Associated International Hotels Limited

stock code : 105

INTERIM REPORT

for the six months ended 30 September 2006

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 2006. 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 with no disagreement. The unmodified review report of the auditors is attached.

CONSOLIDATED INCOME STATEMENT
for the six months ended 30 September 2006 — unaudited

		Six months ended 30 September	
		2006	*2005*
			(restated)
	Note	**$'000**	$'000
Turnover	3	**9,129**	216,160
Cost of services/sales		**(7,629)**	(73,555)
		1,500	142,605
Other revenue		**11,455**	7,539
Other net income/(loss)		**346**	(610)
Valuation gains on investment properties		**169,692**	3,010
Reversal of impairment loss in respect of other properties		**1,792**	—
Selling expenses		**(298)**	(13,034)
Administrative expenses		**(17,644)**	(52,342)
Profit from operations	3	**166,843**	87,168
Finance costs	5(a)	**(49)**	(49)
Profit before taxation	5	**166,794**	87,119
Income tax	6	**(27,825)**	(15,180)
Profit for the period attributable to equity shareholders of the Company	13	**138,969**	71,939
Represented by:			
Continuing operations		**138,969**	34,802
Discontinued operation	4(a)	**—**	37,137
Profit for the period attributable to equity shareholders of the Company		**138,969**	71,939
Dividends attributable to the interim period	7(a)	**—**	—
Earnings per share	8		
Continuing operations		**$0.39**	$0.10
Discontinued operation		**—**	$0.10
		$0.39	$0.20

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

CONSOLIDATED BALANCE SHEET
at 30 September 2006 — unaudited

	Note	***At 30 September 2006*** **$'000**	**$'000**	*At 31 March 2006* $'000	$'000
Non-current assets					
Fixed assets	9				
– Investment properties			**4,428,405**		4,247,396
– Other properties, plant and equipment			**243,976**		244,953
			4,672,381		4,492,349
Available-for-sale equity securities			**8,526**		7,794
Deferred tax assets			**113**		116
			4,681,020		4,500,259
Current assets					
Inventories		**226**		267	
Accounts receivable, deposits and prepayments	10	**3,631**		5,812	
Tax recoverable		**15,454**		7,501	
Cash and cash equivalents	11	**468,574**		493,916	
		487,885		507,496	
Current liabilities					
Accounts payable, other payables and accruals	12	**13,406**		19,857	
Deposits received		**4,767**		5,259	
Provision for long service payments		**1,461**		1,460	
Obligations under finance leases		**249**		251	
Current taxation		**64**		28	
		19,947		26,855	
Net current assets			**467,938**		480,641
Total assets less current liabilities			**5,148,958**		4,980,900
Non-current liabilities					
Government lease premiums payable		**(2,443)**		(2,443)	
Obligations under finance leases		**(453)**		(575)	
Deferred tax liabilities		**(618,250)**		(590,515)	
Other financial liabilities		**(1)**		(1)	
			(621,147)		(593,534)
NET ASSETS			**4,527,811**		4,387,366
CAPITAL AND RESERVES					
Share capital	13		**360,000**		360,000
Reserves			**4,167,811**		4,027,366
TOTAL EQUITY	13		**4,527,811**		4,387,366

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 2006 — unaudited

		Six months ended 30 September	
		2006	2005 (restated)
	Note	**$'000**	$'000
Total equity at 1 April	13	**4,387,366**	4,070,826
Net income for the period recognised directly in equity:			
Surplus on revaluation of hotel properties, net of deferred tax	13	**—**	56,935
Changes in fair value of available-for-sale equity securities	13	**732**	132
Exchange differences on translation of financial statements of overseas subsidiaries	13	**744**	(5,014)
Net income for the period recognised directly in equity (2005: as restated)		**1,476**	52,053
Net profit for the period (2005: as restated)	13	**138,969**	71,939
Total recognised net income for the period		**140,445**	123,992
Dividends approved during the period	7(b)	**—**	(28,800)
Movements in equity arising from capital transactions:			
Premium in respect of preference shares issued to preference shareholders of a subsidiary	13	**—**	213
Total equity at 30 September		**4,527,811**	4,166,231

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 2006 — unaudited

		Six months ended 30 September	
		2006	*2005*
	Note	**$'000**	$'000
Cash (used in)/generated from operations		**(12,259)**	103,445
Tax paid		**(8,004)**	(5,265)
Net cash (used in)/generated from operating activities		**(20,263)**	98,180
Net cash (used in)/generated from investing activities		**(5,298)**	4,464
Net cash used in financing activities		**(170)**	(28,882)
Net (decrease)/increase in cash and cash equivalents		**(25,731)**	73,762
Cash and cash equivalents at 1 April	11	**493,916**	472,286
Effect of foreign exchange rates changes		**389**	(406)
Cash and cash equivalents at 30 September	11	**468,574**	545,642

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 14 December 2006.

