



Associated  
International Hotels Limited

Stock Code: 105

## **INTERIM REPORT**

for the six months ended 30 September 2010

# 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 2010. 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 2010 – unaudited

|   |             | <i>Six months ended 30 September</i> |                   |
|---|-------------|--------------------------------------|-------------------|
|   | <i>Note</i> | <b>2010</b>                          | <i>2009</i>       |
|   |             | <b>\$'000</b>                        | <i>(restated)</i> |
|   |             |                                      | <b>\$'000</b>     |
| <b>Continuing operation</b>   |             |                                      |                   |
| <b>Turnover</b>   | 3           | <b>181,649</b>                       | 4,263             |
| Cost of services  |             | <b>(30,482)</b>                      | (3,914)           |
| <b>Gross profit</b>   |             | <b>151,167</b>                       | 349               |
| Other revenue   | 6           | <b>2,042</b>                         | 1,841             |
| Other net income  | 6           | <b>1,914</b>                         | 63                |
| Valuation gains on investment properties  | 11(c)       | <b>659,901</b>                       | 2,151,228         |
| Administrative expenses   |             | <b>(15,345)</b>                      | (14,078)          |
| <b>Profit from operations</b>   |             | <b>799,679</b>                       | 2,139,403         |
| Finance costs   | 7(a)        | <b>(4,450)</b>                       | (960)             |
| <b>Profit before taxation</b>   | 7           | <b>795,229</b>                       | 2,138,443         |
| Income tax  | 8           | <b>(98,387)</b>                      | (352,993)         |
| <b>Profit for the period from continuing operation</b>                          |             | <b>696,842</b>                       | 1,785,450         |
| <b>Discontinued operation</b>   |             |                                      |                   |
| <b>(Loss)/profit for the period from discontinued operation</b>                 | 5(a)        | <b>(385)</b>                         | 5,732             |
| <b>Profit for the period attributable to equity shareholders of the Company</b> |             | <b>696,457</b>                       | 1,791,182         |
| <b>Earnings per share – basic and diluted</b>                                   |             |                                      |                   |
| Continuing operation  | 10          | <b>\$1.93</b>                        | \$4.96            |
| Discontinued operation  |             | <b>\$(0.00)</b>                      | \$0.02            |
|   |             | <b>\$1.93</b>                        | \$4.98            |

The notes on pages 7 to 16 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 9.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the six months ended 30 September 2010 – unaudited**

|   |             | <i>Six months ended 30 September</i> |           |
|---|-------------|--------------------------------------|-----------|
|   | <i>Note</i> | <b>2010</b>                          | 2009      |
|   |             | <b>\$'000</b>                        | \$'000    |
| <b>Profit for the period</b>  |             | <b>696,457</b>                       | 1,791,182 |
|   |             | -----                                | -----     |
| <b>Other comprehensive income for the period</b>  |             |                                      |           |
| <b>(after tax and reclassification adjustments):</b>                                    |             |                                      |           |
| Surplus on revaluation of other properties,<br>net of deferred tax                      | 11(b)       | <b>14,098</b>                        | –         |
| Exchange differences on translation of<br>financial statements of overseas subsidiaries |             | <b>16,845</b>                        | 12,364    |
|   |             | -----                                | -----     |
|   |             | <b>30,943</b>                        | 12,364    |
|   |             | -----                                | -----     |
| <b>Total comprehensive income for the period</b>  |             | <b>727,400</b>                       | 1,803,546 |
|   |             | =====                                | =====     |

The notes on pages 7 to 16 form part of this interim financial report.

