



INTERIM REPORT

for the six months ended 30 September 2014



Associated International Hotels Limited
Stock Code: 105

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 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 attached.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the six months ended 30 September 2014 – unaudited

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

The notes on pages 5 to 10 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 8.

CONSOLIDATED BALANCE SHEET
at 30 September 2014 – unaudited

	Note	At 30 September 2014		<i>At 31 March 2014</i>	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets	10				
– Investment properties		13,575,640		13,375,140	
– Other properties, plant and equipment		89,421		94,206	
			13,665,061		13,469,346
Current assets					
Accounts receivable, deposits and prepayments	11	25,025		25,591	
Pledged bank deposits		109,803		244,580	
Cash and cash equivalents	12	387,334		209,917	
			522,162		480,088
Current liabilities					
Other payables and accruals	13	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		54,066		29,625	
			302,772		266,333
Net current assets			219,390		213,755
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		43,292		39,675	
			245,383		241,770
NET ASSETS			13,639,068		13,441,331
CAPITAL AND RESERVES					
Share capital		360,000		360,000	
Reserves		13,279,068		13,081,331	
TOTAL EQUITY			13,639,068		13,441,331

The notes on pages 5 to 10 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2014 – unaudited

	Note	<i>Attributable to equity shareholders of the Company</i>			
		<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
		\$'000	\$'000	\$'000	\$'000
Balance at 1 April 2013		360,000	1,778,150	10,316,883	12,455,033
Changes in equity for the six months ended 30 September 2013:					
Profit and total comprehensive income for the period		–	–	499,283	499,283
Dividends approved in respect of the previous financial year	8(b)	–	–	(198,000)	(198,000)
		–	–	301,283	301,283
Balance at 30 September 2013 and 1 October 2013		360,000	1,778,150	10,618,166	12,756,316
Changes in equity for the six months ended 31 March 2014:					
Profit and total comprehensive income for the period		–	–	883,015	883,015
Dividends declared in respect of the current financial year	8(a)	–	–	(198,000)	(198,000)
		–	–	685,015	685,015
Balance at 31 March 2014 and 1 April 2014		360,000	1,778,150	11,303,181	13,441,331
Changes in equity for the six months ended 30 September 2014:					
Profit and total comprehensive income for the period		–	–	413,737	413,737
Dividends approved in respect of the previous financial year	8(b)	–	–	(216,000)	(216,000)
		–	–	197,737	197,737
Balance at 30 September 2014		360,000	1,778,150	11,500,918	13,639,068

The notes on pages 5 to 10 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 September 2014 – unaudited

	<i>Six months ended 30 September</i>	
	2014	2013
	\$'000	\$'000
Operating Activities		
Cash generated from operations	291,329	258,899
Tax paid	(15,269)	(12,608)
Net cash generated from operating activities	276,060	246,291
Investing activities		
Payment for purchase of fixed assets other than investment properties	(267)	(556)
Payment for expenditure on investment properties	(17,519)	(2,553)
Decrease/(increase) in pledged bank deposits	134,777	(5,246)
Other cash flows arising from investing activities	1,644	974
Net cash generated from/(used in) investing activities	118,635	(7,381)
Financing activities		
Dividends paid	(216,000)	(198,000)
Other cash flows arising from financing activities	(1,278)	(1,135)
Net cash used in financing activities	(217,278)	(199,135)
Net increase in cash and cash equivalents	177,417	39,775
Cash and cash equivalents at 1 April	209,917	139,365
Effect of foreign exchange rates changes	–	(971)
Cash and cash equivalents at 30 September	387,334	178,169

The notes on pages 5 to 10 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 2014.

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.

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 2014. 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 18.

The financial information relating to the financial year ended 31 March 2014 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 2014 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 June 2014.

2 Changes in accounting policies

The HKICPA has issued 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:

- 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

	<i>2014</i>	<i>2013</i>
	\$'000	\$'000
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>

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

	<i>2014</i>	<i>2013</i>
	\$'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>

7 Income tax

	<i>Six months ended 30 September</i>	
	<i>2014</i>	<i>2013</i>
	<i>\$'000</i>	<i>\$'000</i>
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

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

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

	<i>Six months ended 30 September</i>	
	<i>2014</i>	<i>2013</i>
	<i>\$'000</i>	<i>\$'000</i>
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)	<u>216,000</u>	<u>198,000</u>

