Associated International Hotels Limited

Stock Code: 105

Interim Report

for the six months ended 30 September 2008

娛樂消遣 Entertainment

Shopping

零售商舖

Dining

餐廳

i SQUARE

國際廣場

Associated International Hotels Limited

Interim Report

(Expressed in Hong Kong dollars)

The Board of Directors would like to announce the unaudited consolidated results of the Group for the half year ended 30 September 2008. 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 2008 — unaudited

	Note	***Six months ended 30 September*** ***2008*** **$'000**	*2007* $'000
Turnover	2	**8,765**	8,566
Cost of services/sales		**(7,719)**	(7,847)
		1,046	719
Other revenue	3	**7,095**	14,778
Other net loss	3	**(1,065)**	(2,645)
Net valuation (losses)/gains on investment properties		**(43,023)**	329,314
Reversal of impairment loss in respect of other properties		**2,090**	1,946
Selling expenses		**(270)**	(365)
Administrative expenses		**(18,768)**	(16,842)
(Loss)/profit from operations	2	**(52,895)**	326,905
Finance costs	4(a)	**(38)**	(38)
(Loss)/profit before taxation	4	**(52,933)**	326,867
Income tax	5	**9,059**	(55,740)
(Loss)/profit for the period attributable to equity shareholders of the Company	12	**(43,874)**	271,127
Dividends payable to equity shareholders of the Company attributable to the interim period	6(a)	**—**	—
(Loss)/earnings per share — basic and diluted	7	**$(0.12)**	$0.75

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

CONSOLIDATED BALANCE SHEET
at 30 September 2008 — unaudited

	Note	*At 30 September 2008* $'000	$'000	*At 31 March 2008* $'000	$'000
Non-current assets					
Fixed assets	8				
— Investment properties			**5,667,506**		5,561,101
— Other properties, plant and equipment			**251,121**		270,668
			5,918,627		5,831,769
Deferred tax assets			**94**		97
			5,918,721		5,831,866
Current assets					
Inventories		**232**		235	
Accounts receivable, deposits and prepayments	9	**4,863**		3,883	
Cash and cash equivalents	10	**468,708**		474,145	
		473,803		478,263	
Current liabilities					
Accounts payable, other payables and accruals	11	**88,948**		67,062	
Deposits received		**5,382**		5,022	
Provision for long service payments		**1,727**		1,282	
Obligations under finance leases		**132**		140	
Current taxation		**95**		44	
		96,284		73,550	
Net current assets			**377,519**		404,713
Total assets less current liabilities			**6,296,240**		6,236,579
Non-current liabilities					
Bank loan — secured		**265,000**		130,000	
Government lease premiums payable		**2,367**		2,367	
Obligations under finance leases		**4**		70	
Deferred tax liabilities		**721,498**		730,655	
Other financial liabilities		**2**		2	
			988,871		863,094
NET ASSETS			**5,307,369**		5,373,485
CAPITAL AND RESERVES					
Share capital	12		**360,000**		360,000
Reserves			**4,947,369**		5,013,485
TOTAL EQUITY	12		**5,307,369**		5,373,485

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 2008 — unaudited

		Six months ended 30 September	
	Note	***2008***	*2007*
		$'000	$'000
Total equity at 1 April	12	**5,373,485**	4,936,025
Net (loss)/income for the period recognised directly in equity:			
Exchange differences on translation of financial statements of overseas subsidiaries	12	**(22,242)**	1,254
Net (loss)/profit for the period	12	**(43,874)**	271,127
Total recognised net (loss)/income for the period		**(66,116)**	272,381
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		**5,307,369**	5,208,439

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 2008 — unaudited

	Note	*Six months ended 30 September* **2008** **$'000**	*2007* $'000
Cash used in operations		**(12,937)**	(11,572)
Tax (paid)/refunded		**(44)**	77
Net cash used in operating activities		**(12,981)**	(11,495)
Net cash used in investing activities		**(122,928)**	(42,923)
Net cash generated from financing activities		**131,815**	78,936
Net (decrease)/increase in cash and cash equivalents		**(4,094)**	24,518
Cash and cash equivalents at 1 April	10	**474,145**	457,370
Effect of foreign exchange rates changes		**(1,343)**	(2,838)
Cash and cash equivalents at 30 September	10	**468,708**	479,050

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 10 December 2008.

