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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)

Preliminary Announcement of Results for the year ended 31 March 2016

(Expressed in Hong Kong dollars)

The Board of Directors is pleased to announce the audited results of the Group for the year ended 31 March 2016. These results have been reviewed with no disagreement by the Audit Committee of the Company and this preliminary results announcement has been agreed with the Company's auditor, KPMG.

Consolidated statement of profit or loss and other comprehensive income

	Note	Year ended 31 March	
		2016 \$'000	2015 \$'000
Revenue	3	667,214	644,984
Cost of services		(81,043)	(80,474)
Gross profit		586,171	564,510
Other revenue	5(a)	4,430	7,275
Other net loss	5(b)	(14)	(37)
Administrative expenses		(38,141)	(39,466)
Profit from operations before valuation changes in investment properties		552,446	532,282
Valuation gains on investment properties		412,285	848,002
Profit from operations after valuation changes in investment properties		964,731	1,380,284
Finance costs	6(a)	(2,458)	(2,398)
Profit before taxation	6	962,273	1,377,886
Income tax	7	(90,904)	(87,507)
Profit and total comprehensive income for the year attributable to equity shareholders of the Company		871,369	1,290,379
Earnings per share — basic and diluted	9	\$2.42	\$3.58

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

Consolidated statement of financial position

	<i>Note</i>	At 31 March 2016		At 31 March 2015	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets					
— Investment properties			14,646,230		14,232,730
— Other properties, plant and equipment			<u>78,407</u>		<u>85,507</u>
			14,724,637		14,318,237
Current assets					
Accounts receivable, deposits and prepayments	10	20,580		24,575	
Pledged bank deposits		161,791		152,718	
Cash and cash equivalents		<u>338,250</u>		<u>300,637</u>	
			<u>520,621</u>		<u>477,930</u>
Current liabilities					
Bank loan — secured		200,000		—	
Other payables and accruals	11	20,398		24,106	
Deposits received		204,307		198,312	
Provision for long service payments		1,581		1,434	
Obligations under finance leases		29		29	
Current tax payable		<u>23,017</u>		<u>23,324</u>	
			<u>449,332</u>		<u>247,205</u>
Net current assets			<u>71,289</u>		<u>230,725</u>
Total assets less current liabilities			14,795,926		14,548,962
Non-current liabilities					
Bank loan — secured		—		200,000	
Government lease premiums payable		1,980		2,037	
Obligations under finance leases		75		104	
Deferred tax liabilities		<u>54,792</u>		<u>47,111</u>	
			<u>56,847</u>		<u>249,252</u>
NET ASSETS			<u>14,739,079</u>		<u>14,299,710</u>
CAPITAL AND RESERVES					
Share capital			360,000		360,000
Reserves			<u>14,379,079</u>		<u>13,939,710</u>
TOTAL EQUITY			<u>14,739,079</u>		<u>14,299,710</u>

Notes:

1. Basis of preparation

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial statements have 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 have been reflected in the financial statements for the year ended 31 March 2016. Details of these changes in accounting policies are set out in note 2.

The financial information relating to the years ended 31 March 2016 and 2015 included in this preliminary announcement of results does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 March 2016 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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.

- *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 year, revenue from this customer amounted to approximately \$82,545,000 (2015: \$89,413,000).

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

	Year ended 31 March	
	2016 \$'000	2015 \$'000
(a) Other revenue		
Interest income	3,155	3,123
Management fee received from holding company	1,200	1,200
Compensation from early termination of leases	–	2,581
Others	75	371
	<u>4,430</u>	<u>7,275</u>
(b) Other net loss		
Net loss on disposals of fixed assets	(14)	(37)

6. Profit before taxation

Profit before taxation is arrived at after charging:

	Year ended 31 March	
	2016 \$'000	2015 \$'000
(a) Finance costs		
Interest on bank loan	2,104	2,043
Interest on government lease premiums payable	103	105
Other borrowing costs	251	250
	<u>2,458</u>	<u>2,398</u>
(b) Other item		
Depreciation	7,344	9,608

7. **Income tax**

	Year ended 31 March	
	2016	2015
	\$'000	\$'000
Current tax — Hong Kong profits tax		
Provision for the year	83,263	80,187
Over-provision in respect of prior years	(40)	(116)
	83,223	80,071
Deferred tax		
Origination and reversal of temporary differences	7,681	7,436
	90,904	87,507

The provision for Hong Kong profits tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

8. **Dividends**

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

	Year ended 31 March	
	2016	2015
	\$'000	\$'000
Interim dividend declared and paid of \$0.60 per share (2015: \$0.60 per share)	216,000	216,000
Final dividend proposed after the end of the reporting period of \$0.60 per share (2015: \$0.60 per share)	216,000	216,000
	432,000	432,000

The final dividend proposed after the end of the reporting 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 year**

	Year ended 31 March	
	2016	2015
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of \$0.60 per share (2015: \$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 \$871,369,000 (2015: \$1,290,379,000) and 360,000,000 (2015: 360,000,000) ordinary shares in issue during the year. There were no potential dilutive ordinary shares in existence in 2015 and 2016.