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 Fixed assets

- (a) During the period, additions in the investment properties amounted to \$5,432,000 (six months ended 30 September 2013: \$1,805,000).
- (b) The investment properties in Hong Kong were revalued at 30 September 2014 by Vigers Appraisal And 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. The fair value of investment properties was determined using income capitalisation approach which capitalised the net rental income of the properties and taking into account the occupancy rate and reversionary income potential of properties after the expiry of the current leases. As a result of the update, valuation gains of \$195,068,000 (2013: \$292,835,000) on investment properties have been recognised in the consolidated statement of comprehensive income.
- (c) Fixed assets of the Company with carrying value of \$13,498,459,000 as at 30 September 2014 (31 March 2014: \$13,304,416,000) were pledged to secure banking facilities of up to \$300,000,000 granted to the Company. The outstanding bank loan was \$200,000,000 as at 30 September 2014 (31 March 2014: \$200,000,000).

11 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:

	<i>At 30 September</i> 2014 \$'000	<i>At 31 March</i> 2014 \$'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.

12 Cash and cash equivalents

	<i>At 30 September</i>	<i>At 31 March</i>
	2014	2014
	\$'000	\$'000
Deposits with banks	349,492	179,916
Cash at bank and in hand	37,842	30,001
	387,334	209,917

13 Other payables and accruals

	<i>At 30 September</i>	<i>At 31 March</i>
	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.

14 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>
	2014	2014
	\$'000	\$'000
Contracted for	4,413	4,950

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 report, 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.

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

As at 30 September 2014, 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</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	2,073,992	–	–	2,073,992	0.58%
Cheong Kheng Lim	24,555,715	1,034,000	–	25,589,715	7.11%
Cheong Keng Hooi	11,759,839	275,280	–	12,035,119	3.34%
Cheong Sim Lam	1,807,155	24,000	–	1,831,155	0.51%
Cheong Chong Ling	1,588,000	–	–	1,588,000	0.44%
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) Tian Teck Land Limited

<i>Name</i>	<i>Number of shares</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	4,035,792	–	–	4,035,792	0.85%
Cheong Kheng Lim	46,023,872	115,292	–	46,139,164	9.72%
Cheong Keng Hooi	26,862,036	1,002,384	–	27,864,420	5.87%
Cheong Sim Lam	1,099,504	–	–	1,099,504	0.23%
Cheong Chong Ling	412,000	–	–	412,000	0.09%
Sin Cho Chiu, Charles	2,000	–	115,200 (Note)	117,200	0.02%

Note: The corporate interests of 115,200 shares represent 115,200 shares held by Chason Limited where Mr Sin Cho Chiu, Charles is taken to be interested in such shares under the SFO.

(c) Tian Teck Investment Holding Co., Limited

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

Save as disclosed above, as at 30 September 2014, 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 2014, 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</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	25,589,715 (Note 2)	7.11%
Lim Yoke Soon	25,589,715 (Note 2)	7.11%

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) The interest disclosed by Mr Cheong Kheng Lim is the same as the 25,589,715 shares disclosed by Ms Lim Yoke Soon. Out of the 25,589,715 shares, 24,555,715 shares were held by Mr Cheong Kheng Lim, and 1,034,000 shares were held by his spouse, Ms Lim Yoke Soon.

Save as disclosed above, as at 30 September 2014, 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 six months ended 30 September 2014.

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

Due to allowances for expenses actually incurred, the directors' emoluments of the following directors for the six months ended 30 September 2014 have changed when compared with those for the last corresponding period:

- Mr Cheong Hooi Hong's emoluments decreased by \$7,000 to \$778,000.
- Mr Cheong Kheng Lim's emoluments decreased by \$30,000 to \$1,460,000, of which, \$1,157,000 (2013: \$1,172,000) was covered by his service contract with the Company as chief operation officer.
- Mr Cheong Keng Hooi's emoluments increased by \$25,000 to \$797,000, of which, \$722,000 (2013: \$721,000) was covered by his service contract with the Company as chief project officer.
- Mr Cheong Sim Lam's emoluments increased by \$2,000 to \$748,000, of which, \$723,000 (2013: \$721,000) was covered by his service contract with the Company as chief investment officer.
- Miss Cheong Chong Ling's emoluments increased by \$1,000 to \$438,000.

Despite the above changes, the Company's policy regarding the said expenses has not changed.

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 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.

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 of all directors of the Company as to whether they have complied with or whether there has been 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 six months ended 30 September 2014.

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 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 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.



**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 10 which comprises the consolidated balance sheet of Associated International Hotels Limited as of 30 September 2014 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement 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 2014 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 2014