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 2008.

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 2008. 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 2009 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 2008. 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 2008 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 2008 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 8 July 2008.

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 2008 and 2007 is as follows:

	Segment revenue Six months ended 30 September		***Segment profit/(loss) Six months ended 30 September***	
	2008	*2007*	***2008***	*2007*
	$'000	$'000	**$'000**	$'000
Property leasing — Hong Kong	**155**	140	**150**	132
Golf and recreational club operation — Malaysia	**9,057**	9,971	**(2,980)**	(2,988)
	9,212	10,111	**(2,830)**	(2,856)
Net valuation (losses)/gains on investment properties			**(43,023)**	329,314
Reversal of impairment loss in respect of other properties			**2,090**	1,946
Unallocated other revenue			**6,648**	13,233
Unallocated operating income and expenses			**(15,780)**	(14,732)
(Loss)/profit from operations			**(52,895)**	326,905
Analysed by:				
Turnover	**8,765**	8,566		
Other revenue — allocated	**447**	1,545		
	9,212	10,111		

3. **Other revenue and net loss**

	Six months ended 30 September **2008** **$'000**	*2007* $'000
Other revenue		
Interest income	**6,048**	12,633
Management fee received from holding company	**600**	600
Others	**447**	1,545
	7,095	14,778
Other net loss		
Net (loss)/profit on disposal of fixed assets	**(2)**	247
Net foreign exchange losses	**(1,063)**	(2,892)
	(1,065)	(2,645)

4. **(Loss)/profit before taxation**

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

		Six months ended 30 September **2008** **$'000**	*2007* $'000
(a)	**Finance costs**		
	Interest on government lease premiums payable	**28**	28
	Finance charges on obligations under finance leases	**10**	10
	Interest on bank loan	**2,554**	1,094
	Other borrowing costs	**499**	579
	Total borrowing costs	**3,091**	1,711
	Less: Borrowing costs capitalised into property under redevelopment	**(3,053)**	(1,673)
		38	38
(b)	**Other item**		
	Depreciation	**4,040**	4,044

5. Income tax

	Six months ended 30 September 2008 $'000	2007 $'000
Current tax		
— Hong Kong profits tax	**92**	95
— Overseas tax	**3**	(37)
	95	58
Deferred tax	**(9,154)**	55,682
	(9,059)	55,740

The provision for Hong Kong profits tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the six months ended 30 September 2008. 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

	Six months ended 30 September 2008 $'000	2007 $'000
No interim dividend declared and paid after the interim period end (2007: Nil)	**—**	—

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

	Six months ended 30 September 2008 $'000	2007 $'000
No final dividend in respect of the financial year ended 31 March 2008 approved and paid during the following interim period (year ended 31 March 2007: Nil)	**—**	—

7. (Loss)/earnings per share — basic and diluted

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of $43,874,000 (2007: profit of $271,127,000) and 360,000,000 (2007: 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 2008 and 2007.

8. Fixed assets

Investment properties

During the period, additions in the investment properties amounted to $154,353,000 (six months ended 30 September 2007: $61,156,000), mainly representing the construction costs incurred in respect of the Group's investment property under redevelopment.

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 2008 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 2008 by VPC Alliance (JB) Sdn. Bhd., an independent firm of professional valuers in Malaysia. As a result of the update, net valuation losses of $43,023,000 (2007: gains of $329,314,000) on investment properties, and deferred tax income thereon of $7,099,000 (2007: expense of $57,630,000), 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 $265,000,000 as at 30 September 2008 (31 March 2008: $130,000,000).

