



Associated International Hotels Limited

stock code : 105

Interim Report

for the six months ended 30 September 2007

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 2007. These results have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), by KPMG, certified public accountants in Hong Kong, and the Audit Committee with no disagreement. The unmodified review report of the auditor is attached.

CONSOLIDATED INCOME STATEMENT for the six months ended 30 September 2007 — unaudited

	Note	<i>Six months ended 30 September</i>	
		2007	2006
		\$'000	\$'000
Turnover	2	8,566	9,129
Cost of services/sales		<u>(7,847)</u>	<u>(7,629)</u>
		719	1,500
Other revenue	3	14,778	11,455
Other net (loss)/income		(2,645)	346
Valuation gains on investment properties		329,314	169,692
Reversal of impairment loss in respect of other properties		1,946	1,792
Selling expenses		(365)	(298)
Administrative expenses		<u>(16,842)</u>	<u>(17,644)</u>
Profit from operations	2	326,905	166,843
Finance costs	4(a)	<u>(38)</u>	<u>(49)</u>
Profit before taxation	4	326,867	166,794
Income tax	5	<u>(55,740)</u>	<u>(27,825)</u>
Profit for the period attributable to equity shareholders of the Company	12	<u>271,127</u>	<u>138,969</u>
Dividends payable to equity shareholders of the Company attributable to the interim period	6(a)	<u>—</u>	<u>—</u>
Earnings per share — basic and diluted	7	<u>\$0.75</u>	<u>\$0.39</u>

The notes on pages 5 to 12 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET
at 30 September 2007 — unaudited

	Note	At 30 September 2007 \$'000	At 31 March 2007 \$'000
Non-current assets			
Fixed assets	8		
— Investment properties		5,354,433	4,963,672
— Other properties, plant and equipment		<u>255,953</u>	<u>256,234</u>
		5,610,386	5,219,906
Deferred tax assets		<u>106</u>	<u>109</u>
		5,610,492	5,220,015
Current assets			
Inventories		193	259
Accounts receivable, deposits and prepayments	9	5,888	5,403
Tax recoverable		—	69
Cash and cash equivalents	10	<u>479,050</u>	<u>457,370</u>
		<u>485,131</u>	<u>463,101</u>
Current liabilities			
Accounts payable, other payables and accruals	11	42,845	38,345
Deposits received		4,961	4,977
Provision for long service payments		1,176	1,253
Obligations under finance leases		128	124
Current taxation		<u>128</u>	<u>64</u>
		<u>49,238</u>	<u>44,763</u>
Net current assets		<u>435,893</u>	<u>418,338</u>
Total assets less current liabilities		6,046,385	5,638,353
Non-current liabilities			
Bank loan — secured		(80,000)	—
Government lease premiums payable		(2,406)	(2,406)
Obligations under finance leases		(127)	(188)
Deferred tax liabilities		(755,411)	(699,732)
Other financial liabilities		<u>(2)</u>	<u>(2)</u>
		<u>(837,946)</u>	<u>(702,328)</u>
NET ASSETS		<u>5,208,439</u>	<u>4,936,025</u>
CAPITAL AND RESERVES			
Share capital	12	360,000	360,000
Reserves		<u>4,848,439</u>	<u>4,576,025</u>
TOTAL EQUITY	12	<u>5,208,439</u>	<u>4,936,025</u>

The notes on pages 5 to 12 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2007 — unaudited

		<i>Six months ended 30 September</i>	
	<i>Note</i>	2007	2006
		\$'000	\$'000
Total equity at 1 April	12	4,936,025	4,387,366
Net income for the period recognised directly in equity:			
Changes in fair value of available-for-sale equity securities	12	—	732
Exchange differences on translation of financial statements of overseas subsidiaries	12	1,254	744
Net income for the period recognised directly in equity		1,254	1,476
Net profit for the period	12	271,127	138,969
Total recognised net income for the period		272,381	140,445
Movement in equity arising from capital transactions:			
Premium in respect of preference shares issued to preference shareholders of a subsidiary	12	33	—
Total equity at 30 September		5,208,439	4,527,811

