



Associated
International Hotels Limited

Stock Code: 105

INTERIM REPORT

for the six months ended 30 September 2009

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 2009. 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 2009 — unaudited

		<i>Six months ended 30 September</i>	
	<i>Note</i>	2009	2008
		\$'000	\$'000
Turnover	3(a)	12,899	8,765
Cost of services/sales		<u>(11,459)</u>	<u>(7,719)</u>
		1,440	1,046
Other revenue	4	7,879	7,095
Other net income/(loss)	4	40	(1,065)
Net valuation gains/(losses) on investment properties	9	2,151,228	(43,023)
Reversal of impairment loss in respect of other properties		2,014	2,090
Selling expenses		(257)	(270)
Administrative expenses		<u>(17,198)</u>	<u>(18,768)</u>
Profit/(loss) from operations		2,145,146	(52,895)
Finance costs	5(a)	<u>(970)</u>	<u>(38)</u>
Profit/(loss) before taxation	5	2,144,176	(52,933)
Income tax	6	<u>(352,994)</u>	<u>9,059</u>
Profit/(loss) for the period attributable to equity shareholders of the Company	3(b)	<u>1,791,182</u>	<u>(43,874)</u>
Earnings/(loss) per share — basic and diluted	8	<u>\$4.98</u>	<u>\$(0.12)</u>

The notes on pages 6 to 14 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 7.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 30 September 2009 — unaudited

		<i>Six months ended 30 September</i>	
	Note	2009	2008
		\$'000	\$'000
Profit/(loss) for the period	3(b)	<u>1,791,182</u>	<u>(43,874)</u>
Other comprehensive income/(expenses)			
for the period (after tax and reclassification adjustments):			
Exchange differences on translation of financial statements of overseas subsidiaries:			
— credited/(charged) to exchange reserve		6,066	(11,040)
— credited/(charged) to capital reserve		<u>6,298</u>	<u>(11,202)</u>
		<u>12,364</u>	<u>(22,242)</u>
Total comprehensive income/(expenses) for the period		<u><u>1,803,546</u></u>	<u><u>(66,116)</u></u>

The notes on pages 6 to 14 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET
at 30 September 2009 — unaudited

	Note	At 30 September 2009		At 31 March 2009	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets	9				
— Investment properties			8,420,438		5,945,610
— Other properties, plant and equipment			245,303		236,864
			8,665,741		6,182,474
Deferred tax assets			88		91
			8,665,829		6,182,565
Current assets					
Inventories		210		203	
Accounts receivable, deposits and prepayments	10	22,841		9,580	
Tax recoverable		1		—	
Pledged bank deposits		38,167		2,226	
Cash and cash equivalents	11	424,818		444,886	
		486,037		456,895	
Current liabilities					
Accounts payable, other payables and accruals	12	159,245		206,018	
Deposits received		41,439		5,335	
Provision for long service payments		1,363		1,774	
Obligations under finance leases		29		73	
Current taxation		132		68	
		202,208		213,268	
Net current assets			283,829		243,627
Total assets less current liabilities			8,949,658		6,426,192
Non-current liabilities					
Bank loan — secured		935,000		568,000	
Government lease premiums payable		2,327		2,327	
Obligations under finance leases		40		—	
Deferred tax liabilities		1,048,045		695,164	
Other financial liabilities		1		2	
			1,985,413		1,265,493
NET ASSETS			6,964,245		5,160,699
CAPITAL AND RESERVES					
Share capital			360,000		360,000
Reserves			6,604,245		4,800,699
TOTAL EQUITY			6,964,245		5,160,699

The notes on pages 6 to 14 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2009 — unaudited