9. Accounts receivable, deposits and prepayments

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

	30 September 2008 **$'000**	*31 March 2008* $'000
Current	**494**	416
Less than 1 month past due	**64**	91
1 to 3 months past due	**231**	278
More than 3 months but less than 12 months past due	**692**	974
Amounts past due	**987**	1,343
Total accounts receivable, net of allowance for bad and doubtful debts	**1,481**	1,759
Deposits and prepayments	**3,382**	2,124
	4,863	3,883

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 past due 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 past due debtors whenever the situation is appropriate.

10. Cash and cash equivalents

	30 September 2008 $'000	*31 March 2008* $'000
Deposits with banks	**465,928**	471,049
Cash at bank and in hand	**2,780**	3,096
	468,708	474,145

11. Accounts payable, other payables and accruals

All of the accounts payable, other payables and accruals except for $16,235,000 (31 March 2008: $2,728,000), 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 the balance sheet date:

	30 September 2008 $'000	*31 March 2008* $'000
Due within 1 month or on demand	**349**	376
Due after 1 month but within 3 months	**553**	619
Due after 3 months but within 6 months	**160**	298
Due after 6 months but within 12 months	**39**	7
Due after 12 months	**25**	290
Total accounts payable	**1,126**	1,590
Accruals and retention monies payable for redevelopment work	**79,276**	56,678
Other payables and accruals	**8,546**	8,794
	88,948	67,062

12. Capital and reserves

	Share capital	Hotel properties revaluation reserve (note)	Exchange reserve	Capital reserve	Retained earnings	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000
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	360,000	1,453,045	4,114	136,061	3,255,219	5,208,439
At 1 October 2007	360,000	1,453,045	4,114	136,061	3,255,219	5,208,439
Premium in respect of preference shares issued to preference shareholders of a subsidiary	—	—	—	45	—	45
Exchange differences on translation of financial statements of overseas subsidiaries	—	—	9,490	9,589	—	19,079
Changes in deferred tax resulting from decrease in tax rate	—	17,613	—	—	—	17,613
Profit for the period	—	—	—	—	128,309	128,309
At 31 March 2008	360,000	1,470,658	13,604	145,695	3,383,528	5,373,485
At 1 April 2008	**360,000**	**1,470,658**	**13,604**	**145,695**	**3,383,528**	**5,373,485**
Exchange differences on translation of financial statements of overseas subsidiaries	**—**	**—**	**(11,040)**	**(11,202)**	**—**	**(22,242)**
Loss for the period	**—**	**—**	**—**	**—**	**(43,874)**	**(43,874)**
At 30 September 2008	**360,000**	**1,470,658**	**2,564**	**134,493**	**3,339,654**	**5,307,369**

Note: The hotel properties revaluation reserve represents revaluation surpluses of hotel recognised in prior years. The hotel 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 2008 $'000	*31 March 2008* $'000
Contracted for	**929,830**	1,071,999

At 30 September 2008, the estimated cost of construction in respect of the development of iSQUARE on the site located at No. 63 Nathan Road, Kowloon (Kowloon Inland Lot No. 7425) is around $1.3 billion.

14. Contingent liabilities

In November 2007, an overseas subsidiary filed a claim in court against a subscriber of the golf club membership in Malaysia for the payment of approximately $1.3 million being the remaining outstanding balance for certain preference shares of the subsidiary. However, the subscriber disputed the claim and filed a counterclaim of approximately $4.7 million on 28 January 2008 on the alleged grounds that the subscriber had suffered loss of reputation and other losses.

In August 2008, the overseas subsidiary and the subscriber agreed to settle by withdrawing their respective claims against each other and a notice of discontinuance for this purpose was filed in court. The case will be closed upon the judge striking out the above claims in the pre-trial conference fixed to be held in December 2008. Accordingly, the Directors are of the opinion that no provision for the counterclaim is necessary.