The notes on pages 5 to 12 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2007 — unaudited

	Note	<i>Six months ended 30 September</i>	
		2007	2006
		\$'000	\$'000
Cash used in operations		(11,572)	(12,259)
Tax refunded/(paid)		<u>77</u>	<u>(8,004)</u>
Net cash used in operating activities		(11,495)	(20,263)
Net cash used in investing activities		(42,923)	(5,298)
Net cash generated from/(used in) financing activities		<u>78,936</u>	<u>(170)</u>
Net increase/(decrease) in cash and cash equivalents		24,518	(25,731)
Cash and cash equivalents at 1 April	10	457,370	493,916
Effect of foreign exchange rates changes		<u>(2,838)</u>	<u>389</u>
Cash and cash equivalents at 30 September	10	<u><u>479,050</u></u>	<u><u>468,574</u></u>

The notes on pages 5 to 12 form part of this interim financial report.

NOTES TO 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 11 December 2007.

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 2007.

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which term collectively included HKASs and Interpretations, that are first effective or available for early adoption for accounting periods beginning on or after 1 January 2007. The Group has determined the accounting policies expected to be adopted in the preparation of the Group’s financial statements for the year ending 31 March 2008 on the basis of HKFRSs currently in issue which, the Group believes, do not have a significant impact on the Group’s prior year financial position and results of operations but may result in new or amended disclosures.

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 2007. 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 HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity”, 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 2007 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 2007 are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 11 July 2007.

2. Segment reporting

Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting. Geographical segment presents similar information to the business segment as the Group's revenue and results of property leasing were derived from Hong Kong, while the Group's revenue and results of the golf and recreational club operation were primarily derived from Malaysia. Therefore, no separate geographical analysis is shown.

An analysis of the Group's segment revenue and results for the six months ended 30 September 2007 and 2006 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>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Property leasing — Hong Kong	140	129	132	121
Golf and recreational club operation				
— Malaysia	<u>9,971</u>	<u>9,000</u>	<u>(2,988)</u>	<u>(3,658)</u>
	<u>10,111</u>	<u>9,129</u>	<u>(2,856)</u>	<u>(3,537)</u>
Valuation gains on investment properties			329,314	169,692
Reversal of impairment loss in respect of other properties			1,946	1,792
Unallocated other revenue			13,233	11,455
Unallocated operating income and expenses			<u>(14,732)</u>	<u>(12,559)</u>
Profit from operations			<u>326,905</u>	<u>166,843</u>
Analysed by:				
Turnover	8,566	9,129		
Other revenue — allocated	<u>1,545</u>	<u>—</u>		
	<u>10,111</u>	<u>9,129</u>		

3. Other revenue

	<i>Six months ended</i>	
	<i>30 September</i>	
	<i>2007</i>	<i>2006</i>
	<i>\$'000</i>	<i>\$'000</i>
Interest income	12,633	9,930
Dividend income from listed securities	—	140
Management fee received from holding company	600	600
Others	<u>1,545</u>	<u>785</u>
	<u>14,778</u>	<u>11,455</u>

4. Profit before taxation

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

	<i>Six months ended</i>	
	<i>30 September</i>	
	<i>2007</i>	<i>2006</i>
	<i>\$'000</i>	<i>\$'000</i>
(a) Finance costs:		
Interest on government lease premiums payable	28	29
Finance charges on obligations under finance leases	10	20
Interest on bank loan	1,094	—
Other borrowing costs	<u>579</u>	<u>—</u>
Total borrowing costs	1,711	49
Less: Borrowing costs capitalised into property under redevelopment	<u>(1,673)</u>	<u>—</u>
	<u>38</u>	<u>49</u>
(b) Other items:		
Depreciation	4,044	3,991
Net (profit)/loss on disposal of fixed assets	(247)	4
Net foreign exchange losses/(gains)	<u>2,892</u>	<u>(350)</u>