	<i>Attributable to equity shareholders of the Company</i>					
	<i>Share capital</i>	<i>Revaluation reserve</i> <small>(note)</small>	<i>Exchange reserve</i>	<i>Capital reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 April 2008	360,000	1,470,658	13,604	145,695	3,383,528	5,373,485
Total comprehensive expenses for the period	—	—	(11,040)	(11,202)	(43,874)	(66,116)
At 30 September 2008 and 1 October 2008	360,000	1,470,658	2,564	134,493	3,339,654	5,307,369
Total comprehensive expenses for the period	—	—	(7,731)	(7,931)	(131,008)	(146,670)
At 31 March 2009 and 1 April 2009	360,000	1,470,658	(5,167)	126,562	3,208,646	5,160,699
Total comprehensive income for the period	—	—	6,066	6,298	1,791,182	1,803,546
At 30 September 2009	360,000	1,470,658	899	132,860	4,999,828	6,964,245

Note: The revaluation reserve represents hotel properties revaluation surpluses recognised in prior years. The hotel has now been demolished and the site has been redeveloped into iSQUARE.

The notes on pages 6 to 14 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2009 — unaudited

		<i>Six months ended 30 September</i>	
	<i>Note</i>	2009	2008
		\$'000	\$'000
Cash generated from/(used in) operations		19,547	(12,937)
Tax paid		(47)	(44)
Net cash generated from/(used in) operating activities		19,500	(12,981)
Net cash used in investing activities		(401,726)	(122,928)
Net cash generated from financing activities		362,025	131,815
Net decrease in cash and cash equivalents		(20,201)	(4,094)
Cash and cash equivalents at 1 April	11	444,886	474,145
Effect of foreign exchange rates changes		133	(1,343)
Cash and cash equivalents at 30 September	11	424,818	468,708

The notes on pages 6 to 14 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 issue on 27 November 2009.

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 2009, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2010. 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 2009. 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 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 22.

The financial information relating to the financial year ended 31 March 2009 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 2009 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 9 July 2009.

2. Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 8 "Operating segments"
- HKAS 1 (revised 2007) "Presentation of financial statements"
- Amendments to HKAS 27 "Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate"
- Amendments to HKFRS 7 "Financial instruments: Disclosures — improving disclosures about financial instruments"
- HKAS 23 (revised 2007) "Borrowing costs"

The amendments to HKAS 23 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, but has resulted no change in reportable segments being identified and presented (see note 3). Corresponding amounts have been provided on a basis consistent with the revised segment information.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 April 2009 all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. Segment reporting

The Group manages its businesses by segments which are organised by business lines and geography. On first-time adoption of HKFRS 8 "Operating segments" and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified two reportable segments, namely "Property leasing" and "Golf and recreational club operation".

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets with the exception of corporate assets. Segment liabilities include all liabilities managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	<i>Property leasing — Hong Kong</i>		<i>Golf and recreational club operation — Malaysia</i>		<i>Total</i>	
	<i>Six months ended</i>		<i>Six months ended</i>		<i>Six months ended</i>	
	<i>30 September</i>		<i>30 September</i>		<i>30 September</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Reportable segment revenue						
Revenue from external customers	<u>4,263</u>	<u>155</u>	<u>8,636</u>	<u>8,610</u>	<u>12,899</u>	<u>8,765</u>
Reportable segment profit/(loss)	<u>1,785,490</u>	<u>(43,073)</u>	<u>5,732</u>	<u>(774)</u>	<u>1,791,222</u>	<u>(43,847)</u>
Net valuation gains/(losses) on investment properties	2,151,228	(43,023)	—	—	2,151,228	(43,023)
Reversal of impairment loss in respect of other properties	—	—	2,014	2,090	2,014	2,090
Depreciation	(1,413)	(1,435)	(2,419)	(2,605)	(3,832)	(4,040)

3. Segment reporting (Continued)

(a) Segment results, assets and liabilities (Continued)

	<i>Property leasing — Hong Kong</i>		<i>Golf and recreational club operation — Malaysia</i>		<i>Total</i>	
	<i>At 30</i>	<i>At 31</i>	<i>At 30</i>	<i>At 31</i>	<i>At 30</i>	<i>At 31</i>
	<i>September</i>	<i>March</i>	<i>September</i>	<i>March</i>	<i>September</i>	<i>March</i>
	<i>2009</i>	<i>2009</i>	<i>2009</i>	<i>2009</i>	<i>2009</i>	<i>2009</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Reportable segment assets	8,876,601	6,378,282	274,422	260,917	9,151,023	6,639,199
Additions to non-current segment assets during the period	321,003	154,434	84	134	321,087	154,568
Reportable segment liabilities	2,181,899	1,467,789	5,685	10,957	2,187,584	1,478,746