15. Possible impact of amendments, new standards and interpretations issued but not yet effective for the period ended 30 September 2008

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 2008 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, the following developments may result in new or amended presentation and disclosures in the financial statements:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009

INTERIM DIVIDEND

The Board has resolved that in view of the cessation of the main business of the Group which was the operation of a hotel and the hotel's shopping arcade, no interim dividend will be paid to shareholders (2007: Nil).

BUSINESS REVIEW

- The Group recorded a loss from operations of $52.9 million for the half year ended 30 September 2008. The loss was mainly attributable to the valuation loss on investment property concerning the development of iSQUARE on the site located at No. 63 Nathan Road, Kowloon (Kowloon Inland Lot No. 7425) owned by the Company.

  The Group's net valuation losses on investment properties recorded for the half year ended 30 September 2008 were $43.0 million, compared with the valuation gains on investment properties of $329.3 million for the corresponding period of last year. Such losses will only affect the accounting profit or loss but not the cash flow of the Group. Excluding the net valuation losses on investment properties, the Group recorded a loss from operations of approximately $9.9 million for the half year ended 30 September 2008 as compared with the loss from operations of approximately $2.4 million for the corresponding period of last year. It was mainly due to a steep reduction in interest income.

- 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 2008. Segment revenue for the said period was $9.1 million, representing a decrease of approximately $0.9 million compared with the corresponding period of last year.

- Interest income for the half year ended 30 September 2008 amounted to $6.0 million, a decrease of approximately $6.6 million mainly due to a decrease in interest rates compared with the corresponding period in 2007.

- The total equity for the Group at 30 September 2008 was $5,307.4 million, compared with $5,373.5 million at 31 March 2008. 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 2008, the banking facilities were utilised to the extent of $265 million and the Group's gearing ratio was 5.0% (calculated as total bank loan over total equity).

- At 30 September 2008, the total number of employees of the Group was 118 and the related costs incurred during the period were approximately $10.9 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 2008 which necessitates additional disclosure to that made herein.

OUTLOOK

The development of iSQUARE on the site located at No. 63 Nathan Road, Kowloon (Kowloon Inland Lot No. 7425) owned by the Company is in progress. The superstructure construction is underway. Barring unforeseen circumstances, the entire project is expected to be completed in the second half of 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 ceased during the redevelopment period with the closure of the business of a 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 redevelopment.

The recent global financial turmoil has profound impact on the economy. The Directors expect the operating environment to be tough, property values will likely decline and in consequence the Group's results for the second half of the financial year will be affected.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities are set out in note 14 to the interim financial report.

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

As at 30 September 2008, the directors and chief executives of the Company and their associates had the following interests in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

(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 Chong Ling	588,000	—	—	588,000	0.16%
Sin Cho Chiu, Charles	242,000	—	120,000 (Note)	362,000	0.10%

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 MYR1 each*				
	Personal interests	*Family interests*	*Corporate interests*	*Total beneficial interests*	*% of total issued shares*
Cheong Kheng Lim	1	—	—	1	0.00001%
Cheong Sim Lam	—	3	—	3	0.00003%
Cheong Chong Ling	1	—	—	1	0.00001%

(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%

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

	Number of ordinary shares of $1 each				
Name	***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%

(e) Yik Fok Investment Holding Company, Limited

	Number of ordinary shares of $1 each				
Name	***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%

Save as disclosed above, as at 30 September 2008, none of the directors and chief executives of the Company or their associates (as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules")) had interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 September 2008, other than the interests of the directors and chief executives of the Company as disclosed above, the Company has been notified of the following interests in the shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

	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 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.

Save as disclosed above, as at 30 September 2008, no other interests or short positions in the shares and underlying shares of the Company required to be recorded in the register kept by the Company 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 set out in Appendix 10 of the Listing Rules as its code for dealing in securities in the Company by its directors. 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 2008.

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

Hong Kong, 10 December 2008

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 2008 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 2008 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

10 December 2008