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凱聯國際酒店有限公司 Associated International Hotels Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 105)

Interim Results for the six months ended 30 September 2014 (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 2014. 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 included in the interim report to be sent to shareholders.

Consolidated statement of comprehensive income — unaudited

		Six months ended 30 September	
	Note	2014 \$'000	2013 \$'000
Turnover	3	318,019	297,019
Cost of services		<u>(41,535)</u>	<u>(33,929)</u>
Gross profit		276,484	263,090
Other revenue	5(a)	4,407	1,815
Other net loss	5(b)	(10)	(6)
Administrative expenses		<u>(17,720)</u>	<u>(16,416)</u>
Profit from operations before valuation changes in investment properties		263,161	248,483
Valuation gains on investment properties		<u>195,068</u>	<u>292,835</u>
Profit from operations after valuation changes in investment properties		458,229	541,318
Finance costs	6(a)	<u>(1,165)</u>	<u>(1,032)</u>
Profit before taxation	6	457,064	540,286
Income tax	7	<u>(43,327)</u>	<u>(41,003)</u>
Profit and total comprehensive income for the period attributable to equity shareholders of the Company		<u>413,737</u>	<u>499,283</u>
Earnings per share — basic and diluted	9	<u>\$1.15</u>	<u>\$1.39</u>

Details of dividends payable to equity shareholders of the Company are set out in note 8.

Consolidated balance sheet — unaudited

	<i>Note</i>	At 30 September 2014		At 31 March 2014	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets					
— Investment properties			13,575,640		13,375,140
— Other properties, plant and equipment			<u>89,421</u>		<u>94,206</u>
			13,665,061		13,469,346
Current assets					
Accounts receivable, deposits and prepayments	10	25,025		25,591	
Pledged bank deposits		109,803		244,580	
Cash and cash equivalents		<u>387,334</u>		<u>209,917</u>	
		<u>522,162</u>		480,088	
Current liabilities					
Other payables and accruals	11	56,305		58,925	
Deposits received		190,933		176,229	
Provision for long service payments		1,451		1,520	
Obligations under finance leases		17		34	
Current tax payable		<u>54,066</u>		<u>29,625</u>	
		<u>302,772</u>		<u>266,333</u>	
Net current assets			<u>219,390</u>		<u>213,755</u>
Total assets less current liabilities			13,884,451		13,683,101
Non-current liabilities					
Bank loan — secured		200,000		200,000	
Government lease premiums payable		2,091		2,091	
Obligations under finance leases		—		4	
Deferred tax liabilities		<u>43,292</u>		<u>39,675</u>	
			<u>245,383</u>		<u>241,770</u>
NET ASSETS			<u>13,639,068</u>		<u>13,441,331</u>
CAPITAL AND RESERVES					
Share capital			360,000		360,000
Reserves			<u>13,279,068</u>		<u>13,081,331</u>
TOTAL EQUITY			<u>13,639,068</u>		<u>13,441,331</u>

Notes:

1. Basis of preparation

The unaudited 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 HKICPA.

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 2014, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2015. 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.

2. Changes in accounting policies

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*

These developments have had no material impact on the Group’s financial statements.

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

3. Turnover

The principal activity of the Group is property investment.

Turnover represents gross rental income received and receivable from investment properties.

The Group’s customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group’s revenues. During the period, revenue from this customer amounted to approximately \$44,710,000 (2013: \$44,542,000).

4. Segment information

The Group has a single reportable segment which is “Property leasing”. Accordingly, the business segment information for this sole reportable segment is equivalent to the consolidated figures.

No separate geographical information is presented as the Group’s revenue and results of property leasing were derived from Hong Kong.

5. Other revenue and net loss

Six months ended 30 September

	2014	2013
	\$'000	\$'000

(a) Other revenue

Interest income	1,617	1,051
Management fee received from holding company	600	600
Compensation from early termination of lease	2,174	–
Others	16	164
	<u>4,407</u>	<u>1,815</u>

(b) Other net loss

Net foreign exchange loss	(1)	(59)
Net (loss)/gain on disposals of fixed assets	(9)	30
Others	–	23
	<u>(10)</u>	<u>(6)</u>

6. Profit before taxation

Profit before taxation is arrived at after charging:

Six months ended 30 September

	2014	2013
	\$'000	\$'000

(a) Finance costs

Interest on bank loan	1,015	957
Interest on government lease premiums payable	25	25
Other borrowing costs	125	50
	<u>1,165</u>	<u>1,032</u>

(b) Other item

Depreciation	<u>5,040</u>	<u>4,751</u>
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7. Income tax

	Six months ended 30 September	
	2014	2013
	\$'000	\$'000
Current tax		
Hong Kong profits tax	39,710	37,291
Deferred tax		
Origination and reversal of temporary differences	3,617	3,712
	<u>43,327</u>	<u>41,003</u>

The provision for Hong Kong profits tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for the six months ended 30 September 2014.

8. Dividends

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

	Six months ended 30 September	
	2014	2013
	\$'000	\$'000
Interim dividend declared after the interim period of \$0.60 per share (2013: \$0.55 per share)	216,000	198,000

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

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

	Six months ended 30 September	
	2014	2013
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of \$0.60 per share (year ended 31 March 2013: \$0.55 per share)	216,000	198,000

9. Earnings per share — basic and diluted

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$413,737,000 (2013: \$499,283,000) and 360,000,000 (2013: 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 2014 and 2013.

