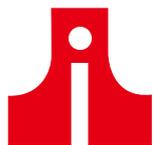


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凱聯國際酒店有限公司 Associated International Hotels Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 105)

Preliminary Announcement of Interim Results for the six months ended 30 September 2022

(Expressed in Hong Kong dollars)

The Board of Directors would like to announce the unaudited consolidated results of the Group for the half year ended 30 September 2022. These results have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), by KPMG, certified public accountants in Hong Kong, and the audit committee with no disagreement. The unmodified review report of the auditor is included in the interim report to be sent to members of the Company.

Consolidated statement of profit or loss and other comprehensive income – unaudited

	Note	Six months ended 30 September	
		2022	2021
		\$'000	\$'000
Revenue	3	153,351	159,743
Cost of services		<u>(43,205)</u>	<u>(44,715)</u>
Gross profit		110,146	115,028
Other revenue	5(a)	3,654	2,358
Other net loss	5(b)	–	(5)
Administrative expenses		<u>(17,840)</u>	<u>(17,507)</u>
Profit from operations before valuation changes in investment properties		95,960	99,874
Valuation losses on investment properties		<u>(1,202,578)</u>	<u>(573,864)</u>
Loss from operations after valuation changes in investment properties		(1,106,618)	(473,990)
Finance costs	6(a)	<u>(1,787)</u>	<u>(1,038)</u>
Loss before taxation	6	(1,108,405)	(475,028)
Income tax	7	<u>(15,111)</u>	<u>(16,330)</u>
Loss and total comprehensive income for the period attributable to equity shareholders of the Company		<u>(1,123,516)</u>	<u>(491,358)</u>
Loss per share – basic and diluted	9	<u>\$(3.12)</u>	<u>\$(1.36)</u>

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

Consolidated statement of financial position – unaudited

	<i>Note</i>	At 30 September 2022		At 31 March 2022	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets					
– Investment properties			7,941,950		9,143,380
– Other properties, plant and equipment			52,744		54,725
			<u>7,994,694</u>		<u>9,198,105</u>
Current assets					
Accounts receivable, deposits and prepayments	10	149,497		149,104	
Current tax recoverable		562		11,374	
Pledged bank deposits		6,044		3,417	
Cash and cash equivalents		513,718		440,764	
			<u>669,821</u>		<u>604,659</u>
Current liabilities					
Other payables and accruals	11	33,866		44,511	
Deposits received		121,940		130,673	
Provision for long service payments		1,994		1,648	
Dividends payable		75,600		–	
Current tax payable		104		–	
			<u>233,504</u>		<u>176,832</u>
Net current assets			<u>436,317</u>		<u>427,827</u>
Total assets less current liabilities			8,431,011		9,625,932
Non-current liabilities					
Bank loan – secured		200,000		200,000	
Government lease premiums payable		1,572		1,572	
Deferred tax liabilities		108,718		104,523	
			<u>310,290</u>		<u>306,095</u>
NET ASSETS			<u>8,120,721</u>		<u>9,319,837</u>
CAPITAL AND RESERVES					
Share capital			360,000		360,000
Reserves			7,760,721		8,959,837
TOTAL EQUITY			<u>8,120,721</u>		<u>9,319,837</u>

Notes:

1. Basis of preparation

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the HKICPA.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended 31 March 2022, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the year ending 31 March 2023. 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.

The financial information relating to the financial year ended 31 March 2022 that is included in this preliminary announcement of interim results 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 required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 March 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those consolidated 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 sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. Changes in accounting policies

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

- Amendments to HKFRS 3, *Reference to the conceptual framework*
- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts – Cost of fulfilling a contract*
- Annual improvements to HKFRSs 2018-2020 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 in the interim financial report.

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 one customer (2021: two customers) with whom transactions have exceeded 10% of the Group's revenue during the six months ended 30 September 2022. Revenue from this customer amounted to approximately \$19,141,000 (2021: \$19,660,000 and \$18,961,000 respectively).

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	
	2022	2021
	\$'000	\$'000
(a) Other revenue		
Interest income	3,018	1,746
Management fee received from holding company	600	600
Others	36	12
	<u>3,654</u>	<u>2,358</u>
(b) Other net loss		
Net loss on disposals of fixed assets	–	(5)

6. Loss before taxation

Loss before taxation is arrived at after charging:

	Six months ended 30 September	
	2022	2021
	\$'000	\$'000
(a) Finance costs		
Interest on bank loan	1,643	893
Other borrowing costs	125	125
Interest on government lease premiums payable	19	20
	<u>1,787</u>	<u>1,038</u>
(b) Other items		
Depreciation charge	2,121	2,096
Impairment losses on accounts receivable	289	1,553

7. Income tax

	Six months ended 30 September	
	2022	2021
	\$'000	\$'000
Current tax		
Hong Kong Profits Tax	10,916	12,159
Deferred tax		
Origination and reversal of temporary differences	4,195	4,171
	<u>15,111</u>	<u>16,330</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the six months ended 30 September 2022, except for the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime. For the Company, the first \$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for the Company was calculated at the same basis in 2021.