(b) Reconciliations of reportable segment profit or loss, assets and liabilities

	<i>Six months ended 30 September</i>	
	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>
Profit/(loss)		
Reportable segment profit/(loss) derived from		
Group's external customers	1,791,222	(43,847)
Unallocated corporate expenses	(40)	(27)
Consolidated profit/(loss) for the period	1,791,182	(43,874)
	<i>At 30 September</i>	<i>At 31 March</i>
	<i>2009</i>	<i>2009</i>
	<i>\$'000</i>	<i>\$'000</i>
Assets		
Reportable segment assets	9,151,023	6,639,199
Unallocated corporate assets	843	261
Consolidated total assets	9,151,866	6,639,460
Liabilities		
Reportable segment liabilities	2,187,584	1,478,746
Unallocated corporate liabilities	37	15
Consolidated total liabilities	2,187,621	1,478,761

4. Other revenue and net income/(loss)

	<i>Six months ended 30 September</i>	
	2009	2008
	\$'000	\$'000
Other revenue		
Interest income	1,300	6,048
Management fee received from holding company	600	600
Write-back of retention monies payable in respect of other properties	5,487	—
Others	492	447
	<u>7,879</u>	<u>7,095</u>
Other net income/(loss)		
Net loss on disposal of fixed assets	(4)	(2)
Net foreign exchange gains/(losses)	44	(1,063)
	<u>40</u>	<u>(1,065)</u>

5. Profit/(loss) before taxation

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

	<i>Six months ended 30 September</i>	
	2009	2008
	\$'000	\$'000
(a) Finance costs		
Interest on government lease premiums payable	27	28
Finance charges on obligations under finance leases	10	10
Interest on bank loan	3,488	2,554
Other borrowing costs	205	499
	<u>3,730</u>	<u>3,091</u>
Total borrowing costs	3,730	3,091
Less: Borrowing costs capitalised into property under redevelopment	(2,760)	(3,053)
	<u>970</u>	<u>38</u>
(b) Other item		
Depreciation	3,832	4,040
	<u>3,832</u>	<u>4,040</u>

6. **Income tax**

	<i>Six months ended 30 September</i>	
	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>
Current tax		
— Hong Kong profits tax	109	92
— Overseas tax	1	3
	<u>110</u>	<u>95</u>
Deferred tax		
— Changes in fair value of investment properties	354,953	(7,099)
— Origination and reversal of temporary differences	(2,069)	(2,055)
	<u>352,884</u>	<u>(9,154)</u>
	<u><u>352,994</u></u>	<u><u>(9,059)</u></u>

The provision for Hong Kong profits tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the six months ended 30 September 2009. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

7. **Dividends**

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

	<i>Six months ended 30 September</i>	
	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>
No interim dividend declared and paid after the interim period (2008: 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 30 September</i>	
	<i>2009</i>	<i>2008</i>
	<i>\$'000</i>	<i>\$'000</i>
No final dividend in respect of the financial year ended 31 March 2009 approved and paid during the following interim period (year ended 31 March 2008: Nil)	<u>—</u>	<u>—</u>

8. Earnings/(loss) per share — basic and diluted

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of \$1,791,182,000 (2008: loss of \$43,874,000) and 360,000,000 (2008: 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 2009 and 2008.

9. Fixed assets

Investment properties

During the period, additions in the investment properties amounted to \$320,831,000 (six months ended 30 September 2008: \$154,353,000).

