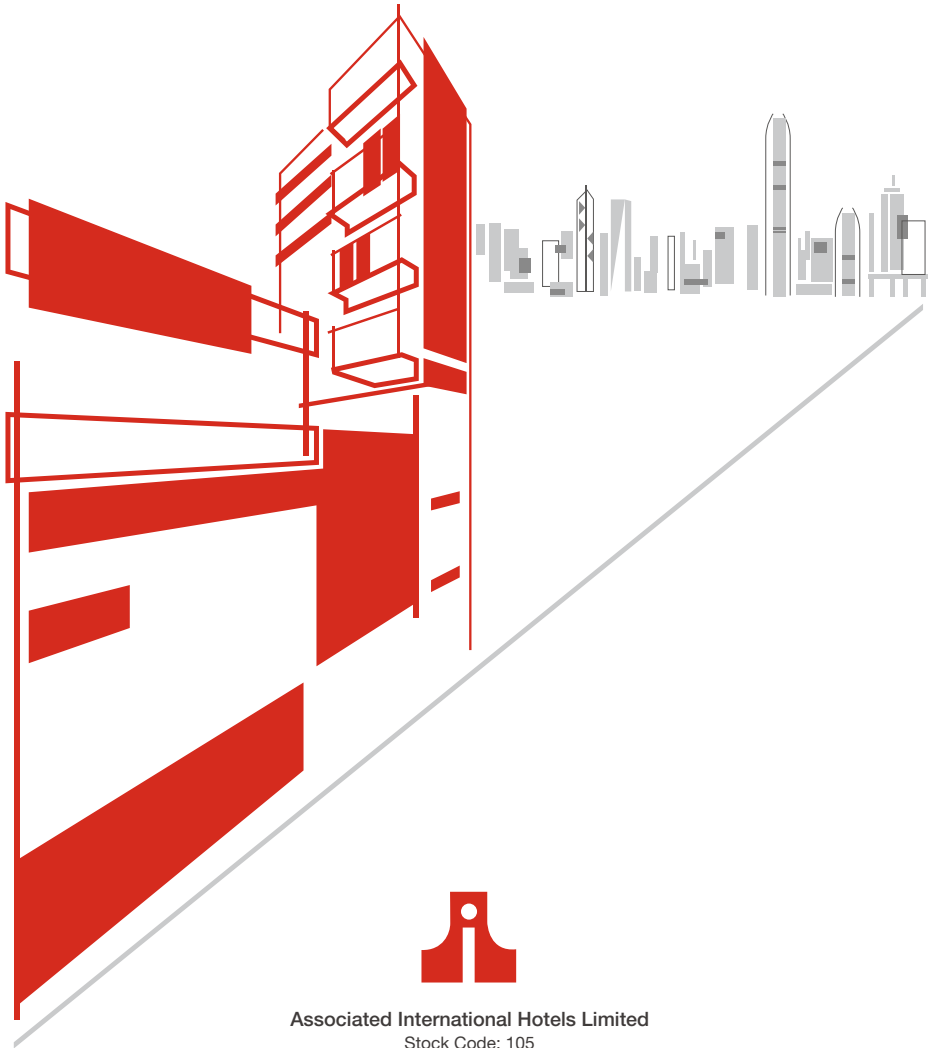


2015

I n t e r i m R e p o r t

for the six months ended 30 September 2015



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 2015. 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME for the six months ended 30 September 2015 – unaudited