8. Dividends

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

	Six months ended 30 September	
	2022	2021
	\$'000	\$'000
Interim dividend declared after the interim period of \$0.11 per share (2021: \$0.19 per share)	39,600	68,400

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 during the interim period

	Six months ended 30 September	
	2022	2021
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of \$0.21 per share (year ended 31 March 2021: \$0.19 per share)	75,600	68,400

9. Loss per share – basic and diluted

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of \$1,123,516,000 (2021: \$491,358,000) and 360,000,000 (2021: 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 2022 and 2021.

10. Accounts receivable, deposits and prepayments

The ageing analysis of accounts receivable (net of allowance for credit losses) which was included in accounts receivable, deposits and prepayments as of the end of the reporting period is as follows:

	At 30 September	At 31 March
	2022	2022
	\$'000	\$'000
Current (Note)	115,153	107,145
Less than 1 month past due	8,925	12,020
1 to 3 months past due	13,025	14,131
More than 3 months but less than 12 months past due	3,888	7,577
More than 12 months past due	1,571	1,644
Amounts past due	27,409	35,372
Total accounts receivable, net of allowance for credit losses	142,562	142,517
Deposits and prepayments	6,935	6,587
	149,497	149,104

Note: The amount includes the receivable for lease incentives of \$114,761,000 (31 March 2022: \$104,929,000) which is not past due. The movement in the said receivable during the period will only affect the accounting revenue but not the contractual cash flows of the Group.

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.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board has resolved that an interim dividend of \$0.11 per share (2021: \$0.19 per share) will be paid on Thursday, 5 January 2023 to members whose names appear on the register of members of the Company on Friday, 16 December 2022. The register of members of the Company will be closed for the purpose of determining entitlement to the said interim dividend from Wednesday, 14 December 2022 to Friday, 16 December 2022, 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 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 p.m. (Hong Kong time) on Tuesday, 13 December 2022.

BUSINESS REVIEW AND COMMENTARY

- The Group achieved a profit from operations before valuation changes in investment properties of \$96.0 million for the half year ended 30 September 2022, representing a decrease of approximately 3.9% compared with the corresponding period of last year. The decrease was mainly due to decrease in rental income from iSQUARE compared to the corresponding period of last year.
- Valuation losses on investment properties for the half year ended 30 September 2022 amounted to \$1,202.6 million, compared with the valuation losses of \$573.9 million for the corresponding period of last year. The valuation losses will only affect the accounting profit or loss but not the cash flows of the Group.
- The Group recorded a loss attributable to equity shareholders of \$1,123.5 million for the half year ended 30 September 2022, compared with a loss attributable to equity shareholders of \$491.4 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 \$152.1 million for the half year ended 30 September 2022, representing a decrease of approximately 4.8% compared with the corresponding period of last year. The occupancy rate at 30 September 2022 was approximately 77.3% (30 September 2021: 76.2%).
- The total equity for the Group at 30 September 2022 was \$8,120.7 million, compared with \$9,319.8 million at 31 March 2022.
- 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. Following the first supplemental agreement for extension of the facilities to 8 October 2021, the Company entered into the second supplemental agreement with the bank on 23 August 2021 for extension of the facilities for three years to 8 October 2024. The Company has an option to further extend the facilities for two additional years to 8 October 2026, subject to, among other things, the agreement of the lending bank. At 30 September 2022, the banking facilities were utilised to the extent of \$200 million (31 March 2022: \$200 million) and the Group's gearing ratio (calculated as total bank loans divided by total equity) was 2.5% (31 March 2022: 2.1%).

- At 30 September 2022, the total number of employees of the Group, excluding the staff employed by Cushman & Wakefield Property Management Limited for general building and property management of iSQUARE, was 37 (30 September 2021: 37) and the related costs incurred during the period were approximately \$13.6 million (30 September 2021: \$13.3 million).
- Save as disclosed in this announcement, there has been no further material change to the information contained in the Company's annual report for the year ended 31 March 2022 which necessitates additional disclosure to that made herein.

OUTLOOK

With the tightening of financial conditions and despite the stable epidemic situation, the leasing market in Hong Kong remains challenging. Management will continue to take appropriate measures to cope with current situation. It is anticipated that the adverse impact on rental income from iSQUARE and the results from operations of the Group for the second half year will continue.

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 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company throughout the six months ended 30 September 2022 complied with all the code provisions, where applicable, set out in Part 2 of the Corporate Governance Code in Appendix 14 to 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 C.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. After taking into account the business nature and operational complexity and diversity of the Group, as well as the close supervision of and prudent approach adopted by the management, the Board believes that 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 C.2.1: The roles of chairman and chief executive should be separated and performed by two individuals

During the reporting period, the late Mr Cheong Hooi Hong was both the Chairman and chief executive officer of the Company. To avoid concentration of power and authority in any one individual, the Executive Directors have been sharing the day-to-day management of the Company's business whilst the Board is collectively responsible for formulation of objectives and strategic decisions. In addition, the Board comprises three Independent Non-executive Directors ("INEDs") with differing expertise/calibre who can provide a "check and balance" effect on the management through their high attendance at board meetings and active roles in board committees whereby ensuring a balance of power. Given consideration to the aforesaid, the Board of Directors is of the view that the structure of CEO duality 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 on the one hand while achieving an equilibrium of power on the other.