The investment properties in Hong Kong were revalued at 30 September 2009 by Vigers Appraisal & Consulting Limited, an independent firm of professional valuers (who have among their staff Fellows of The Hong Kong Institute of Surveyors with recent experience in the location and category of properties being valued) on a market value basis in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income for reversionary income potential. The piece of freehold land in Malaysia was revalued on a market value basis at 30 September 2009 by VPC Alliance (JB) Sdn. Bhd., an independent firm of professional valuers in Malaysia. As a result of the update, valuation gains of \$2,151,228,000 (2008: net loss of \$43,023,000) on investment properties, and deferred tax expense thereon of \$354,953,000 (2008: income of \$7,099,000), have been included in the consolidated income statement.

Certain investment property of the Company with an aggregate value of \$8,342,600,000 as at 30 September 2009 (31 March 2009: \$5,873,000,000) was pledged to secure banking facilities of up to \$1,200,000,000 granted to the Company. The facilities were utilised to the extent of \$935,000,000 as at 30 September 2009 (31 March 2009: \$568,000,000).

10. Accounts receivable, deposits and prepayments

The ageing analysis of accounts receivable (net of allowance for bad and doubtful debts) which was included in accounts receivable, deposits and prepayments as of the balance sheet date is as follows:

	At 30 September 2009 \$'000	<i>At 31 March 2009 \$'000</i>
Current	3,894	378
Less than 1 month past due	459	72
1 to 3 months past due	182	181
More than 3 months but less than 12 months past due	503	506
Amounts past due	1,144	759
Total accounts receivable, net of allowance for bad and doubtful debts	5,038	1,137
Deposits and prepayments	17,803	8,443
	22,841	9,580

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 legal 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.

11. Cash and cash equivalents

	At 30 September 2009 \$'000	<i>At 31 March 2009 \$'000</i>
Deposits with banks	420,196	441,824
Cash at bank and in hand	4,622	3,062
	424,818	444,886

12. Accounts payable, other payables and accruals

All of the accounts payable, other payables and accruals except for \$24,525,000 (31 March 2009: \$43,040,000), mainly represented retention monies payable, is expected to be settled within one year.

The ageing analysis of accounts payable which was included in accounts payable, other payables and accruals as of the balance sheet date is as follows:

	<i>At 30 September</i>	<i>At 31 March</i>
	2009	<i>2009</i>
	\$'000	<i>\$'000</i>
Due within 1 month or on demand	245	350
Due after 1 month but within 3 months	568	495
Due after 3 months but within 6 months	140	253
Due after 6 months but within 12 months	—	—
Due after 12 months	30	28
	<hr/>	<hr/>
Total accounts payable	983	1,126
Accruals and retention monies payable for redevelopment work	145,716	195,873
Other payables and accruals	12,546	9,019
	<hr/>	<hr/>
	159,245	206,018
	<hr/> <hr/>	<hr/> <hr/>

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

	<i>At 30 September</i>	<i>At 31 March</i>
	2009	<i>2009</i>
	\$'000	<i>\$'000</i>
Contracted for	200,297	512,357
	<hr/> <hr/>	<hr/> <hr/>

14. Comparative figures

As a result of the application of HKAS 1 (revised 2007) "Presentation of financial statements" and HKFRS 8 "Operating segments", certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2009 (2008: Nil).

BUSINESS REVIEW

- The Group recorded a profit from operations of \$2,145.1 million for the half year ended 30 September 2009, compared with a loss from operations of \$52.9 million for the corresponding period of last year. The profit was almost entirely due to the valuation gains on investment properties in particular 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 valuation gains on investment properties recorded for the half year ended 30 September 2009 were \$2,151.2 million, compared with the net valuation losses on investment properties of \$43.0 million for the corresponding period of last year. The valuation gains on investment properties will only affect the accounting profit or loss but not the cash flow of the Group. Excluding the valuation movement on investment properties, the Group recorded a loss from operations of approximately \$6.1 million for the half year ended 30 September 2009 as compared with a loss from operations of approximately \$9.9 million for the corresponding period of last year. The improvement was mainly due to initial contribution from certain effective tenancy agreements of iSQUARE.