5. Income tax

	<i>Six months ended</i>	
	<i>30 September</i>	
	<i>2007</i>	<i>2006</i>
	<i>\$'000</i>	<i>\$'000</i>
Current tax		
— Hong Kong profits tax	95	73
— Overseas tax	<u>(37)</u>	<u>14</u>
	58	87
Deferred tax	<u>55,682</u>	<u>27,738</u>
	<u>55,740</u>	<u>27,825</u>

The provision for Hong Kong profits tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the six months ended 30 September 2007. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

6. Dividends

- (a) *Dividends payable to equity shareholders of the Company attributable to the interim period*

	<i>Six months ended</i>	
	<i>30 September</i>	
	<i>2007</i>	<i>2006</i>
	<i>\$'000</i>	<i>\$'000</i>
No interim dividend declared and paid after the interim period end (2006: Nil)	<u>—</u>	<u>—</u>

- (b) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period*

	<i>Six months ended</i>	
	<i>30 September</i>	
	<i>2007</i>	<i>2006</i>
	<i>\$'000</i>	<i>\$'000</i>
No final dividend in respect of the financial year ended 31 March 2007 approved and paid during the following interim period (year ended 31 March 2006: Nil)	<u>—</u>	<u>—</u>

7. Earnings per share — basic and diluted

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$271,127,000 (2006: \$138,969,000) and 360,000,000 (2006: 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 2007 and 2006.

8. Fixed assets

Investment properties

The investment properties in Hong Kong were revalued on an open market value basis calculated by reference to net rental income allowing for reversionary income potential at 30 September 2007 by Vigers Appraisal & Consulting Limited, an independent firm of professional valuers in Hong Kong. The piece of freehold land in Malaysia was revalued on an open market value basis at 30 September 2007 by VPC Alliance (JB) Sdn. Bhd., an independent firm of professional valuers in Malaysia. As a result of the update, valuation gains of \$329,314,000 (2006: \$169,692,000) on investment properties, and deferred tax thereon of \$57,630,000 (2006: \$29,696,000), have been included in the consolidated income statement.

The Group's investment property under redevelopment has been pledged to secure banking facilities of up to \$1,200,000,000 granted to the Company. The facilities were utilised to the extent of \$80,000,000 as at 30 September 2007 (31 March 2007: \$Nil).

9. 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	<i>31 March</i>
	2007	<i>2007</i>
	\$'000	<i>\$'000</i>
Current or less than 1 month overdue	910	783
1 to 3 months overdue	522	520
More than 3 months overdue but less than 12 months overdue	573	583
Total accounts receivable, net of impairment losses for bad and doubtful debts	2,005	1,886
Deposits and prepayments	3,883	3,517
	5,888	5,403

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 such action will be taken against defaulting members as may be appropriate. 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	<i>31 March</i>
	2007	<i>2007</i>
	\$'000	<i>\$'000</i>
Deposits with banks	475,068	452,019
Cash at bank and in hand	<u>3,982</u>	<u>5,351</u>
	<u><u>479,050</u></u>	<u><u>457,370</u></u>

11. Accounts payable, other payables and accruals

All of the accounts payable, other payables and accruals except for \$8,173,000 (31 March 2007: \$5,682,000), 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	<i>31 March</i>
	2007	<i>2007</i>
	\$'000	<i>\$'000</i>
Due within 1 month or on demand	311	384
Due after 1 month but within 3 months	703	795
Due after 3 months but within 6 months	148	171
Due after 6 months but within 12 months	—	10
Due after 12 months	<u>1,081</u>	<u>1,026</u>
Total accounts payable	2,243	2,386
Accruals and retention monies payable for redevelopment work	31,977	27,234
Other payables and accruals	<u>8,625</u>	<u>8,725</u>
	<u><u>42,845</u></u>	<u><u>38,345</u></u>