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 2006, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2007. 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 ended 31 March 2006. 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 ("HKFRSs").

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 2006 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 2006 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 6 July 2006.

2. Changes in accounting policies

The HKICPA has issued a number of new and revised 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 2006. The Board of Directors has determined the accounting policies to be adopted in the presentation of the Group's annual financial statements for the year ending 31 March 2007, on the basis of HKFRSs currently in issue.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 April 2006 which have been reflected in this interim financial report:

Amendment to HKAS 39 "The fair value option"

When HKAS 39 "Financial instruments: Recognition and measurement" was first applied in accounting period beginning 1 April 2005, the Group had an option to designate irrevocably any financial asset at fair value through profit or loss. Amendment to HKAS 39 "The fair value option", which is effective for accounting periods beginning on or after 1 January 2006, limits the use of such fair value option to those financial instruments that meet certain conditions.

With effect from 1 April 2006, in order to comply with the Amendment to HKAS 39, investments in equity securities that were previously classified as financial assets at fair value through profit or loss are de-designated and reclassified as available-for-sale equity securities and carried at fair value. Changes in the fair value of available-for-sale equity securities are recognised in equity, unless there is objective evidence that an individual investment has been impaired.

The change in accounting policy has been applied retrospectively with comparatives restated except that, in accordance with the transitional provisions of HKAS 39, the opening balance of the fair value reserve as at 1 April 2005 (the date on which the Group first applied HKAS 39) is not restated as the fair value increase that arose prior to 1 April 2005 has already been reported in the income statement in previous periods. As a result of the adoption of the Amendment to HKAS 39, the Group has reclassified investments in equity securities with a carrying value of $7,794,000 as at 31 March 2006 (31 March 2005: $7,440,000) as available-for-sale equity securities. The Group's other net income and profit for the period has decreased by $732,000 (2005: $132,000), and the fair value reserve and the retained earnings as at the period end have been increased and decreased respectively by $1,086,000 (31 March 2006: $354,000). However, there is no net effect on net assets of the Group.

3. Segment reporting

An analysis of the Group's revenue and results for the six months ended 30 September 2006 and 2005 by business segments is as follows:

	Segment revenue Six months ended 30 September		***Segment profit/(loss) Six months ended 30 September***	
	2006	*2005*	***2006***	*2005* (restated)
	$'000	$'000	**$'000**	$'000
Continuing operations				
Property leasing	**129**	51,345	**121**	48,640
Golf and recreational club operation	**9,000**	9,564	**(3,658)**	(6,025)
	9,129	60,909	**(3,537)**	42,615
Discontinued operation				
Hotel operation *(Note 4)*	**—**	155,251	**—**	46,402
	9,129	216,160	**(3,537)**	89,017
Valuation gains on investment properties			**169,692**	3,010
Reversal of impairment loss in respect of other properties			**1,792**	—
Unallocated other revenue			**11,455**	7,539
Unallocated operating income and expenses			**(12,559)**	(12,398)
Profit from operations			**166,843**	87,168

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.

4. Discontinued operation

The operations of the Hyatt Regency Hotel and the Hyatt Regency Shopping Arcade had ceased from 1 January 2006 and the hotel operation was classified as discontinued operation from 1 January 2006 accordingly. The property comprising the Hyatt Regency Hotel and the Hyatt Regency Shopping Arcade (the "Property") will be redeveloped into a building comprising mainly retail components and is now under construction. Barring unforeseen circumstances, it is expected by the Directors that the redevelopment work will be completed in 2009.