- Code Provisions C.2.2 – C.2.6 and C.2.8 – C.2.9: The board chairman should take up certain roles and responsibilities

The then Chairman was unable to perform his role as required for some time in the reporting period due to health reason. To ensure the Board working effectively and the Company running smoothly in his absence, he had delegated his functions to the Deputy Chairman (who had a close collaboration with him). Together with the mechanism mentioned in the immediately preceding paragraph and division of the Chairman's responsibilities among the Executive Directors, the Board considers that the roles and functions of the Chairman were adequately discharged. Despite it, the Board will appoint a new Chairman as soon as practicable.

- Code Provision C.6.3: The company secretary should report to the board chairman and/or the chief executive

Instead of reporting to the late Chairman (who was also the chief executive officer of the Company), the company secretary reported directly to the Deputy Chairman during the period under review. 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. Except for his absence from work due to health issue, the late Chairman had ongoing discussion and dialogue with the Deputy Chairman on business affairs, in particular corporate governance and financial issues, which enabled 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 said reporting line is apposite to the Company.

- Code Provision D.2.5: Issuer should have an internal audit function and review the need for one in case of its absence annually

At present, the Company does not have an internal audit function. The Board reviewed the need for setting up one in March 2022 and considered that there was no such an immediate need after taking into account the Group's current circumstances, such as the focused nature and geographical spread of business, the relatively simple operating structure and small size of the Group and the close involvement and supervision of the management in daily operation, which could provide sufficient risk management and internal control for the Group. Despite it, the Board has taken initiatives to promote the adequacy and effectiveness of the risk management and internal control systems by creating a control environment across the Group (such as building up a corporate culture based on sound business ethics and accountability through the implementation of whistleblowing arrangements and procedure manuals with defined roles, responsibilities and reporting lines) and putting control activities in place (such as conducting group-wide risk assessment exercise biannually). In addition, where the external auditor of the Company considers any internal controls that are relevant to the audit of the financial statements, it will report to the audit committee any significant deficiencies in internal control identified during the audit.

In view of the above considerations, together with the review result on the effectiveness of the existing control mechanism and the potential cost to be involved, the Board is of the opinion that it is not cost effective to set up and maintain an internal audit function for the time being. Nonetheless, the Board will review the need for one on an annual basis.

- Code Provision E.1.1: The remuneration committee should consult the chairman and/or chief executive about other executive directors' remuneration proposals

Since the Chairman, also being the chief executive officer of the Company, was absent from work since July 2022 and the casual vacancies arising from his passing away have not been filled, the remuneration committee (whose members are all INEDs and authorised to fix the remuneration packages of Executive Directors based on the several factors set out in the Company's remuneration policy) only consulted the Deputy Chairman (who had been delegated to tentatively take up the role of Chairman) about the remuneration proposals for other Executive Directors. To rectify the situation, the Company will identify suitable person(s) to take up the roles of Chairman and chief executive officer as soon as practicable.

- Code Provision E.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 all INEDs and 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 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.2.2: The chairman of the board should attend the annual general meeting (“AGM”) and invite the chairmen of the audit, remuneration and nomination committees to attend

Mr Cheong Hooi Hong, who was the then Chairman of the Board and chairman of the nomination committee, did not attend the Company’s AGM held on 9 September 2022 due to health reason. To ensure smooth proceeding of the AGM and answer questions from shareholders, in particular those in relation to the nomination committee, the Deputy Chairman took the chair of the meeting in accordance with the Articles of Association of the Company and all other Directors, including those who were the nomination committee members, were present at the AGM either in person or by electronic means.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules as its code for dealing in securities in the Company by its Directors (“Model Code”). Specific enquiry has been made to all Directors of the Company (except the late Chairman) as to whether they have complied with or whether there has been any non-compliance with the Model Code, and the Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 September 2022.

COMPLIANCE WITH RULE 3.27A OF THE LISTING RULES

Following the passing away of Mr Cheong Hooi Hong, who was the chairman of the nomination committee, on 11 October 2022, the Company is not in compliance with Rule 3.27A of the Listing Rules, which stipulates that a listed company must establish a nomination committee chaired by the Chairman of the Board or an INED. To fulfill the said requirement, the Company will appoint a new chairman of the nomination committee as soon as practicable and in any event within 3 months from 11 October 2022.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (http://aihl.etnet.com.hk/eng/ca_calendar.php). The interim report for the six months ended 30 September 2022 which contains all information required by the Listing Rules will be despatched to members of the Company and made available on the above websites in due course.

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

Hong Kong, 29 November 2022

As at the date of this announcement, Mr Cheong Kheng Lim, Mr Cheong Keng Hooi, Mr Cheong Sim Lam and Miss Cheong Chong Ling are executive directors, and Mr Chow Wan Hoi, Paul, Mr Wong Yiu Tak 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.