凱聯國際酒店有限公司

Associated International Hotels Limited

(Incorporated in Hong Kong under the Companies Ordinance)

(stock code: 105)

Interim Results

(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 2006. These results have been reviewed in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" 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 auditors is included in the interim report to be sent to shareholders.

Consolidated income statement – unaudited

		Six months ended 30 September	
		2006	2005 (restated)
	Note	***$'000***	*$'000*
Turnover	2	**9,129**	216,160
Cost of services/sales		**(7,629)**	(73,555)
		1,500	142,605
Other revenue		**11,455**	7,539
Other net income/(loss)		**346**	(610)
Valuation gains on investment properties		**169,692**	3,010
Reversal of impairment loss in respect of other properties		**1,792**	–
Selling expenses		**(298)**	(13,034)
Administrative expenses		**(17,644)**	(52,342)
Profit from operations	2	**166,843**	87,168
Finance costs	4(a)	**(49)**	(49)
Profit before taxation	4	**166,794**	87,119
Income tax	5	**(27,825)**	(15,180)
Profit for the period attributable to equity shareholders of the Company		**138,969**	71,939
Represented by:			
Continuing operations		**138,969**	34,802
Discontinued operation	3(a)	**–**	37,137
Profit for the period attributable to equity shareholders of the Company		**138,969**	71,939
Dividends attributable to the interim period	6(a)	**–**	–
Earnings per share	7		
Continuing operations		**$0.39**	$0.10
Discontinued operation		**–**	$0.10
		$0.39	$0.20

Consolidated balance sheet – unaudited

		At 30 September 2006		At 31 March 2006	
	Note	***$'000***	***$'000***	*$'000*	*$'000*
Non-current assets					
Fixed assets					
– Investment properties			**4,428,405**		4,247,396
– Other properties, plant and equipment			**243,976**		244,953
			4,672,381		4,492,349
Available-for-sale equity securities			**8,526**		7,794
Deferred tax assets			**113**		116
			4,681,020		4,500,259
Current assets					
Inventories		**226**		267	
Accounts receivable, deposits and prepayments	8	**3,631**		5,812	
Tax recoverable		**15,454**		7,501	
Cash and cash equivalents		**468,574**		493,916	
		487,885		507,496	
Current liabilities					
Accounts payable, other payables and accruals	9	**13,406**		19,857	
Deposits received		**4,767**		5,259	
Provision for long service payments		**1,461**		1,460	
Obligations under finance leases		**249**		251	
Current taxation		**64**		28	
		19,947		26,855	
Net current assets			**467,938**		480,641
Total assets less current liabilities			**5,148,958**		4,980,900
Non-current liabilities					
Government lease premiums payable		**(2,443)**		(2,443)	
Obligations under finance leases		**(453)**		(575)	
Deferred tax liabilities		**(618,250)**		(590,515)	
Other financial liabilities		**(1)**		(1)	
			(621,147)		(593,534)
NET ASSETS			**4,527,811**		4,387,366
CAPITAL AND RESERVES					
Share capital			**360,000**		360,000
Reserves			**4,167,811**		4,027,366
TOTAL EQUITY			**4,527,811**		4,387,366

Notes:

1. **Principal accounting policies and 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 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.

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 2006, except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 March 2007. The following sets out information on the changes in accounting policies for the annual accounting period beginning on 1 April 2006 which have been reflected in the interim financial report:

Amendment to HKAS 39 "The fair value option"

When HKAS 39 "Financial instruments: Recognition and measurement" was first applied in accounting period beginning 1 April 2005, the Group had an option to designate irrevocably any financial asset at fair value through profit or loss. Amendment to HKAS 39 "The fair value option", which is effective for accounting periods beginning on or after 1 January 2006, limits the use of such fair value option to those financial instruments that meet certain conditions.

With effect from 1 April 2006, in order to comply with the Amendment to HKAS 39, investments in equity securities that were previously classified as financial assets at fair value through profit or loss are de-designated and reclassified as available-for-sale equity securities and carried at fair value. Changes in the fair value of available-for-sale equity securities are recognised in equity, unless there is objective evidence that an individual investment has been impaired.

The change in accounting policy has been applied retrospectively with comparatives restated except that, in accordance with the transitional provisions of HKAS 39, the opening balance of the fair value reserve as at 1 April 2005 (the date on which the Group first applied HKAS 39) is not restated as the fair value increase that arose prior to 1 April 2005 has already been reported in the income statement in previous periods. As a result of the adoption of the Amendment to HKAS 39, the Group has reclassified investments in equity securities with a carrying value of $7,794,000 as at 31 March 2006 (31 March 2005: $7,440,000) as available-for-sale equity securities. The Group's other net income and profit for the period has decreased by $732,000 (2005: $132,000), and the fair value reserve and the retained earnings as at the period end have been increased and decreased respectively by $1,086,000 (31 March 2006: $354,000). However, there is no net effect on net assets of the Group.