4. Discontinued operation (continued)

(a) The results of the discontinued operation for the current and prior periods were as follows:

	Hotel operation Six months ended 30 September 2006 $'000	*2005* $'000
Turnover	—	155,251
Cost of services/sales	—	(64,612)
	—	90,639
Selling expenses	—	(9,355)
Administrative expenses	—	(34,882)
Profit before taxation	—	46,402
Income tax	—	(9,265)
Profit for the period	—	37,137

(b) The cash flows of the discontinued operation for the current and prior periods were as follows:

	Hotel operation Six months ended 30 September 2006 $'000	*2005* $'000
Net cash generated from operating activities	—	62,568
Net cash used in investing activities	—	(1)

5. Profit before taxation

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

		Six months ended 30 September 2006 $'000	*2005* (restated) $'000
(a)	Finance costs:		
	Interest on government lease premiums payable	**29**	29
	Finance charges on obligations under finance leases	**20**	20
		49	49
(b)	Other items:		
	Depreciation	**3,991**	13,161
	Dividend income from listed securities	**(140)**	(131)
	Net loss/(profit) on disposal of fixed assets	**4**	(5)
	Net exchange (gains)/losses	**(350)**	615
	Interest income	**(9,930)**	(6,433)

6. Income tax

	Six months ended 30 September	
	2006	*2005*
	$'000	$'000
Current tax		
– Hong Kong profits tax	**73**	15,982
– Overseas tax	**14**	34
Deferred taxation	**27,738**	(836)
	27,825	15,180

The provision for Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the six months ended 30 September 2006. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

7. Dividends

(a) *Dividends attributable to the interim period*

	Six months ended 30 September	
	2006	*2005*
	$'000	$'000
No interim dividend declared and paid after the interim period end (2005: Nil)	**—**	—

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

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

	Six months ended 30 September	
	2006	*2005*
	$'000	$'000
No final dividend in respect of the financial year ended 31 March 2006 approved and paid during the following interim period (year ended 31 March 2005: 8 cents per share)	**—**	28,800

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $138,969,000 (2005 (restated): $71,939,000) and 360,000,000 (2005: 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 2006 and 2005.

9. Fixed assets

The investment properties in Hong Kong and Malaysia, carried at fair value were revalued as at 30 September 2006 on an open market value basis based on their existing use. The valuations were carried out by Vigers Appraisal & Consulting Limited and VPC Alliance (JB) Sdn. Bhd., independent firms of professional valuers. As a result of the update, valuation gains of $169,692,000 (2005: $3,010,000) on investment properties, and deferred tax thereon of $29,696,000 (2005: $530,000), have been included in the consolidated income statement.

10. Accounts receivable, deposits and prepayments

Included in accounts receivable, deposits and prepayments are accounts receivable (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of balance sheet date:

	30 September 2006 **$'000**	*31 March 2006* $'000
Current	**716**	559
1 to 3 months overdue	**483**	436
More than 3 months overdue but less than 12 months overdue	**518**	952
Total accounts receivable, net of impairment losses for bad and doubtful debts	**1,717**	1,947
Deposits and prepayments	**1,914**	3,865
	3,631	5,812

Debts are generally due after 60 days in respect of golf and recreational club operation and within 14 days in respect of property leasing from the date of billing. Accounts for members of the golf and recreational club with balances that are 90 days overdue are suspended and legal action will be taken against defaulting members. For debtors of property leasing, legal action will be taken against overdue debtors whenever the situation is appropriate.

11. Cash and cash equivalents

	30 September 2006 $'000	*31 March 2006* $'000
Deposits with bank	**465,645**	488,925
Cash at bank and in hand	**2,929**	4,991
	468,574	493,916

12. Accounts payable, other payables and accruals

All of the accounts payable, other payables and accruals except for $267,000 (31 March 2006: $948,000), 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 as of balance sheet date:

	30 September 2006 $'000	*31 March 2006* $'000
Due within 1 month or on demand	**437**	504
Due after 1 month but within 3 months	**539**	3,185
Due after 3 months but within 6 months	**126**	183
Due after 6 months but within 12 months	**1,489**	—
Due after 12 months	**267**	259
Total accounts payable	**2,858**	4,131
Other payables and accruals	**10,548**	15,726
	13,406	19,857