		<i>Six months ended 30 September</i>	
	<i>Note</i>	2015	<i>2014</i>
		\$'000	\$'000
Revenue	3	332,300	318,019
Cost of services		(40,983)	(41,535)
		<hr/>	<hr/>
Gross profit		291,317	276,484
Other revenue	5	2,306	4,407
Other net loss	5	(13)	(10)
Administrative expenses		(17,680)	(17,720)
		<hr/>	<hr/>
Profit from operations before valuation changes in investment properties		275,930	263,161
Net valuation (losses)/gains on investment properties	10(b)	(4,676)	195,068
		<hr/>	<hr/>
Profit from operations after valuation changes in investment properties		271,254	458,229
Finance costs	6(a)	(1,193)	(1,165)
		<hr/>	<hr/>
Profit before taxation	6	270,061	457,064
Income tax	7	(45,414)	(43,327)
		<hr/>	<hr/>
Profit and total comprehensive income for the period attributable to equity shareholders of the Company		224,647	413,737
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share – basic and diluted	9	\$0.62	\$1.15
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 5 to 9 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 September 2015 – unaudited

	Note	At 30 September 2015	At 31 March 2015
		\$'000	\$'000
Non-current assets			
Fixed assets	10		
– Investment properties		14,228,030	14,232,730
– Other properties, plant and equipment		81,913	85,507
		14,309,943	14,318,237
Current assets			
Accounts receivable, deposits and prepayments	11	21,729	24,575
Pledged bank deposits		154,156	152,718
Cash and cash equivalents	12	353,123	300,637
		529,008	477,930
Current liabilities			
Other payables and accruals	13	28,739	24,106
Deposits received		201,156	198,312
Provision for long service payments		1,507	1,434
Obligations under finance leases		29	29
Current tax payable		46,102	23,324
		277,533	247,205
Net current assets		251,475	230,725
Total assets less current liabilities		14,561,418	14,548,962
Non-current liabilities			
Bank loan – secured		200,000	200,000
Government lease premiums payable		2,037	2,037
Obligations under finance leases		90	104
Deferred tax liabilities		50,934	47,111
		253,061	249,252
NET ASSETS		14,308,357	14,299,710
CAPITAL AND RESERVES			
Share capital		360,000	360,000
Reserves		13,948,357	13,939,710
TOTAL EQUITY		14,308,357	14,299,710

The notes on pages 5 to 9 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 September 2015 – unaudited

		<i>Attributable to equity shareholders of the Company</i>			
	<i>Note</i>	<i>Share capital</i>	<i>Revaluation reserve</i>	<i>Retained earnings</i>	<i>Total equity</i>
		<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Balance at 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 and 1 October 2014		360,000	1,778,150	11,500,918	13,639,068
Changes in equity for the six months ended 31 March 2015:					
Profit and total comprehensive income for the period		–	–	876,642	876,642
Dividends declared in respect of the current financial year	8(a)	–	–	(216,000)	(216,000)
		–	–	660,642	660,642
Balance at 31 March 2015 and 1 April 2015		360,000	1,778,150	12,161,560	14,299,710
Changes in equity for the six months ended 30 September 2015:					
Profit and total comprehensive income for the period		–	–	224,647	224,647
Dividends approved in respect of the previous financial year	8(b)	–	–	(216,000)	(216,000)
		–	–	8,647	8,647
Balance at 30 September 2015		360,000	1,778,150	12,170,207	14,308,357

The notes on pages 5 to 9 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
for the six months ended 30 September 2015 – unaudited

	<i>Six months ended 30 September</i>	
	2015	2014
	\$'000	\$'000
Operating activities		
Cash generated from operations	289,757	291,329
Tax paid	(18,813)	(15,269)
Net cash generated from operating activities	270,944	276,060
Investing activities		
Payment for purchase of fixed assets other than investment properties	(118)	(267)
Payment for expenditure on investment properties	(1,374)	(17,519)
(Increase)/decrease in pledged bank deposits	(1,438)	134,777
Other cash flows arising from investing activities	1,776	1,644
Net cash (used in)/generated from investing activities	(1,154)	118,635
Financing activities		
Dividends paid	(216,000)	(216,000)
Other cash flows arising from financing activities	(1,304)	(1,278)
Net cash used in financing activities	(217,304)	(217,278)
Net increase in cash and cash equivalents	52,486	177,417
Cash and cash equivalents at 1 April	300,637	209,917
Cash and cash equivalents at 30 September	353,123	387,334

The notes on pages 5 to 9 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 2015.

