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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 2024

(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 2024. 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	
		2024	2023
		\$'000	\$'000
Revenue	3	151,747	147,109
Cost of services		<u>(48,429)</u>	<u>(47,530)</u>
Gross profit		103,318	99,579
Other revenue	5(a)	11,438	11,209
Other net loss	5(b)	(1)	(1)
Administrative expenses		<u>(17,974)</u>	<u>(17,805)</u>
Profit from operations before valuation changes in investment properties		96,781	92,982
Valuation (losses)/gains on investment properties		<u>(568,786)</u>	<u>382,400</u>
(Loss)/profit from operations after valuation changes in investment properties		(472,005)	475,382
Finance costs	6(a)	<u>(5,496)</u>	<u>(5,363)</u>
(Loss)/profit before taxation	6	(477,501)	470,019
Income tax	7	<u>(13,373)</u>	<u>(12,931)</u>
(Loss)/profit and total comprehensive income for the period attributable to equity shareholders of the Company		<u>(490,874)</u>	<u>457,088</u>
(Loss)/earnings per share – basic and diluted	9	<u>\$(1.36)</u>	<u>\$1.27</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 2024		At 31 March 2024	
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Fixed assets					
– Investment properties			7,072,640		7,639,700
– Other properties, plant and equipment			46,538		48,521
			<u>7,119,178</u>		<u>7,688,221</u>
Current assets					
Accounts receivable, deposits and prepayments	10	117,141		113,786	
Pledged bank deposits		9,110		9,302	
Cash and cash equivalents		591,115		506,522	
			<u>717,366</u>		<u>629,610</u>
Current liabilities					
Other payables and accruals	11	29,972		23,858	
Deposits received		105,265		110,553	
Provision for long service payments		2,887		2,556	
Dividends payable		90,000		–	
Current tax payable		6,055		1,747	
			<u>234,179</u>		<u>138,714</u>
Net current assets			<u>483,187</u>		<u>490,896</u>
Total assets less current liabilities			<u>7,602,365</u>		<u>8,179,117</u>
Non-current liabilities					
Bank loan – secured		200,000		200,000	
Government lease premiums payable		1,408		1,408	
Deferred tax liabilities		125,526		121,404	
			<u>326,934</u>		<u>322,812</u>
NET ASSETS			<u>7,275,431</u>		<u>7,856,305</u>
CAPITAL AND RESERVES					
Share capital			360,000		360,000
Reserves			6,915,431		7,496,305
TOTAL EQUITY			<u>7,275,431</u>		<u>7,856,305</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 2024, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the year ending 31 March 2025. 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 2024 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 2024 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 new or amended 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 HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current*
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants*

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 only one customer (2023: one customer) with whom transactions have exceeded 10% of the Group's revenue. During the period, revenue from this customer amounted to approximately \$18,182,000 (2023: \$19,416,000).

4. Segment information

The Group has a single reportable segment which is "Property leasing". Accordingly, the business segment information for this sole reportable segment is equivalent to the consolidated figures.

No separate geographical information is presented as the Group's revenue and results of property leasing were derived from Hong Kong.

5. Other revenue and net loss

	Six months ended 30 September	
	2024	2023
	\$'000	\$'000
(a) Other revenue		
Interest income	10,459	10,515
Management fee received from holding company	600	600
Others	379	94
	<u>11,438</u>	<u>11,209</u>
(b) Other net loss		
Net loss on disposals of fixed assets	<u>(1)</u>	<u>(1)</u>

6. (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging:

	Six months ended 30 September	
	2024	2023
	\$'000	\$'000
(a) Finance costs		
Interest on bank loan	5,354	5,220
Other borrowing costs	125	125
Interest on government lease premiums payable	17	18
	<u>5,496</u>	<u>5,363</u>
(b) Other items		
Depreciation charge	2,185	2,296
Impairment losses on accounts receivable	<u>2,039</u>	<u>1,095</u>

7. Income tax

	Six months ended 30 September	
	2024	2023
	\$'000	\$'000
Current tax		
Hong Kong Profits Tax	9,251	8,817
Deferred tax		
Origination and reversal of temporary differences	4,122	4,114
	<u>13,373</u>	<u>12,931</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2023: 16.5%) of the estimated assessable profits for the six months ended 30 September 2024, 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 2023.