**CONSOLIDATED BALANCE SHEET**  
**at 30 September 2010 – unaudited**

|   | Note | At 30 September 2010 |                       | At 31 March 2010 |                  |
|---|------|----------------------|-----------------------|------------------|------------------|
|   |      | \$'000               | \$'000                | \$'000           | \$'000           |
| <b>Non-current assets</b>                                   |      |                      |                       |                  |                  |
| Fixed assets  | 11   |                      |                       |                  |                  |
| – Investment properties                                     |      |                      | <b>9,747,793</b>      |                  | 9,044,420        |
| – Other properties, plant and equipment                     |      |                      | <b>105,172</b>        |                  | 129,416          |
|   |      |                      | <u>9,852,965</u>      |                  | <u>9,173,836</u> |
| Deferred tax assets   |      |                      | <u>–</u>              |                  | <u>71</u>        |
|   |      |                      | <b>9,852,965</b>      |                  | <b>9,173,907</b> |
| <b>Current assets</b>                                       |      |                      |                       |                  |                  |
| Accounts receivable, deposits and prepayments               | 12   |                      | <b>52,545</b>         |                  | 52,726           |
| Pledged bank deposits                                       |      |                      | <b>314,606</b>        |                  | 159,802          |
| Cash and cash equivalents                                   | 13   |                      | <b>397,600</b>        |                  | 402,731          |
|   |      |                      | <u>764,751</u>        |                  | <u>615,259</u>   |
| Assets of a disposal group classified as held for sale      | 5(c) |                      | <b>308,501</b>        |                  | 291,757          |
|   |      |                      | <u>1,073,252</u>      |                  | <u>907,016</u>   |
| <b>Current liabilities</b>                                  |      |                      |                       |                  |                  |
| Bank loan – secured   |      |                      | <b>100,000</b>        |                  | –                |
| Other payables and accruals                                 | 14   |                      | <b>144,873</b>        |                  | 203,024          |
| Deposits received   |      |                      | <b>106,319</b>        |                  | 99,672           |
| Provision for long service payments                         |      |                      | <b>1,374</b>          |                  | 1,399            |
| Obligations under finance leases                            |      |                      | <b>41</b>             |                  | 31               |
| Current taxation  |      |                      | <b>3</b>              |                  | 3                |
|   |      |                      | <u>352,610</u>        |                  | <u>304,129</u>   |
| Liabilities of a disposal group classified as held for sale | 5(c) |                      | <b>5,793</b>          |                  | 5,509            |
|   |      |                      | <u>358,403</u>        |                  | <u>309,638</u>   |
| <b>Net current assets</b>                                   |      |                      | <u><b>714,849</b></u> |                  | <u>597,378</u>   |
| <b>Total assets less current liabilities</b>                |      |                      | <b>10,567,814</b>     |                  | <b>9,771,285</b> |

**CONSOLIDATED BALANCE SHEET**  
**at 30 September 2010 – unaudited** (Continued)

|                                   | <i>Note</i> | <b>At 30 September 2010</b> |                         | <i>At 31 March 2010</i> |                  |
|-----------------------------------|-------------|-----------------------------|-------------------------|-------------------------|------------------|
|                                   |             | <b>\$'000</b>               | <b>\$'000</b>           | <b>\$'000</b>           | <b>\$'000</b>    |
| <b>Non-current liabilities</b>    |             |                             |                         |                         |                  |
| Bank loan – secured               |             | <b>1,073,000</b>            |                         | 1,105,000               |                  |
| Government lease premiums payable |             | <b>2,284</b>                |                         | 2,284                   |                  |
| Obligations under finance leases  |             | <b>141</b>                  |                         | 114                     |                  |
| Deferred tax liabilities          |             | <b>1,253,629</b>            |                         | 1,152,527               |                  |
|                                   |             |                             | <b><u>2,329,054</u></b> |                         | <u>2,259,925</u> |
| <b>NET ASSETS</b>                 |             |                             | <b><u>8,238,760</u></b> |                         | <u>7,511,360</u> |
| <b>CAPITAL AND RESERVES</b>       |             |                             |                         |                         |                  |
| Share capital                     |             | <b>360,000</b>              |                         | 360,000                 |                  |
| Reserves                          |             | <b>7,878,760</b>            |                         | 7,151,360               |                  |
| <b>TOTAL EQUITY</b>               |             |                             | <b><u>8,238,760</u></b> |                         | <u>7,511,360</u> |