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 2015, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2016. 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 2015. 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 16.

The financial information relating to the financial year ended 31 March 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2015 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Hong Kong Companies Ordinance (Cap. 32)).

2 Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

- Annual improvements to HKFRSs 2010-2012 cycle
- Annual improvements to HKFRSs 2011-2013 cycle

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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

3 Revenue

The principal activity of the Group is property investment.

Revenue 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 revenue. During the period, revenue from this customer amounted to approximately \$43,910,000 (2014: \$44,710,000).

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

	<i>Six months ended 30 September</i>	
	<i>2015</i>	<i>2014</i>
	<i>\$'000</i>	<i>\$'000</i>
Other revenue		
Interest income	1,679	1,617
Management fee received from holding company	600	600
Compensation from early termination of lease	-	2,174
Others	27	16
	<u>2,306</u>	<u>4,407</u>
Other net loss		
Net loss on disposals of fixed assets	(13)	(9)
Net foreign exchange loss	-	(1)
	<u>(13)</u>	<u>(10)</u>

6 Profit before taxation

Profit before taxation is arrived at after charging:

	<i>Six months ended 30 September</i>	
	<i>2015</i>	<i>2014</i>
	\$'000	\$'000
(a) Finance costs		
Interest on bank loan	1,044	1,015
Interest on government lease premiums payable	24	25
Other borrowing costs	125	125
	<u>1,193</u>	<u>1,165</u>
(b) Other items		
Depreciation	3,698	5,040
Impairment losses on accounts receivable	323	–
	<u>3,823</u>	<u>–</u>

7 Income tax

	<i>Six months ended 30 September</i>	
	<i>2015</i>	<i>2014</i>
	\$'000	\$'000
Current tax		
Hong Kong profits tax	41,591	39,710
Deferred tax		
Origination and reversal of temporary differences	3,823	3,617
	<u>45,414</u>	<u>43,327</u>

The provision for Hong Kong profits tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the six months ended 30 September 2015.

8 Dividends

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

	<i>Six months ended 30 September</i>	
	<i>2015</i>	<i>2014</i>
	\$'000	\$'000
Interim dividend declared after the interim period of \$0.60 per share (2014: \$0.60 per share)	216,000	216,000

The interim dividend declared after the interim period has not been recognised as a liability at the end of the reporting period.

(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>2015</i>	<i>2014</i>
	\$'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 2014: \$0.60 per share)	216,000	216,000

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 \$224,647,000 (2014: \$413,737,000) and 360,000,000 (2014: 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 2015 and 2014.

10 Fixed assets

- (a) During the period, additions in the investment properties amounted to \$176,000 (six months ended 30 September 2014: \$5,432,000).
- (b) The investment properties in Hong Kong were revalued at 30 September 2015 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, net valuation losses of \$4,676,000 (2014: gains of \$195,068,000) on investment properties have been recognised in the consolidated statement of profit or loss and other comprehensive income.
- (c) Fixed assets of the Company with carrying value of \$14,137,536,000 as at 30 September 2015 (31 March 2015: \$14,148,693,000) 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 2015 (31 March 2015: \$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 end of the reporting period is as follows:

	At 30 September 2015 \$'000	<i>At 31 March 2015 \$'000</i>
Current	14,741	17,002
Less than 1 month past due	646	471
1 to 3 months past due	126	324
More than 3 months but less than 12 months past due	10	41
Amounts past due	782	836
Total accounts receivable, net of allowance for bad and doubtful debts	15,523	17,838
Deposits and prepayments	6,206	6,737
	21,729	24,575

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

	At 30 September 2015 \$'000	<i>At 31 March 2015 \$'000</i>
Deposits with banks	304,679	246,001
Cash at bank and in hand	48,444	54,636
	353,123	300,637

13 Other payables and accruals

All of the other payables and accruals are expected to be settled within one year except for \$289,000 (31 March 2015: \$257,000) which is expected to be settled after more than one year.