2. **Segment reporting**

An analysis of the Group's revenue and results for the six months ended 30 September 2006 and 2005 by business segments is as follows:

	Segment revenue Six months ended 30 September		Segment profit/(loss) Six months ended 30 September	
	2006	2005	**2006**	2005 (restated)
	$'000	*$'000*	***$'000***	*$'000*
Continuing operations				
Property leasing	**129**	51,345	**121**	48,640
Golf and recreational club operation	**9,000**	9,564	**(3,658)**	(6,025)
	9,129	60,909	**(3,537)**	42,615
Discontinued operation				
Hotel operation *(Note 3)*	**–**	155,251	**–**	46,402
	9,129	216,160	**(3,537)**	89,017
Valuation gains on investment properties			**169,692**	3,010
Reversal of impairment loss in respect of other properties			**1,792**	–
Unallocated other revenue			**11,455**	7,539
Unallocated operating income and expenses			**(12,559)**	(12,398)
Profit from operations			**166,843**	87,168

Segment information is presented only in respect of the Group's business segments as it is chosen as the Group's primary basis of segment reporting.

3. **Discontinued operation – Hotel operation**

The operations of the Hyatt Regency Hotel and the Hyatt Regency Shopping Arcade had ceased from 1 January 2006 and the hotel operation was classified as discontinued operation from 1 January 2006 accordingly. The property comprising the Hyatt Regency Hotel and the Hyatt Regency Shopping Arcade (the "Property") will be redeveloped into a building comprising mainly retail components and is now under construction. Barring unforeseen circumstances, it is expected by the Directors that the redevelopment work will be completed in 2009.

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

	Six months ended 30 September	
	2006	2005
	$'000	*$'000*
Turnover	–	155,251
Cost of services/sales	–	(64,612)
	–	90,639
Selling expenses	–	(9,355)
Administrative expenses	–	(34,882)
Profit before taxation	–	46,402
Income tax	–	(9,265)
Profit for the period	–	37,137

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

	Six months ended 30 September	
	2006	2005
	$'000	*$'000*
Net cash generated from operating activities	–	62,568
Net cash used in investing activities	–	(1)

4. **Profit before taxation**

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 September 2006 $'000	2005 (restated) $'000
(a) Finance costs		
Interest on government lease premiums payable	**29**	29
Finance charges on obligations under finance leases	**20**	20
	49	49
(b) Other items		
Depreciation	**3,991**	13,161
Dividend income from listed securities	**(140)**	(131)
Net loss/(profit) on disposal of fixed assets	**4**	(5)
Net exchange (gains)/losses	**(350)**	615
Interest income	**(9,930)**	(6,433)

5. **Income tax**

	Six months ended 30 September 2006 $'000	2005 $'000
Current tax		
– Hong Kong profits tax	**73**	15,982
– Overseas tax	**14**	34
Deferred taxation	**27,738**	(836)
	27,825	15,180

The provision for Hong Kong profits tax is calculated at 17.5% (2005: 17.5%) of the estimated assessable profits for the six months ended 30 September 2006. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

6. **Dividends**

	Six months ended 30 September 2006 $'000	2005 $'000
(a) Dividends attributable to the interim period		
No interim dividend declared and paid after the interim period end (2005: Nil)	**–**	–

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

	2006 $'000	2005 $'000
(b) Dividends attributable to the previous financial year, approved and paid during the interim period		
No final dividend in respect of the financial year ended 31 March 2006 approved and paid during the following interim period (year ended 31 March 2005: 8 cents per share)	**–**	28,800

7. **Earnings per share**

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of $138,969,000 (2005 (restated): $71,939,000) and 360,000,000 (2005: 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 2006 and 2005.

8. **Accounts receivable, deposits and prepayments**

Included in accounts receivable, deposits and prepayments are accounts receivable (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	30 September 2006 $'000	31 March 2006 $'000
Current	**716**	559
1 to 3 months overdue	**483**	436
More than 3 months overdue but less than 12 months overdue	**518**	952
Total accounts receivable, net of impairment losses for bad and doubtful debts	**1,717**	1,947
Deposits and prepayments	**1,914**	3,865
	3,631	5,812

Debts are generally due after 60 days in respect of golf and recreational club operation and within 14 days in respect of property leasing from the date of billing. Accounts for members of the golf and recreational club with balances that are 90 days overdue are suspended and legal action will be taken against defaulting members. For debtors of property leasing, legal action will be taken against overdue debtors whenever the situation is appropriate.