The notes on pages 7 to 16 form part of this interim financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**for the six months ended 30 September 2010 – unaudited**

|  | <i>Attributable to equity shareholders of the Company</i> |   |                         |                        |                          | <i>Total equity</i>     |
|--|---|---|-------------------------|------------------------|--------------------------|-------------------------|
|  | <i>Share capital</i>                                      | <i>Revaluation reserve</i><br><small>(note)</small> | <i>Exchange reserve</i> | <i>Capital reserve</i> | <i>Retained earnings</i> |                         |
|  | \$'000  | \$'000  | \$'000                  | \$'000                 | \$'000                   | \$'000                  |
| <b>At 1 April 2009</b>                         | 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               |
| <b>At 30 September 2009 and 1 October 2009</b> | 360,000   | 1,470,658   | 899                     | 132,860                | 4,999,828                | 6,964,245               |
| Total comprehensive income for the period      | –   | –   | 8,979                   | 8,900                  | 529,236                  | 547,115                 |
| <b>At 31 March 2010 and 1 April 2010</b>       | <b>360,000</b>  | <b>1,470,658</b>                                    | <b>9,878</b>            | <b>141,760</b>         | <b>5,529,064</b>         | <b>7,511,360</b>        |
| Total comprehensive income for the period      | –   | <b>14,098</b>                                       | <b>8,417</b>            | <b>8,428</b>           | <b>696,457</b>           | <b>727,400</b>          |
| <b>At 30 September 2010</b>                    | <b><u>360,000</u></b>                                     | <b><u>1,484,756</u></b>                             | <b><u>18,295</u></b>    | <b><u>150,188</u></b>  | <b><u>6,225,521</u></b>  | <b><u>8,238,760</u></b> |

Note: The revaluation reserve represents hotel properties revaluation surpluses recognised in prior years and other properties revaluation surplus recognised in current period. The hotel has been redeveloped into iSQUARE and a property was transferred from "other properties" to "investment properties" upon the change in use during the period.

The notes on pages 7 to 16 form part of this interim financial report.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**for the six months ended 30 September 2010 – unaudited**

|   | <i>Six months ended 30 September</i> |           |
|---|--------------------------------------|-----------|
|   | <b>2010</b>                          | 2009      |
|   | <b>\$'000</b>                        | \$'000    |
| <b>Cash generated from operations</b>               | <b>149,071</b>                       | 19,547    |
| <b>Tax paid</b>                                     | <b>(3)</b>                           | (47)      |
| <b>Net cash generated from operating activities</b> | <b>149,068</b>                       | 19,500    |
| <b>Net cash used in investing activities</b>        | <b>(220,149)</b>                     | (401,726) |
| <b>Net cash generated from financing activities</b> | <b>65,240</b>                        | 362,025   |
| <b>Net decrease in cash and cash equivalents</b>    | <b>(5,841)</b>                       | (20,201)  |
| <b>Cash and cash equivalents at 1 April</b>         | <b>405,212</b>                       | 444,886   |
| <b>Effect of foreign exchange rates changes</b>     | <b>395</b>                           | 133       |
| <b>Cash and cash equivalents at 30 September</b>    | <b>399,766</b>                       | 424,818   |
| <b>Represented by:</b>                              |                                      |           |
| Continuing operation                                | <b>397,600</b>                       | 421,793   |
| Discontinued operation                              | <b>2,166</b>                         | 3,025     |
|   | <b>399,766</b>                       | 424,818   |

The notes on pages 7 to 16 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 29 November 2010.

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 2010, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2011. 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 2010. 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 24.

The financial information relating to the financial year ended 31 March 2010 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 2010 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 29 June 2010.



