 (2004: \$Nil) on investment properties, and deferred tax thereon of \$530,000 (2004: \$Nil), have been included in the consolidated income statement.

9. 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:

	<i>30 September</i>	<i>31 March</i>
	<i>2005</i>	<i>2005</i>
	<i>\$'000</i>	<i>\$'000</i>
Current	9,650	9,122
1 to 3 months overdue	2,370	1,908
More than 3 months overdue but less than 12 months overdue	<u>824</u>	<u>822</u>
Total accounts receivable, net of provisions for bad and doubtful debts	12,844	11,852
Deposits and prepayments	<u>5,496</u>	<u>4,546</u>
	<u>18,340</u>	<u>16,398</u>

Debts are generally due within 45 days in respect of hotel operation and 14 days in respect of property leasing 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 property leasing, legal action will be taken against overdue debtors whenever the situation is appropriate.

10. Cash and cash equivalents

	30 September 2005 \$'000	31 March 2005 \$'000
Deposits with bank	537,545	464,600
Cash at bank and in hand	<u>8,097</u>	<u>7,686</u>
	<u>545,642</u>	<u>472,286</u>

11. Accounts payable, other payables and accruals

All of the accounts payable, other payables and accruals except for \$255,000 (at 31 March 2005: \$1,223,000), mainly represented retention monies payable, is 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 2005 \$'000	31 March 2005 \$'000
Due within 1 month or on demand	3,340	4,112
Due after 1 month but within 3 months	582	463
Due after 3 months but within 6 months	41	33
Due after 6 months but within 12 months	1,603	2
Due after 12 months	<u>255</u>	<u>299</u>
Total accounts payable	5,821	4,909
Other payables and accruals	<u>56,267</u>	<u>43,642</u>
	<u>62,088</u>	<u>48,551</u>

12. Capital and reserves

	Attributable to equity holders of the parent								
	Share capital \$'000	Investment properties revaluation reserve \$'000	Hotel properties revaluation reserve \$'000	Exchange reserve \$'000	Capital reserve \$'000	Retained earnings \$'000	Total \$'000	Minority interests \$'000	Total equity \$'000
At 1 April 2004									
— as previously reported	360,000	1,263,034	1,275,704	(5,725)	124,530	944,999	3,962,542	1	3,962,543
— prior period adjustments on opening balance (note 2(a)(i))	—	(1,263,034)	(223,248)	—	—	1,042,275	(444,007)	(1)	(444,008)
— as restated	360,000	—	1,052,456	(5,725)	124,530	1,987,274	3,518,535	—	3,518,535
Dividends approved in respect of the previous year	—	—	—	—	—	(36,000)	(36,000)	—	(36,000)
Premium in respect of preference shares issued to preference shareholders of a subsidiary	—	—	—	—	496	—	496	—	496
Exchange differences	—	—	—	(4)	36	—	32	—	32
Profit for the period	—	—	—	—	—	63,384	63,384	—	63,384
At 30 September 2004 (as restated)	<u>360,000</u>	<u>—</u>	<u>1,052,456</u>	<u>(5,729)</u>	<u>125,062</u>	<u>2,014,658</u>	<u>3,546,447</u>	<u>—</u>	<u>3,546,447</u>
At 1 October 2004 (as restated)	360,000	—	1,052,456	(5,729)	125,062	2,014,658	3,546,447	—	3,546,447
Surplus on revaluation of hotel properties, net of deferred tax (as restated)	—	—	343,654	—	—	—	343,654	—	343,654
Premium in respect of preference shares issued to preference shareholders of a subsidiary	—	—	—	—	368	—	368	—	368
Exchange differences	—	—	—	(361)	—	—	(361)	—	(361)
Profit for the period (as restated)	—	—	—	—	—	209,518	209,518	—	209,518
Dividends approved in respect of the current year	—	—	—	—	—	(28,800)	(28,800)	—	(28,800)
At 31 March 2005 (as restated)	<u>360,000</u>	<u>—</u>	<u>1,396,110</u>	<u>(6,090)</u>	<u>125,430</u>	<u>2,195,376</u>	<u>4,070,826</u>	<u>—</u>	<u>4,070,826</u>
At 1 April 2005									
— as previously reported	360,000	1,406,020	1,692,255	(6,090)	125,430	1,035,153	4,612,768	1	4,612,769
— prior period adjustments on opening balance (note 2(a)(i))	—	(1,406,020)	(296,145)	—	—	1,160,223	(541,942)	(1)	(541,943)
— as restated	360,000	—	1,396,110	(6,090)	125,430	2,195,376	4,070,826	—	4,070,826
Dividends approved in respect of the previous year	—	—	—	—	—	(28,800)	(28,800)	—	(28,800)
Surplus on revaluation of hotel properties, net of deferred tax	—	—	56,935	—	—	—	56,935	—	56,935
Premium in respect of preference shares issued to preference shareholders of a subsidiary	—	—	—	—	213	—	213	—	213
Exchange differences	—	—	—	(2,331)	(2,683)	—	(5,014)	—	(5,014)
Profit for the period	—	—	—	—	—	72,071	72,071	—	72,071
At 30 September 2005	<u>360,000</u>	<u>—</u>	<u>1,453,045</u>	<u>(8,421)</u>	<u>122,960</u>	<u>2,238,647</u>	<u>4,166,231</u>	<u>—</u>	<u>4,166,231</u>

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

	30 September	31 March
	2005	2005
	\$'000	\$'000
Contracted for	<u>25,638</u>	<u>29,061</u>

As at 30 September 2005, the estimated cost of construction in respect of the redevelopment of the Property referred to in note 3 is around \$1,000,000,000.