8. Dividends

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

	Six months ended 30 September	
	2024	2023
	\$'000	\$'000
Interim dividend declared after the interim period of \$0.16 per share (2023: \$0.16 per share)	<u>57,600</u>	<u>57,600</u>

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	
	2024	2023
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of \$0.25 per share (year ended 31 March 2023: \$0.23 per share)	<u>90,000</u>	<u>82,800</u>

9. (Loss)/earnings per share – basic and diluted

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of \$490,874,000 (2023: a profit of \$457,088,000) and 360,000,000 (2023: 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 2024 and 2023.

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
	2024	2024
	\$'000	\$'000
Current (Note)	102,297	89,028
Less than 1 month past due	1,142	5,636
1 to 3 months past due	861	4,554
More than 3 months but less than 12 months past due	402	1,159
More than 12 months past due	2,492	3,519
Amounts past due	4,897	14,868
Total accounts receivable, net of allowance for credit losses	107,194	103,896
Deposits and prepayments	9,947	9,890
	117,141	113,786

Note: The amount includes the receivable for lease incentives of \$100,168,000 (31 March 2024: \$88,593,000) 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 \$0.16 per share (2023: \$0.16 per share) will be paid on Wednesday, 8 January 2025 to members whose names appear on the register of members of the Company on Wednesday, 18 December 2024. The register of members of the Company will be closed for the purpose of determining entitlement to the said interim dividend from Monday, 16 December 2024 to Wednesday, 18 December 2024, 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 Friday, 13 December 2024.

BUSINESS REVIEW AND COMMENTARY

- The Group achieved a profit from operations before valuation changes in investment properties of \$96.8 million for the half year ended 30 September 2024, representing an increase of approximately 4.1% compared with the corresponding period of last year. The increase was mainly due to increase 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 2024 amounted to \$568.8 million, compared with the net valuation gains of \$382.4 million for the corresponding period of last year. The valuation changes 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 \$490.9 million for the half year ended 30 September 2024, compared with a profit attributable to equity shareholders of \$457.1 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 \$150.5 million for the half year ended 30 September 2024, representing an increase of approximately 3.2% compared with the corresponding period of last year. The occupancy rate at 30 September 2024 was approximately 77.0% (30 September 2023: 80.0%).
- The total equity for the Group at 30 September 2024 was \$7,275.4 million, compared with \$7,856.3 million at 31 March 2024.
- 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. With the agreement of the lending bank, the facilities have been further extended for two additional years to 8 October 2026. At 30 September 2024, the banking facilities were utilised to the extent of \$200 million (31 March 2024: \$200 million) and the Group's gearing ratio (calculated as total bank loans divided by total equity) was 2.7% (31 March 2024: 2.5%).

- At 30 September 2024, 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 36 (30 September 2023: 35) and the related costs incurred during the period were approximately \$13.1 million (30 September 2023: \$12.5 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 2024 which necessitates additional disclosure to that made herein.

OUTLOOK

With the change in consumption patterns of local residents and visitors, despite the various initiatives introduced by the Hong Kong government to boost market sentiment, the business environment remains challenging for retail and catering sectors. The management will continue to take appropriate measures to cope with current situation. It is expected that the rental income from iSQUARE and the results from operations of the Group for the second half year would remain stable.

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 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company throughout the six months ended 30 September 2024 complied with all the code provisions, where applicable, set out in Part 2 of the Corporate Governance Code in Appendix C1 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

The roles of the Chairman and chief executive officer of the Company are taken up by the same person. 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 the current 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 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 2024 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 policy 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.1.5: 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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 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 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 2024.

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 2024 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, 28 November 2024

As at the date of this announcement, Mr Cheong Kheng Lim, Mr Cheong Keng Hooi, Mr Cheong Sim Lam, Ms Cheong Chong Ling, Mr Cheong Tiong Ham and Mr Cheong Chin Hong Rodney 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.