## 2 Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and one new interpretation 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 3 (revised 2008) "Business combinations"
- HKAS 27 (revised 2008) "Consolidated and separate financial statements"
- Amendments to HKFRS 5 "Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary"
- Improvements to HKFRSs (2009)
- HK(IFRIC) Interpretation 17 "Distributions of non-cash assets to owners"

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The developments resulted in changes in accounting policies but none of these changes in policies have a material impact on the current or comparative periods for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK(IFRIC) Interpretation 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The amendment introduced by the "Improvements to HKFRSs (2009)" omnibus standard in respect of HKAS 17 "Leases" did not result in a change of classification of the Group's leasehold land interests.

### 3 Turnover

The principal activity of the Group is property investment after the Group's golf and recreational club operation has been classified as discontinued operation as set out in note 5.

The amount of each significant category of revenue recognised in turnover during the period is as follows:

|   | <i>Six months ended 30 September</i> |               |
|---|--------------------------------------|---------------|
|   | <i>2010</i>                          | <i>2009</i>   |
|   | <i>\$'000</i>                        | <i>\$'000</i> |
| <b>Continuing operation</b>                       |                                      |               |
| Gross rentals from investment properties          | <u>181,649</u>                       | <u>4,263</u>  |
| <b>Discontinued operation</b>                     |                                      |               |
| Revenue from golf and recreational club operation | <u>8,531</u>                         | <u>8,636</u>  |

### 4 Segment reporting

The Group manages its businesses by segments which are organised by business lines and geography. 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". The golf and recreational club operation has been classified as discontinued operation and the related information has been set out in note 5. The information regarding continuing operation as presented in the consolidated income statement represents the information of the other reportable segment, property leasing.

Geographical information presents similar information 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 information is presented.

## 5 Disposal group and discontinued operation

On 11 December 2009, the Directors made an announcement stating that certain subsidiaries had entered into a sale and purchase agreement with an independent third party to dispose of the Group's properties located in Malaysia mainly comprising the golf course land, the golf resort which is situated on the golf course land, the condominium land and the bungalow land (together referred to as the "Properties") at an aggregate consideration of approximately MYR204,582,000 (equivalent to HK\$500,571,000 at the balance sheet date).

Upon completion of the disposal of the Properties, the Group's golf and recreational club operation will cease. Accordingly, all the assets and liabilities related to the operation including the Properties are classified as held for sale and the operation is therefore classified as discontinued operation. No impairment loss was recognised on reclassification of the assets as held for sale. Pursuant to the terms of the agreement, the sale transaction is conditional upon and subject to the fulfilment of certain conditions precedent. The sale transaction was in progress at the balance sheet date and is anticipated to be completed in or about April 2011.

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

|  |             | <i>Golf and recreational<br/>club operation</i> |               |
|--|-------------|---|---------------|
|  |             | <i>Six months ended 30 September</i>            |               |
|  | <i>Note</i> | <b>2010</b>                                     | <i>2009</i>   |
|  |             | <b>\$'000</b>                                   | <b>\$'000</b> |
| <b>Turnover</b>  | 3           | <b>8,531</b>                                    | 8,636         |
| Cost of services/sales                                     |             | <b>(5,748)</b>                                  | (7,545)       |
| <b>Gross profit</b>  |             | <b>2,783</b>                                    | 1,091         |
| Other revenue  |             | <b>1,188</b>                                    | 6,038         |
| Other net income/(loss)                                    |             | <b>2</b>  | (23)          |
| Reversal of impairment loss in respect of other properties |             | –   | 2,014         |
| Selling expenses   |             | <b>(320)</b>                                    | (257)         |
| Administrative expenses                                    |             | <b>(4,037)</b>                                  | (3,120)       |
| <b>(Loss)/profit from operations</b>                       |             | <b>(384)</b>                                    | 5,743         |
| Finance costs  |             | –   | (10)          |
| <b>(Loss)/profit before taxation</b>                       |             | <b>(384)</b>                                    | 5,733         |
| Income tax   |             | <b>(1)</b>                                      | (1)           |
| <b>(Loss)/profit for the period</b>                        |             | <b>(385)</b>                                    | 5,732         |