13. Capital and reserves

	Attributable to equity shareholders of the Company						
	Share capital $'000	***Hotel properties revaluation reserve*** $'000	***Exchange reserve*** $'000	***Fair value reserve*** $'000	***Capital reserve*** $'000	***Retained earnings*** $'000	***Total equity*** $'000
At 1 April 2005	360,000	1,396,110	(6,090)	—	125,430	2,195,376	4,070,826
Dividends approved in respect of the previous year	—	—	—	—	—	(28,800)	(28,800)
Surplus on revaluation of hotel properties, net of deferred tax	—	56,935	—	—	—	—	56,935
Changes in fair value of available-for-sale equity securities	—	—	—	132	—	—	132
Premium in respect of preference shares issued to preference shareholders of a subsidiary	—	—	—	—	213	—	213
Exchange differences	—	—	(2,331)	—	(2,683)	—	(5,014)
Profit for the period (restated)	—	—	—	—	—	71,939	71,939
At 30 September 2005 (as restated)	360,000	1,453,045	(8,421)	132	122,960	2,238,515	4,166,231
At 1 October 2005 (as restated)	360,000	1,453,045	(8,421)	132	122,960	2,238,515	4,166,231
Changes in fair value of available-for-sale equity securities	—	—	—	222	—	—	222
Premium in respect of preference shares issued to preference shareholders of a subsidiary	—	—	—	—	157	—	157
Exchange differences	—	—	2,798	—	2,830	—	5,628
Profit for the period (restated)	—	—	—	—	—	215,128	215,128
At 31 March 2006 (as restated)	360,000	1,453,045	(5,623)	354	125,947	2,453,643	4,387,366
At 1 April 2006							
– as previously reported	**360,000**	**1,453,045**	**(5,623)**	**—**	**125,947**	**2,453,997**	**4,387,366**
– prior period adjustment *(Note 2)*	**—**	**—**	**—**	**354**	**—**	**(354)**	**—**
– as restated	**360,000**	**1,453,045**	**(5,623)**	**354**	**125,947**	**2,453,643**	**4,387,366**
Changes in fair value of available-for-sale equity securities	**—**	**—**	**—**	**732**	**—**	**—**	**732**
Exchange differences	**—**	**—**	**383**	**—**	**361**	**—**	**744**
Profit for the period	**—**	**—**	**—**	**—**	**—**	**138,969**	**138,969**
At 30 September 2006	**360,000**	**1,453,045**	**(5,240)**	**1,086**	**126,308**	**2,592,612**	**4,527,811**

14. Capital commitments outstanding at the balance sheet date not provided for in the interim financial report

	30 September 2006 $'000	*31 March 2006* $'000
Contracted for	**174,191**	32,518

At 30 September 2006, the estimated cost of construction in respect of the redevelopment of the Property referred to in note 4 is around $1,000,000,000.

15. Comparative figures

Certain comparative figures have been adjusted or reclassified as a result of the changes in accounting policies. Further details are disclosed in note 2.

INTERIM DIVIDEND

The Directors have resolved that in view of the cessation of the main business of the Group which was the operation of Hyatt Regency Hong Kong (the "Hotel") and the Hotel's shopping arcade, no interim dividend will be paid to shareholders (2005: Nil).

BUSINESS REVIEW

- The Group achieved a profit from operations of approximately $166.8 million for the half year ended 30 September 2006, representing an increase of approximately 91.4% compared with the corresponding period in 2005. The increment was almost entirely attributable to the valuation gains on investment properties of $169.7 million. Excluding the valuation gains on investment properties, the Group recorded a loss from operations for the half year ended 30 September 2006 of $2.9 million due to the cessation of the main business of the Group which was the operation of the Hotel and the Hotel's shopping arcade.

- Austin Hills Golf Resort, the Group's golf and recreational club operation, suffered a segment loss of $3.7 million for the half year ended 30 September 2006. Turnover for the said period was $9 million, representing a decrease of 5.9% compared with the corresponding period of last year. The operation results have shown slight improvement for the period under review compared with those of last year which were affected by repairs for the main building of the club house and arising from a landslide in a golf course.

- Interest income amounted to $9.9 million, increasing by $3.5 million due to rising interest rates during the period.

- The total equity for the Group as at 30 September 2006 was $4,527.8 million, compared with $4,387.4 million as at 31 March 2006. The Group's gearing ratio is nil.

- As at 30 September 2006, the total number of employees of the Group was 153 and the related costs incurred during the period were approximately $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 2006 which necessitates additional disclosure to that made herein.