14 Capital commitments outstanding at the end of the reporting period not provided for in the interim financial report

	At 30 September 2015 \$'000	<i>At 31 March 2015 \$'000</i>
Contracted for	-	256

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved that an interim dividend of \$0.60 per share (2014: \$0.60 per share) will be paid on Tuesday, 5 January 2016 to members whose names appear on the register of members of the Company on Monday, 21 December 2015. The register of members of the Company will be closed for the purpose of determining entitlement to the said interim dividend from Thursday, 17 December 2015 to Monday, 21 December 2015, 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 Wednesday, 16 December 2015.

BUSINESS REVIEW AND COMMENTARY

- The Group achieved a profit from operations before valuation changes in investment properties of \$275.9 million for the half year ended 30 September 2015, representing an increase of approximately 4.9% 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.
- Net valuation losses on investment properties for the half year ended 30 September 2015 amounted to \$4.7 million, compared with the valuation gains of \$195.1 million for the corresponding period of last year. The valuation changes 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 \$224.6 million, compared with a profit attributable to equity shareholders of \$413.7 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 \$330.7 million for the half year ended 30 September 2015, representing an increase of approximately 4.5% compared with the corresponding period of last year. The occupancy rate at 30 September 2015 was approximately 98.1% compared with approximately 99.5% at 30 September 2014.
- The total equity for the Group at 30 September 2015 was \$14,308.4 million, compared with \$14,299.7 million at 31 March 2015.
- 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 2015, the banking facilities were utilised to the extent of \$200 million (31 March 2015: \$200 million) and the Group's gearing ratio (calculated as total bank loans divided by total equity) was 1.4% (31 March 2015: 1.4%).
- At 30 September 2015, 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 2014: 37) and the related costs incurred during the period were approximately \$10.6 million (30 September 2014: \$9.6 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 2015 which necessitates additional disclosure to that made herein.

OUTLOOK

Weaker retail sentiment has applied downward pressure on the Hong Kong leasing market. Despite the current slowdown in Hong Kong retail market, rental income from iSQUARE and the results from operations of the Group for the current financial year are expected to be relatively stable.

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

As at 30 September 2015, 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 (a company controlled by Mr Sin Cho Chiu, Charles and his spouse in equal shares) where Mr Sin 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	590,000	–	4,625,792	0.97%
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	117,200	0.02%

(Note)

Note: The corporate interests of 115,200 shares represent 115,200 shares held by Chason Limited (a company controlled by Mr Sin Cho Chiu, Charles and his spouse in equal shares) where Mr Sin 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 2015, 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 2015, 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 2015, 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 2015.

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

(a) Due to allowances for expenses actually incurred, the directors' emoluments of the following directors for the six months ended 30 September 2015 have changed when compared with those for the last corresponding period:

- Mr Cheong Hooi Hong's emoluments decreased by \$11,000 to \$767,000.
- Mr Cheong Kheng Lim's emoluments increased by \$553,000 to \$2,013,000, of which, \$1,181,000 (2014: \$1,157,000) was covered by his service contract with the Company as chief operation officer.
- Mr Cheong Keng Hooi's emoluments decreased by \$10,000 to \$787,000.
- Mr Cheong Sim Lam's emoluments increased by \$183,000 to \$931,000, of which, \$722,000 (2014: \$723,000) was covered by his service contract with the Company as chief investment officer.
- Miss Cheong Chong Ling's emoluments decreased by \$203,000 to \$235,000.

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

(b) Mr Sin Cho Chiu, Charles has ceased to act as a notary public.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company throughout the six months ended 30 September 2015 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.

- 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (Continued)

- 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 members of the Company.

- 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 2015.

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

Hong Kong, 27 November 2015

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 9 which comprises the consolidated statement of financial position of Associated International Hotels Limited as of 30 September 2015 and the related consolidated statement of profit or loss and other comprehensive income, consolidated 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 2015 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 2015