5 Disposal group and discontinued operation (Continued)

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

|  | <i>Golf and recreational<br/>club operation</i> |               |
|--|---|---------------|
|  | <i>Six months ended 30 September</i>            |               |
|  | <i>2010</i>                                     | <i>2009</i>   |
|  | <i>\$'000</i>                                   | <i>\$'000</i> |
| Net cash (used in)/generated from operating activities | <b>(643)</b>                                    | 670           |
| Net cash generated from/(used in) investing activities | <b>180</b>                                      | (12)          |
| Net cash used in financing activities                  | –   | (68)          |
|  | <hr/>   | <hr/>         |
| <b>Net cash flows</b>                                  | <b>(463)</b>                                    | 590           |
|  | <hr/> <hr/>                                     | <hr/> <hr/>   |

(c) The major classes of assets and liabilities comprising the golf and recreational club operation are as follows:

|  | <i>At 30 September</i> | <i>At 31 March</i> |
|--|------------------------|--------------------|
|  | <i>2010</i>            | <i>2010</i>        |
|  | <i>\$'000</i>          | <i>\$'000</i>      |
| <b>Assets of a disposal group classified as held for sale</b>      |                        |                    |
| Fixed assets   | <b>304,004</b>         | 286,900            |
| Inventories  | <b>199</b>             | 228                |
| Accounts receivable, deposits and prepayments                      | <b>2,130</b>           | 2,147              |
| Tax recoverable  | <b>2</b>               | 1                  |
| Cash and cash equivalents  | <b>2,166</b>           | 2,481              |
|  | <hr/>                  | <hr/>              |
|  | <b>308,501</b>         | 291,757            |
|  | <hr/> <hr/>            | <hr/> <hr/>        |
| <b>Liabilities of a disposal group classified as held for sale</b> |                        |                    |
| Accounts payable, other payables and accruals                      | <b>2,681</b>           | 2,348              |
| Deposits received  | <b>3,111</b>           | 3,160              |
| Other financial liabilities  | <b>1</b>               | 1                  |
|  | <hr/>                  | <hr/>              |
|  | <b>5,793</b>           | 5,509              |
|  | <hr/> <hr/>            | <hr/> <hr/>        |

**6 Other revenue and net income**

|  | <i>Six months ended 30 September</i> |               |
|--|--------------------------------------|---------------|
|  | <i>2010</i>                          | <i>2009</i>   |
|  |                                      | (restated)    |
|  | <b>\$'000</b>                        | <b>\$'000</b> |
| <b>Other revenue</b>                         |                                      |               |
| Interest income                              | <b>1,284</b>                         | 1,228         |
| Management fee received from holding company | <b>600</b>                           | 600           |
| Others                                       | <b>158</b>                           | 13            |
|  | <u><b>2,042</b></u>                  | <u>1,841</u>  |
| <b>Other net income</b>                      |                                      |               |
| Net profit on disposal of fixed assets       | <b>6</b>                             | –             |
| Net foreign exchange gains                   | <b>1,908</b>                         | 63            |
|  | <u><b>1,914</b></u>                  | <u>63</u>     |

**7 Profit before taxation**

Profit before taxation is arrived at after charging/(crediting) the amounts as set out below. The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operation.