12. Capital and reserves

	Share capital	Hotel properties revaluation reserve (note)	Exchange reserve	Fair value reserve	Capital reserve	Retained earnings	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2006	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 on translation of financial statements of overseas subsidiaries	—	—	383	—	361	—	744
Profit for the period	—	—	—	—	—	138,969	138,969
At 30 September 2006	<u>360,000</u>	<u>1,453,045</u>	<u>(5,240)</u>	<u>1,086</u>	<u>126,308</u>	<u>2,592,612</u>	<u>4,527,811</u>
At 1 October 2006	360,000	1,453,045	(5,240)	1,086	126,308	2,592,612	4,527,811
Premium in respect of preference shares issued to preference shareholders of a subsidiary	—	—	—	—	112	—	112
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	8,762	—	8,946	—	17,708
Available-for-sales equity securities:							
— changes in fair value	—	—	—	(467)	—	—	(467)
— transfer to profit or loss on disposal	—	—	—	(619)	—	—	(619)
Profit for the period	—	—	—	—	—	391,480	391,480
At 31 March 2007	<u>360,000</u>	<u>1,453,045</u>	<u>3,522</u>	<u>—</u>	<u>135,366</u>	<u>2,984,092</u>	<u>4,936,025</u>
At 1 April 2007	360,000	1,453,045	3,522	—	135,366	2,984,092	4,936,025
Premium in respect of preference shares issued to preference shareholders of a subsidiary	—	—	—	—	33	—	33
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	592	—	662	—	1,254
Profit for the period	—	—	—	—	—	271,127	271,127
At 30 September 2007	<u>360,000</u>	<u>1,453,045</u>	<u>4,114</u>	<u>—</u>	<u>136,061</u>	<u>3,255,219</u>	<u>5,208,439</u>

Note: The hotel properties revaluation reserve relates to the revaluation reserve in respect of the Hyatt Regency Hong Kong Hotel formerly on the site which has now been demolished and the site is presently under redevelopment into iSQUARE.

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

	30 September	<i>31 March</i>
	2007	<i>2007</i>
	\$'000	\$'000
Contracted for	<u>68,538</u>	<u>126,446</u>

At 30 September 2007, the estimated cost of construction in respect of the development of ISQUARE on the site located on No. 63 Nathan Road, Kowloon (Kowloon Inland Lot No. 7425) is around \$1.3 billion.

14. Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 September 2007

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 September 2007 and which have not been adopted in this interim financial report.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, HKFRS 8, *Operating segments*, which is effective for accounting periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.

INTERIM DIVIDEND

The Board has 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 (2006: Nil).

BUSINESS REVIEW

- The Group achieved a profit from operations of approximately \$326.9 million for the half year ended 30 September 2007, representing an increase of approximately 95.9% compared with the corresponding period in 2006. The increment was almost entirely attributable to the valuation gains on investment properties of \$329.3 million. Excluding the valuation gains on investment properties, the Group recorded a loss from operations for the half year ended 30 September 2007 of \$2.4 million.
- Austin Hills Golf Resort, the Group's golf and recreational club operation, suffered a segment loss of \$3.0 million for the half year ended 30 September 2007. Segment revenue for the said period was \$10.0 million, representing an increase of approximately \$1.0 million compared with the corresponding period of last year.
- Interest income amounted to \$12.6 million, an increase of approximately \$2.7 million due to an increase in interest rates compared with the corresponding period in 2006.
- The total equity for the Group at 30 September 2007 was \$5,208.4 million, compared with \$4,936.0 million at 31 March 2007. 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. At 30 September 2007, the banking facilities were utilised to the extent of \$80 million and the Group's gearing ratio was 1.5% (calculated as total borrowings over total equity).
- At 30 September 2007, the total number of employees of the Group was 119 and the related costs incurred during the period were approximately \$10.7 million.
- Save as disclosed in this report, there has been no further material change to the information contained in the Company's annual report for the year ended 31 March 2007 which necessitates additional disclosure to that made herein.

OUTLOOK

The development of iSQUARE on the site located on No. 63 Nathan Road, Kowloon (Kowloon Inland Lot No. 7425) owned by the Company is in progress. Foundation and basement excavation works are being carried out. The superstructure contract was awarded in November 2007. Barring unforeseen circumstances, the entire project is anticipated to be completed in 2009. The present estimated cost of construction for this project is around \$1.3 billion and this will be mainly financed by external borrowings.