9. **Accounts payable, other payables and accruals**

All of the accounts payable, other payables and accruals except for $267,000 (31 March 2006: $948,000), mainly represented retention monies payable, is expected to be settled within one year.

Included in accounts payable, other payables and accruals are accounts payable with the following ageing analysis as of the balance sheet date:

	30 September 2006 $'000	31 March 2006 $'000
Due within 1 month or on demand	**437**	504
Due after 1 month but within 3 months	**539**	3,185
Due after 3 months but within 6 months	**126**	183
Due after 6 months but within 12 months	**1,489**	–
Due after 12 months	**267**	259
Total accounts payable	**2,858**	4,131
Other payables and accruals	**10,548**	15,726
	13,406	19,857

INTERIM DIVIDEND

The Directors have resolved that in view of the cessation of the main business of the Group which was the operation of Hyatt Regency Hong Kong (the "Hotel") and the Hotel's shopping arcade, no interim dividend will be paid to shareholders (2005: Nil).

BUSINESS REVIEW

- The Group achieved a profit from operations of approximately $166.8 million for the half year ended 30 September 2006, representing an increase of approximately 91.4% compared with the corresponding period in 2005. The increment was almost entirely attributable to the valuation gains on investment properties of $169.7 million. Excluding the valuation gains on investment properties, the Group recorded a loss from operations for the half year ended 30 September 2006 of $2.9 million due to the cessation of the main business of the Group which was the operation of the Hotel and the Hotel's shopping arcade.

- Austin Hills Golf Resort, the Group's golf and recreational club operation, suffered a segment loss of $3.7 million for the half year ended 30 September 2006. Turnover for the said period was $9 million, representing a decrease of 5.9% compared with the corresponding period of last year. The operation results have shown slight improvement for the period under review compared with those of last year which were affected by repairs for the main building of the club house and arising from a landslide in a golf course.

- Interest income amounted to $9.9 million, increasing by $3.5 million due to rising interest rates during the period.

- The total equity for the Group as at 30 September 2006 was $4,527.8 million, compared with $4,387.4 million as at 31 March 2006. The Group's gearing ratio is nil.

- As at 30 September 2006, the total number of employees of the Group was 153 and the related costs incurred during the period were approximately $11.4 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 2006 which necessitates additional disclosure to that made herein.

OUTLOOK

The project for redeveloping the property comprising the Hotel and the Hotel's shopping arcade into a building comprising mainly retail components is in progress. Demolition of the existing building excluding the basement was completed in early November 2006. Barring unforeseen circumstances, the entire redevelopment project is anticipated to be completed in 2009. The present estimated cost of construction for this project is around $1 billion and this will be financed by external borrowings. As announced on 20 October 2006, the Company has entered into a facility agreement with a bank comprising of a 5-year term loan facility of up to $1 billion and a 5-year revolving credit facility of up to $200 million. The Company has an option to extend the facilities for two additional years, subject to, among other things, the agreement of the lending bank.

The cessation of the Hotel and the Hotel's shopping arcade operations, which were the Group's main sources of income, has and will continue to have a very substantial negative impact on the revenue and results of the Group during the redevelopment period. However, the Directors consider that upon completion of the redevelopment, it will increase the return to the Group in the long run and will enhance value for shareholders because it is believed that a retail development is likely to generate a higher return on capital in the long term than the hotel operation.

It is likely that no dividend will be paid before completion of the project.

PURCHASE, SALE OR REDEMPTION BY THE COMPANY AND ITS SUBSIDIARIES OF ITS LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied throughout the period with all the code provisions set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") which apply to the Company for the period under review, except that the roles of chairman and chief executive officer were not separated and performed by two different individuals, which was inconsistent with code provision A.2.1.

In respect of the deviation from code provision A.2.1, Mr. Cheong Hooi Hong is both the Chairman and the chief executive officer of the Company and the Board of Directors considers that the current structure does not have any adverse effect on the Company.

INTERIM REPORT

The Company's interim report containing all the information required by the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited and dispatched to shareholders in due course.

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

Hong Kong, 14 December 2006

As at the date of this announcement, Mr. Cheong Hooi Hong, Mr. Cheong Kheng Lim, Mr. Cheong Keng Hooi, Mr. Cheong Sim Lam and Ms. Cheong Been Kheng are executive directors, Mr. Sin Cho Chiu, Charles and Mr. Lau Wah Sum are non-executive directors, and Mr. Chow Wan Hoi, Paul, Mr. Yau Allen Lee-Nam and Mr. Lee Chung are independent non-executive directors.