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	At 31 March
	2014	2014
	\$'000	\$'000
Current	15,292	18,758
Less than 1 month past due	413	225
1 to 3 months past due	168	3
More than 3 months but less than 12 months past due	–	1
Amounts past due	581	229
Total accounts receivable, net of allowance for bad and doubtful debts	15,873	18,987
Deposits and prepayments	9,152	6,604
	25,025	25,591

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. Legal action will be taken against past due debtors whenever the situation is appropriate.

11. Other payables and accruals

	At 30 September	At 31 March
	2014	2014
	\$'000	\$'000
Accruals and retention monies payable for redevelopment work	31,590	43,687
Other payables and accruals	24,715	15,238
	56,305	58,925

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

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved that an interim dividend of \$0.60 per share (2013: \$0.55 per share) will be paid on Friday, 9 January 2015 to shareholders whose names appear on the register of members of the Company on Friday, 19 December 2014. The register of members of the Company will be closed for the purpose of determining entitlement to the said interim dividend from Wednesday, 17 December 2014 to Friday, 19 December 2014, both days inclusive, during which period no transfer of shares will be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on Tuesday, 16 December 2014.

BUSINESS REVIEW

- The Group achieved a profit from operations before valuation changes in investment properties of \$263.2 million for the half year ended 30 September 2014, representing an increase of approximately 5.9% compared with the corresponding period of last year. The increase was mainly due to increase of rental income from iSQUARE compared to the corresponding period of last year.
- Valuation gains on investment properties for the half year ended 30 September 2014 amounted to \$195.1 million, representing a decrease of approximately \$97.7 million compared with the corresponding period of last year. The valuation gains will only affect the accounting profit or loss but not the cash flow of the Group.
- The Group recorded a profit attributable to equity shareholders of \$413.7 million, compared with a profit attributable to equity shareholders of \$499.3 million for the corresponding period of last year.
- iSQUARE is a commercial complex housing retail, entertainment, food and beverage establishments. Rental income from iSQUARE amounted to approximately \$316.4 million for the half year ended 30 September 2014, representing an increase of approximately 7.1% compared with the corresponding period of last year. The occupancy rate was approximately 99.5% at 30 September 2014 and 2013.
- The total equity for the Group at 30 September 2014 was \$13,639.1 million, compared with \$13,441.3 million at 31 March 2014.
- On 7 October 2013, the Company entered into a facility agreement with a bank comprising of a 3-year term loan facility of up to \$200 million and a 3-year revolving loan facility of up to \$100 million. At 30 September 2014, the banking facilities were utilised to the extent of \$200 million and the Group's gearing ratio (calculated as total bank loans over total equity) was 1.5%.
- At 30 September 2014, 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 37 (30 September 2013: 35) and the related costs incurred during the period were approximately \$9.6 million (30 September 2013: \$9.3 million).
- Save as disclosed in this announcement, there has been no further material change to the information contained in the Company's annual report for the year ended 31 March 2014 which necessitates additional disclosure to that made herein.

OUTLOOK

The Occupy Central movement has inflicted damage to the economy and affected the leasing market in Hong Kong. Management believes that the leasing market will be further affected if the situation intensifies. The Group will continue to strive for better results from operations by adopting appropriate leasing strategies. Barring unforeseen circumstances, it is anticipated that rental income from iSQUARE and the results from operations of the Group for the current financial year will be stable.

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 six months ended 30 September 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company throughout the six months ended 30 September 2014 complied with all the code provisions, where applicable, set out in the Corporate Governance Code in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), except for the deviations as disclosed hereunder:

- Code Provision A.1.8: Appropriate insurance cover in respect of legal action against directors should be arranged

Currently, the Company does not have insurance cover for legal action against its Directors. The Board believes that with the current internal control system and the close supervision of the management, the Directors' risk of being sued or getting involved in litigation in their capacity as Directors of the Company is relatively low. Nevertheless, the Board will review the need for insurance cover from time to time.

- Code Provision A.2.1: The roles of chairman and chief executive should be separated and performed by two individuals

Mr Cheong Hooi Hong is both the Chairman and chief executive 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.

- Code Provision B.1.5: Remuneration details of senior management should be disclosed by band in annual reports

The remuneration details of the senior management are not disclosed by band in the annual report. The Board of Directors notes that none of the senior management members is involved in deciding his/her own remuneration or related to the remuneration committee members (who are authorised to collectively determine the remuneration of the senior management). Also, the disclosure of such information may cause undue comparison and discontent among staff members, and would unnecessarily provide highly sensitive and confidential information to competitors and other third parties looking to recruit the senior management. In light of the above, the Directors are of the view that the disclosure of such information would neither provide pertinent information in furtherance of corporate governance, nor be in the interests of the shareholders.

- Code Provision F.1.3: The company secretary should report to the board chairman and/or the chief executive

Instead of reporting to the Chairman (who is also the chief executive of the Company), the company secretary reports directly to the deputy chairman. The Board considers that this reporting line does not prevent the Chairman/chief executive from understanding/managing the operation of the Company or discharging his duties, for the Chairman and deputy chairman have ongoing discussion on business affairs, in particular corporate governance and financial issues.

INTERIM REPORT

The Company's interim report containing all information required by the Listing Rules will be despatched to shareholders in due course.

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

Hong Kong, 27 November 2014

As at the date of this announcement, 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 is a non-executive director, and Mr Chow Wan Hoi, Paul, Mr Yau Allen Lee-nam and Mr Lee Chung are independent non-executive directors.

Note: The translation into Chinese language of this announcement is for reference only. In case of any inconsistency, the English version shall prevail.