|   | <i>Six months ended 30 September</i> |               |
|---|--------------------------------------|---------------|
|   | <i>2010</i>                          | <i>2009</i>   |
|   | <b>\$'000</b>                        | <b>\$'000</b> |
| <b>(a) Finance costs</b>  |                                      |               |
| Interest on government lease premiums payable                       | <b>27</b>                            | 27            |
| Finance charges on obligations under finance leases                 | <b>–</b>                             | 10            |
| Interest on bank loan   | <b>4,391</b>                         | 3,488         |
| Other borrowing costs   | <b>32</b>                            | 205           |
|   | <u><b>4,450</b></u>                  | <u>3,730</u>  |
| Total borrowing costs   | <b>4,450</b>                         | 3,730         |
| Less: Borrowing costs capitalised into property under redevelopment | <b>–</b>                             | (2,760)       |
|   | <u><b>4,450</b></u>                  | <u>970</u>    |
| <b>Attributable to:</b>   |                                      |               |
| Continuing operation  | <b>4,450</b>                         | 960           |
| Discontinued operation (note 5(a))                                  | <b>–</b>                             | 10            |
|   | <u><b>4,450</b></u>                  | <u>970</u>    |
| <b>(b) Other item</b>   |                                      |               |
| Depreciation  | <b>3,259</b>                         | 3,832         |
|   | <u><b>3,259</b></u>                  | <u>3,832</u>  |

**8 Income tax**

|   | <i>Six months ended 30 September</i> |                |
|---|--------------------------------------|----------------|
|   | <i>2010</i>                          | <i>2009</i>    |
|   | <b>\$'000</b>                        | <b>\$'000</b>  |
| <b>Current tax</b>                                  |                                      |                |
| – Hong Kong profits tax                             | –                                    | 109            |
| – Overseas tax                                      | <u>1</u>                             | <u>1</u>       |
|   | <u>1</u>                             | <u>110</u>     |
|   | -----                                | -----          |
| <b>Deferred tax</b>                                 |                                      |                |
| – Changes in fair value of investment properties    | <b>108,884</b>                       | 354,953        |
| – Origination and reversal of temporary differences | <b>(10,497)</b>                      | (2,069)        |
|   | <u>98,387</u>                        | <u>352,884</u> |
|   | -----                                | -----          |
|   | <u>98,388</u>                        | <u>352,994</u> |
|   | =====                                | =====          |
| <b>Attributable to:</b>                             |                                      |                |
| Continuing operation                                | <b>98,387</b>                        | 352,993        |
| Discontinued operation (note 5(a))                  | <u>1</u>                             | <u>1</u>       |
|   | <u>98,388</u>                        | <u>352,994</u> |
|   | =====                                | =====          |

The provision for Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the six months ended 30 September 2010. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

**9 Dividends**

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

|   | <i>Six months ended 30 September</i> |               |
|---|--------------------------------------|---------------|
|   | <i>2010</i>                          | <i>2009</i>   |
|   | <b>\$'000</b>                        | <b>\$'000</b> |
| No interim dividend declared and paid after the interim period<br>(2009: 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>2010</i>                          | <i>2009</i>   |
|  | <b>\$'000</b>                        | <b>\$'000</b> |
| No final dividend in respect of the financial year ended<br>31 March 2010 approved and paid during the following<br>interim period (year ended 31 March 2009: Nil) | –                                    | –             |
|  | <u>–</u>                             | <u>–</u>      |
|  | =====                                | =====         |

## 10 Earnings per share – basic and diluted

The calculation of basic earnings per share is based on the consolidated profit attributable to equity shareholders of the Company of \$696,457,000 (2009: \$1,791,182,000) represented by the profit from continuing operation of \$696,842,000 (2009: \$1,785,450,000) and the loss from discontinued operation of \$385,000 (2009: profit of \$5,732,000), and 360,000,000 (2009: 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 2010 and 2009.