- Austin Hills Golf Resort, the Group's golf and recreational club operation, recorded a segment profit of \$5.7 million for the half year ended 30 September 2009, compared with a segment loss of \$0.8 million (restated) for the corresponding period of last year. It was mainly due to the write-back of retention monies payable in respect of the other properties during the period.
- Interest income for the half year ended 30 September 2009 amounted to \$1.3 million, a decrease of approximately \$4.7 million mainly due to a decrease in interest rates compared with the corresponding period in 2008.
- The total equity for the Group at 30 September 2009 was \$6,964.2 million, compared with \$5,160.7 million at 31 March 2009. 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 2009, the banking facilities were utilised to the extent of \$935 million and the Group's gearing ratio was 13.4% (calculated as total bank loan over total equity).
- At 30 September 2009, the total number of employees of the Group, excluding the staff employed by DTZ Debenham Tie Leung Property Management Limited for general building and property management of iSQUARE, was 121 (30 September 2008: 118) and the related costs incurred during the period were approximately \$10.3 million (30 September 2008: \$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 2009 which necessitates additional disclosure to that made herein.

OUTLOOK

The occupation permit of iSQUARE was issued by the Building Authority in August 2009 and the development of iSQUARE has been substantially completed. Finishing and enhancement works are underway. Leasing of units in iSQUARE is in progress. Management targets to have its soft opening before the end of 2009.

Though signs of easing in the contraction of the global economy have emerged, management still expects the operating environment to be challenging. Management will monitor the market situation and will adopt appropriate leasing strategies and marketing programs to attract customers. Given its excellent location and the high quality of construction, management is confident that over time iSQUARE should become a popular shopping centre.

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

As at 30 September 2009, 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 ("Listing Rules")) 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

<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	362,000	0.10%

(Note)

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.

**INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES,
UNDERLYING SHARES AND DEBENTURES** (Continued)

(b) Austin Hills Country Resort Bhd.

<i>Name</i>	<i>Number of ordinary shares of MYR1 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 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

<i>Name</i>	<i>Number of shares of \$0.25 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	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	117,200	0.02%
			(Note)		

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.

**INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES,
UNDERLYING SHARES AND DEBENTURES** (Continued)

(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%

(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%

Save as disclosed above, as at 30 September 2009, none of the directors and chief executives of the Company or their associates (as defined in the 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 2009, 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:

	<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.

Save as disclosed above, as at 30 September 2009, 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.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES (Continued)

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.

DISCLOSURE PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

- (a) The dollar amount of director's emoluments of Mr Cheong Hooi Hong for the six months ended 30 September 2009 has increased by \$10,000 to \$811,000 when compared to that for the six months ended 30 September 2008, due to allowances for expenses actually incurred by him. The policy regarding such expenses has not changed.
- (b) The dollar amount of director's emoluments of Mr Cheong Kheng Lim for the six months ended 30 September 2009 has increased by \$29,000 to \$1,505,000 when compared to that for the six months ended 30 September 2008. The amount of the director's emoluments which is covered by his service contract with the Company as chief operation officer has increased by \$42,000 to \$1,274,000 when compared to that for the corresponding period of last year. The increase is due to allowances for expenses actually incurred by him. The policy regarding such expenses has not changed.
- (c) The dollar amount of director's emoluments of Mr Cheong Keng Hooi for the six months ended 30 September 2009 has decreased by \$85,000 to \$903,000 when compared to that for the six months ended 30 September 2008, due to allowances for expenses actually incurred by him. The policy regarding such expenses has not changed.
- (d) The dollar amount of director's emoluments of Miss Cheong Chong Ling for the six months ended 30 September 2009 has decreased by \$15,000 to \$410,000 when compared to that for the six months ended 30 September 2008. The amount of the director's emoluments which is covered by her service contract with the Company as chief administration officer has decreased by less than \$100 to \$209,000 when compared to that for the corresponding period of last year. The decrease is due to allowances for expenses actually incurred by her. The policy regarding such expenses has not changed.

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 2009.

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

Hong Kong, 27 November 2009

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**

(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 1 to 14 which comprises the consolidated balance sheet of Associated International Hotels Limited as of 30 September 2009 and the related consolidated income statement, statement of comprehensive income, statement of 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 2009 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

27 November 2009