Since the Group's main sources of income have disappeared during the redevelopment period with the closure of the business of the Hotel and the Hotel's shopping arcade formerly on the site, this has and will continue to have a very substantial negative impact on the revenue and results of the Group. In the circumstances 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 2007 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 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:

(a) The Company

<i>Name</i>	<i>Number of ordinary shares of \$1 each</i>				
	<i>Personal interests</i>	<i>Family interests</i>	<i>Corporate interests</i>	<i>Total beneficial interests</i>	<i>% of total issued shares</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	15,275,839	275,280	—	15,551,119	4.32%
Cheong Sim Lam	1,807,155	24,000	—	1,831,155	0.51%
Cheong Chong Ling	588,000	—	—	588,000	0.16%
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	Number of ordinary shares of Malaysian Ringgit 1 each				
	Personal interests	Family interests	Corporate interests	Total beneficial interests	% of total issued shares
Cheong Hooi Hong	—	—	—	—	—
Cheong Kheng Lim	1	—	—	1	0.00001%
Cheong Keng Hooi	—	—	—	—	—
Cheong Sim Lam	—	3	—	3	0.00003%
Cheong Chong Ling	1	—	—	1	0.00001%
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				
	Personal interests	Family interests	Corporate interests	Total beneficial interests	% of total issued shares
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 Chong Ling	412,000	—	—	412,000	0.09%
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

<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	25	—	—	25	25%
Cheong Kheng Lim	25	—	—	25	25%
Cheong Keng Hooi	25	—	—	25	25%
Cheong Sim Lam	25	—	—	25	25%
Cheong Chong Ling	—	—	—	—	—
Sin Cho Chiu, Charles	—	—	—	—	—
Lau Wah Sum	—	—	—	—	—
Chow Wan Hoi, Paul	—	—	—	—	—
Yau Allen Lee-nam	—	—	—	—	—
Lee Chung	—	—	—	—	—

(e) Yik Fok Investment Holding Company, Limited

<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	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 Chong Ling	—	—	—	—	—
Sin Cho Chiu, Charles	—	—	—	—	—
Lau Wah Sum	—	—	—	—	—
Chow Wan Hoi, Paul	—	—	—	—	—
Yau Allen Lee-nam	—	—	—	—	—
Lee Chung	—	—	—	—	—

Apart from the foregoing, as at 30 September 2007, none of the directors and chief executives of the Company and their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")) had 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 2007 amounting to 5% or more of the ordinary shares in issue:

	<i>Number of ordinary shares of \$1 each</i>	<i>Percentage of total issued shares</i>
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 and short positions in shares 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 and save as disclosed in the section "Interests and short positions of directors and chief executives in shares, underlying shares and debentures" above, as at 30 September 2007 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 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 ("CG Code") in Appendix 14 of the Listing Rules except that the roles of chairman and chief executive officer were not separated and performed by two individuals, which was inconsistent with code provision A.2.1 of the CG Code.

In respect of the deviation from code provision A.2.1 of the CG Code, Mr Cheong Hooi Hong is both the Chairman and chief executive officer of the Company. The Board of Directors considers that the current structure does not have any adverse effect on the Company and believes that this structure enables the Group to make and implement decisions promptly and efficiently.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules as its code for dealing in securities in the Company by its directors ("Model Code"). Specific enquiry has been made with all directors of the Company 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 2007.

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

Hong Kong, 11 December 2007

As at the date of this report, Mr Cheong Hooi Hong, Mr Cheong Kheng Lim, Mr Cheong Keng Hooi, Mr Cheong Sim Lam and Miss Cheong Chong Ling 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 reviewed the interim financial report set out on pages 1 to 12 which comprises the consolidated balance sheet of Associated International Hotels Limited as of 30 September 2007 and the related consolidated statements of income, and changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. 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 directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a 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.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 September 2007 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting".

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

11 December 2007