## 11 Fixed assets

- (a) During the period, additions in the investment properties amounted to \$3,972,000 (six months ended 30 September 2009: \$320,831,000).
- (b) During the period, the intended use of a property previously held for own use has been changed to leasing purpose. This property with carrying amount of \$39,500,000, being the fair value of the property at the date of change in use, was transferred from “other properties” to “investment properties” accordingly. As a result of the transfer, a revaluation surplus of \$16,884,000 (2009: \$Nil) on other properties, net of deferred tax thereon of \$2,786,000 (2009: \$Nil), has been recognised in other comprehensive income and accumulated in the revaluation reserve.
- (c) The investment properties in Hong Kong were revalued at 30 September 2010 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 allowing for reversionary income potential. As a result of the update, valuation gains of \$659,901,000 (2009: \$2,151,228,000) on investment properties, and deferred tax expense thereon of \$108,884,000 (2009: \$354,953,000), have been recognised in the consolidated income statement.
- (d) Fixed assets of the Company with carrying value of \$9,762,000,000 as at 30 September 2010 (31 March 2010: \$9,108,000,000) were pledged to secure banking facilities of up to \$1,200,000,000 granted to the Company. The facilities were utilised to the extent of \$1,173,000,000 as at 30 September 2010 (31 March 2010: \$1,105,000,000).

## 12 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:

|  | <b>At 30 September<br/>2010<br/>\$'000</b> | <i>At 31 March<br/>2010<br/>\$'000</i> |
|--|--|--|
| Current  | <b>43,961</b>                              | 39,635                                 |
| Less than 1 month past due   | <b>694</b>                                 | 2,625                                  |
| 1 to 3 months past due   | <b>252</b>                                 | 477                                    |
| More than 3 months but less than 12 months past due                    | <b>13</b>                                  | 60                                     |
| More than 12 months past due   | <b>1</b>                                   | -                                      |
| Amounts past due   | <b>960</b>                                 | 3,162                                  |
| Total accounts receivable, net of allowance for bad and doubtful debts | <b>44,921</b>                              | 42,797                                 |
| Deposits and prepayments   | <b>7,624</b>                               | 9,929                                  |
|  | <b>52,545</b>                              | 52,726                                 |

Debts in respect of golf and recreational club operation are generally due after 60 days from the date of billing. For property leasing, debts are generally due on the 1st day of each month and 10 to 14 days are allowed for settlement or else interest will be charged. 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.

## 13 Cash and cash equivalents

|                          | <b>At 30 September<br/>2010<br/>\$'000</b> | <i>At 31 March<br/>2010<br/>\$'000</i> |
|--------------------------|--|--|
| Deposits with banks      | <b>373,900</b>                             | 395,021                                |
| Cash at bank and in hand | <b>23,700</b>                              | 7,710                                  |
|                          | <b>397,600</b>                             | 402,731                                |



**14 Other payables and accruals**

|  | <i>At 30 September</i> | <i>At 31 March</i> |
|--|------------------------|--------------------|
|  | <i>2010</i>            | <i>2010</i>        |
|  | <i>\$'000</i>          | <i>\$'000</i>      |
| Accruals and retention monies payable for redevelopment work | <b>111,553</b>         | 171,059            |
| Other payables and accruals                                  | <b>33,320</b>          | 31,965             |
|  | <b>144,873</b>         | 203,024            |

All of the other payables and accruals are expected to be settled within one year.

**15 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> |
|----------------|------------------------|--------------------|
|                | <i>2010</i>            | <i>2010</i>        |
|                | <i>\$'000</i>          | <i>\$'000</i>      |
| Contracted for | <b>11,257</b>          | 6,339              |

**16 Comparative figures**

Certain comparative figures have been adjusted to conform to the disclosure requirement in respect of the discontinued operation set out in note 5 to this interim financial report. In addition, the comparative consolidated income statement has been restated as if the operation had been discontinued at the beginning of the comparative period.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2010 (2009: Nil).

## BUSINESS REVIEW

- The Group achieved a profit from operations (under Continuing operation) of \$799.7 million for the half year ended 30 September 2010, representing a decrease of approximately 62.6% compared with the corresponding period of last year. The decrease was mainly due to the reduction in valuation gains on investment properties from \$2,151.2 million for the period of last year to \$659.9 million for the period under review. The valuation gains will only affect the accounting profit or loss but not the cash flow of the Group. Excluding the valuation gains on investment properties, the Group achieved a profit from operations (under Continuing operation) for the half year ended 30 September 2010 of approximately \$139.8 million as compared with a loss of approximately \$11.8 million for the corresponding period of last year. Such change was mainly due to an increase of rental income from iSQUARE throughout the period under review compared to the corresponding period of last year (rental income from iSQUARE started in September 2009).