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 end of the reporting period is as follows:

	At 31 March	
	2016	2015
	\$'000	\$'000
Current	12,676	17,002
Less than 1 month past due	1,453	471
1 to 3 months past due	19	324
More than 3 months but less than 12 months past due	26	41
Amounts past due	1,498	836
Total accounts receivable, net of allowance for bad and doubtful debts	14,174	17,838
Deposits and prepayments	6,406	6,737
	20,580	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.

11. Other payables and accruals

All of the other payables and accruals are expected to be settled within one year except for \$32,000 (2015: \$257,000) which is expected to be settled after more than one year.

DIVIDENDS AND CLOSURE OF REGISTER OF MEMBERS

The Board is pleased to recommend a final dividend of \$0.60 per share for the year ended 31 March 2016 (2015: \$0.60 per share). As the Company paid an interim dividend of \$0.60 per share during the year (2015: \$0.60 per share), the total distribution will be \$1.20 per share for the year (2015: \$1.20 per share).

Subject to the members' approval on the proposed final dividend at the forthcoming annual general meeting, the register of members of the Company will be closed for the purpose of determining entitlement to the said final dividend from Wednesday, 14 September 2016 to Monday, 19 September 2016, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, 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, 13 September 2016. The proposed final dividend will be paid on Tuesday, 27 September 2016 to members whose names appear on the register of members on Monday, 19 September 2016 following approval at the annual general meeting.

BUSINESS REVIEW AND COMMENTARY

- The Group achieved a profit from operations before valuation changes in investment properties of \$552.4 million for the financial year ended 31 March 2016, representing an increase of approximately 3.8% compared with the previous financial year. The increase was mainly due to increase of rental income from iSQUARE compared to the previous financial year.
- Valuation gains on investment properties for the financial year ended 31 March 2016 amounted to \$412.3 million, representing a decrease of approximately \$435.7 million compared with the previous financial 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 \$871.4 million, compared with a profit attributable to equity shareholders of \$1,290.4 million for the previous financial year.
- iSQUARE is a commercial complex housing retail, entertainment, food and beverage establishments. Rental income from iSQUARE amounted to approximately \$664.0 million for the financial year ended 31 March 2016, representing an increase of approximately 3.5% compared with the previous financial year. The occupancy rate at 31 March 2016 was approximately 96.3% compared with approximately 98.0% at 31 March 2015.
- The total equity for the Group at 31 March 2016 was \$14,739.1 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 both at floating interest rate. The facility agreement will expire in October 2016 and the Company intends to extend the facilities for at least three additional years. At 31 March 2016, the banking facilities were utilised to the extent of \$200 million (2015: \$200 million) and the Group's gearing ratio (calculated as total bank loans divided by total equity) was 1.4% (2015: 1.4%).
- At 31 March 2016, the total number of employees of the Group, excluding the staff employed by DTZ Cushman & Wakefield Property Management Limited (formerly known as DTZ Debenham Tie Leung Property Management Limited) for general building and property management of iSQUARE, was 38 (2015: 37) and the related costs incurred during the year were approximately \$25.0 million (2015: \$24.1 million).

OUTLOOK

With the continuing slowdown on the Hong Kong retail market, the Group will continue to monitor closely the impact on the leasing market and to adopt appropriate leasing strategies in order to reduce the possible downward pressure on the rental income from iSQUARE and the results from operations of the Group for the coming financial year.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of members of the Company will be held on Thursday, 8 September 2016.

For the purpose of determining the identity of members who are entitled to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Tuesday, 6 September 2016 to Thursday, 8 September 2016, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, 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 Monday, 5 September 2016.

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 year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company throughout the year ended 31 March 2016 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 is relatively low. Benefits to be derived from taking out insurance may not outweigh the cost. Despite it, every Director is, subject to the provisions of the applicable laws, indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities he/she may sustain or incur in or about the execution of his/her office or otherwise in relation thereto pursuant to the Articles of Association of the Company. In view of the above, the Board considers that the Directors' exposure to risk is manageable.

- 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. To avoid concentration of power and authority in any one individual, day-to-day management of the Company's business is shared by executive directors whilst formulation of objectives and strategic decisions are collectively made by the Board. In addition, the Board comprises three independent non-executive directors with differing expertise/calibre who can provide a "check and balance" effect on the management through their high attendance at board meetings and therefore ensuring a balance of power. Given consideration to the aforesaid, the Board of Directors is of the view 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. To ensure they are remunerated at a reasonable but not excessive rate, none of them 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 based on a number of factors set out in the Company's remuneration policy). The Directors consider that the non-disclosure does not pose any negative impact on the Company. On the contrary, the disclosure of the remuneration details of the senior management 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. Since the company secretary is located in the same office as the deputy chairman and they work closely on a day-to-day basis, direct reporting to the deputy chairman can provide for a prompt and timely response to issues which require immediate attention. On the other hand, the Chairman keeps having ongoing discussion and dialogue with the deputy chairman on business affairs, in particular corporate governance and financial issues, which enables him to fully understand the operation of the Company and manage it in an effective manner. Taking into account of the above, the Board considers that the current reporting line is apposite to the Company.

Details of compliance are set out in the Corporate Governance Report contained in the Company's annual report.

ANNUAL REPORT

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

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

Hong Kong, 27 June 2016

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.