OUTLOOK

The project for redeveloping the property comprising the Hotel and the Hotel's shopping arcade into a building comprising mainly retail components is in progress. Demolition of the existing building excluding the basement was completed in early November 2006. Barring unforeseen circumstances, the entire redevelopment project is anticipated to be completed in 2009. The present estimated cost of construction for this project is around $1 billion and this will be financed by external borrowings. As announced on 20 October 2006, the Company has entered into a facility agreement with a bank comprising of a 5-year term loan facility of up to $1 billion and a 5-year revolving credit facility of up to $200 million. The Company has an option to extend the facilities for two additional years, subject to, among other things, the agreement of the lending bank.

The cessation of the Hotel and the Hotel's shopping arcade operations, which were the Group's main sources of income, has and will continue to have a very substantial 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 believed that a retail development is likely to generate a higher return on capital in the long term than the hotel operation.

It is likely that no dividend will be paid before completion of the project.

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 2006 had the following interests in the shares of the Company, any of its holding companies, subsidiaries, fellow subsidiaries or any 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

	Number of ordinary shares of $1 each				
Name	***Personal interests***	***Family interests***	***Corporate interests***	***Total beneficial interests***	***% of total issued shares***
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	15,275,839	275,280	—	15,551,119	4.32%
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.

Name	Personal interests	Family interests	Corporate interests	Total beneficial interests	% of total issued shares
	Number of ordinary shares of Malaysian Ringgit 1 each				
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	Personal interests	Family interests	Corporate interests	Total beneficial interests	% of total issued shares
	Number of shares of $0.25 each				
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	26,912,036	1,002,384	—	27,914,420	5.88%
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 Personal interests	Family interests	Corporate interests	Total beneficial interests	% of total issued shares
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 Personal interests	Family interests	Corporate interests	Total beneficial interests	% of total issued shares
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 2006 has interests or short positions in the shares, underlying shares or debentures of the Company, any of its holding companies, subsidiaries, fellow subsidiaries or any other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited 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 2006 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, as at 30 September 2006 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

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the period.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED ("THE LISTING RULES")

On 20 October 2006, the Company, as borrower, entered into a facility agreement with a bank (the "Facility Agreement") with covenants relating to specific performance of its controlling shareholders.

The Facility Agreement comprises a 5-year term loan facility of up to $1 billion and a 5-year revolving credit facility of up to $200 million. The Company has an option to extend the facilities for two additional years, subject to, among other things, the agreement of the lending bank.

Pursuant to the Facility Agreement, it would be an event of default if Mr Cheong Hooi Hong, Mr Cheong Kheng Lim, Mr Cheong Keng Hooi and Mr Cheong Sim Lam, collectively being the controlling shareholders of the Company and its listed parent company, Tian Teck Land Limited, cease to beneficially own, directly or indirectly, at least 25% of the issued share capital of the Company in accordance with the terms of the Facility Agreement.

Upon the occurrence of such an event of default, the lending bank may, among other things, demand immediate repayment of all of the loans made to the Company under the Facility Agreement together with accrued interest.

The Company will make continuing disclosure pursuant to Rule 13.21 of the Listing Rules in subsequent interim and annual reports for so long as the circumstances giving rise to the relevant obligation continue to exist.

Save as disclosed above, the Company does not have other disclosure obligations under Rule 13.21 of the Listing Rules.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied throughout the period with all the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules which apply to the Company for the period under review, except that the roles of chairman and chief executive officer were not separated and performed by two different individuals, which was inconsistent with code provision A.2.1.

In respect of the deviation from code provision A.2.1, Mr Cheong Hooi Hong is both the Chairman and the chief executive officer of the Company and the Board of Directors considers 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 for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules ("Model Code") as its code for dealing in securities of the Company by the directors. Specific enquiry has been made with all directors of any non-compliance with the Model Code, and all directors have confirmed compliance with the required standard set out in the Model Code during the period ended 30 September 2006.

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

Hong Kong, 14 December 2006

As at the date of this report, Mr Cheong Hooi Hong, Mr Cheong Kheng Lim, Mr Cheong Keng Hooi, Mr Cheong Sim Lam and Ms Cheong Been Kheng are executive directors, Mr Sin Cho Chiu, Charles and Mr Lau Wah Sum are non-executive directors, and Mr Chow Wan Hoi, Paul, Mr Yau Allen Lee-Nam and Mr Lee Chung are independent non-executive directors.

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 2006.

KPMG
Certified Public Accountants

Hong Kong, 14 December 2006