With the inclusion of the discontinued operation (see note 5 to the interim financial report), the Group achieved a profit from operations of approximately \$799.3 million, compared with a profit from operations of approximately \$2,145.1 million for the corresponding period of last year.

- iSQUARE is a commercial complex housing a number of retail, entertainment, food and beverage establishments and had its soft-opening in December 2009. Rental income from iSQUARE amounted to approximately \$181.5 million for the half year ended 30 September 2010 and the occupancy rate at 30 September 2010 was approximately 81%.
- With the inclusion of the discontinued operation, interest income for the half year ended 30 September 2010 amounted to approximately \$1.5 million, representing an increase of approximately \$0.2 million compared with the corresponding period in 2009.
- The total equity for the Group at 30 September 2010 was \$8,238.8 million, compared with \$7,511.4 million at 31 March 2010.
- 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 2010, the banking facilities were utilised to the extent of \$1,173 million and the Group's gearing ratio was 14.2% (calculated as total bank loan over total equity).
- At 30 September 2010, 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 122 (30 September 2009: 121) and the related costs incurred during the period were approximately \$12.1 million (30 September 2009: \$10.3 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 2010 which necessitates additional disclosure to that made herein.

## OUTLOOK

The Group continues to market iSQUARE to enhance the leasing performance of iSQUARE. The Directors believe that iSQUARE will continue to evolve into a leading consumer destination in the area and expect rental income will increase.

As announced on 11 December 2009, certain subsidiaries have entered into a sale and purchase agreement with an independent third party to dispose of the Group's properties located in Malaysia mainly comprising the golf course land, the golf resort which is situated on the golf course land, the condominium land and the bungalow land (together referred to as the "Properties"). Upon completion of the disposal of the Properties, the Group's golf and recreational club operation will cease. Pursuant to the terms of the agreement, the sale transaction is conditional upon and subject to the fulfilment of certain conditions precedent. The sale transaction was in progress at the balance sheet date and is anticipated to be completed in or about April 2011. The Directors consider that the disposal of the Properties will be beneficial to the Group.

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

As at 30 September 2010, 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 Sim Lam | –   | 3                       | –                          | 3                                 | 0.00003%                        |

**(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.

**(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%                             |

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

(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 2010, 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 2010, 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<br>(Note 1)                      | 50.01%                                   |
| Tian Teck Land Limited                    | 180,030,681<br>(Note 1)                      | 50.01%                                   |
| Cheong Kheng Lim                          | 26,123,715<br>(Note 2)                       | 7.26%                                    |
| Lim Yoke Soon                             | 26,123,715<br>(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 2010, 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.

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## **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.

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## 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 2010 has decreased by \$3,000 to \$808,000 when compared to that for the six months ended 30 September 2009, 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 2010 has decreased by \$50,000 to \$1,455,000 when compared to that for the six months ended 30 September 2009. The amount of the director's emoluments which is covered by his service contract with the Company as chief operation officer has decreased by \$81,000 to \$1,193,000 when compared to that for the corresponding period of last year. The decrease 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 2010 has decreased by \$22,000 to \$881,000 when compared to that for the six months ended 30 September 2009. The amount of the director's emoluments which is covered by his service contract with the Company as chief project officer has increased by \$22,000 to \$743,000 when compared to that for the corresponding period of last year. The variance is 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 2010 has increased by \$29,000 to \$439,000 when compared to that for the six months ended 30 September 2009. 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 variance 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 2010.

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

Hong Kong, 29 November 2010

*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.*



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**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 16 which comprises the consolidated balance sheet of Associated International Hotels Limited as of 30 September 2010 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 2010 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

29 November 2010