INTERIM DIVIDEND

The Directors have resolved that in view of the imminent cessation of the Group's main sources of income, no interim dividend will be paid to shareholders (2004: 8 cents per share).

BUSINESS REVIEW

- The Group achieved a profit from operations of \$87.3 million for the half year ended 30 September 2005, representing an increase of 13.0% compared with the corresponding period in 2004. The increase in profit from operations was mainly due to the increased contribution from the operations of the Hyatt Regency Hong Kong (the "Hotel") and the higher rental income from the Hotel's shopping arcade.
- The average room rate obtained at the Hotel during the half year ended 30 September 2005 was \$946, representing an increase of 15.5% in comparison with the corresponding period in 2004.
- The average room occupancy of the Hotel during the half year ended 30 September 2005 was 84.5% as compared with 89.4% for the half year ended 30 September 2004.
- Rental income for the Hotel's shopping arcade for the half year ended 30 September 2005 was \$51.2 million, representing a slight increase of 2.0% against the corresponding period in 2004. The improvement was attributable to the higher rental charged on certain renewed tenancy agreements since June 2004.
- As at 30 September 2005, the investment properties of the Group were revalued at \$1,827.6 million by independent professional valuers and the fair value gain of \$3.0 million was recognised in the consolidated income statement during the period.
- Interest income amounted to \$6.4 million, increased by \$5.6 million due to the rising in interest rates during the period.
- The total equity for the Group as at 30 September 2005 was \$4,166.2 million, compared with \$4,070.8 million (restated) as at 31 March 2005. The Group's gearing ratio is nil.
- As at 30 September 2005, 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 147 and the related costs incurred during the period amounted to \$11.4 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 2005 which necessitates additional disclosure to that made herein.

OUTLOOK

According to the Hong Kong Tourism Board, the cumulative visitor arrivals to Hong Kong for the first ten months of 2005 have reached 19 million, representing a growth of 7.5% from the same period of last year. It shows that the sentiment towards Hong Kong as a destination for leisure and business remains positive. The Directors are optimistic about the Hotel's revenue in the fourth quarter of 2005.

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. It is currently expected that the operations of the Hotel and the Hotel's shopping arcade, which are currently the main business segments of the Group, will cease from 1 January 2006. 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 from 1 January 2006 will have a substantial negative impact on the revenue and results of the Group during the redevelopment period with the removal of the Hotel and the Hotel's shopping arcade which are the Group's main sources of income. 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 believed that a retail development is likely to generate a higher return on capital in the long term than the hotel operation.

The entire redevelopment project is scheduled for completion in 2009. The present estimated cost of construction for this project is around \$1 billion. It is presently intended that this will be financed by external borrowings and arrangements are in progress in this regard. It is likely that no dividend will be paid before completion of the project.

Transitional arrangements for the closure of the Hotel are in place. The management has taken steps to minimise adverse impact on the Hotel's last few weeks of operations 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 2005 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 Allen Lee-Nam	—	—	—	—	—
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 Allen Lee-Nam	—	—	—	—	—
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 Allen Lee-Nam	—	—	—	—	—
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 Allen Lee-Nam	—	—	—	—	—
Lee Chung	—	—	—	—	—

(e) Yik Fok Investment Holding Company, Limited

Name	Number of ordinary shares of \$1 each				Total beneficial interests	% of total issued shares
	Personal interests	Family interests	Corporate 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 Allen Lee-Nam	—	—	—		—	—
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 as at 30 September 2005 has interests or short positions in the shares, underlying shares or debentures of the Company, any of its holding companies, subsidiaries or associated corporations, 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 2005 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 section 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, as at 30 September 2005 no other interests or short positions in the shares and underlying shares of the Company required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

PURCHASE, SALE OR REDEMPTION BY THE COMPANY AND ITS SUBSIDIARIES OF ITS LISTED SECURITIES

During the period, the Company, or any of its subsidiaries did not purchase, sell or redeem any of its listed securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”) which apply to the Company for the period under review, except that the roles of chairman and chief executive officer are not separated and performed by two different individuals, which is inconsistent with code provision A.2.1 and that the executive chairman is not subject to retirement by rotation, which is inconsistent with code provision A.4.2. To comply with code provision A.4.2, amendments to the Company’s Articles of Association were proposed and approved by the shareholders at the annual general meeting of the Company on 14 September 2005. In respect of the deviation from code provision A.2.1, the Directors consider that the current structure does not have any adverse effect on the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the Company’s code for dealings in securities of the Company by the directors. Specific enquiry has been made with all the directors and the directors have complied with the required standard set out in the Model Code for the six months ended 30 September 2005.

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

Hong Kong, 9 December 2005

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 13.

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 Hong Kong Accounting Standard 34 "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 2005.

KPMG

Certified Public Accountants

Hong Kong, 9 December 2005