



**Interim Report  
2006 - 2007**

**Miramar Hotel and Investment Co Ltd**

## CORPORATE INFORMATION

Chairman:	@ * <b>Dr LEE Shau Kee</b> , <i>DBA (Hon), DSSc (Hon), LLD (Hon)</i>
Vice Chairmen:	†@ # <b>Dr David SIN Wai Kin</b> , <i>DSSc (Hon)</i> △ <b>Mr WOO Kim Phoe</b>
Directors:	†△ <b>Dr Patrick FUNG Yuk Bun</b> †△ <b>Mr Dominic CHENG Ka On</b> >@ * <b>Mr Richard TANG Yat Sun</b> , <i>MBA, BBS, JP</i> > * <b>Mr Colin LAM Ko Yin</b> , <i>BSc, ACIB, MBIM, FCILT</i> > * <b>Mr Eddie LAU Yum Chuen</b> △ <b>Mr Tony NG</b> > * <b>Mr Norman HO Hau Chong</b> , <i>BA, ACA, FCPA</i> △ <b>Mr Howard YEUNG Ping Leung</b> > * <b>Mr LEE Ka Shing</b> △ <b>Mr Thomas LIANG Cheung Bui</b> , <i>BA, MBA</i> †@ # <b>Mr WU King Cheong</b> , <i>BBS, JP</i> △ <b>Mr Alexander AU Siu Kee</b> , <i>OBE, FCCA, FCPA, FCIB, FHKIB</i> †@ # <b>Mr Timpson CHUNG Shui Ming</b> , <i>GBS, JP</i> > * <b>Mr Peter YU Tat Kong</b> , <i>BSc, MBA, CA, CHA</i>
Managing Director:	<b>Mr LEE Ka Shing</b> ( <i>appointed on 1 August 2006</i> )
Group General Manager:	<b>Mr Peter YU Tat Kong</b> , <i>BSc, MBA, CA, CHA</i>
Qualified Accountant:	<b>Mr Peter YU Tat Kong</b> , <i>BSc, MBA, CA, CHA</i>
Corporate Secretary:	<b>Mr Charles CHU Kwok Sun</b>
Auditors:	<b>KPMG</b> <i>Certified Public Accountants</i>
Principal Bankers:	<b>The Hongkong &amp; Shanghai Banking Corporation Limited</b> <b>Hang Seng Bank Limited</b> <b>Wing Lung Bank Limited</b>
Share Registrar:	<b>Computershare Hong Kong Investor Services Limited</b> <b>17th Floor, Hopewell Centre, 183 Queen's Road East,</b> <b>Hong Kong</b>
Registered Office:	<b>118-130 Nathan Road, Kowloon, Hong Kong</b>
Website:	<b><a href="http://www.miramar-group.com">http://www.miramar-group.com</a></b>

\* *executive directors*

△ *non-executive directors*

# *independent non-executive directors*

† *members of the Audit Committee, of which Mr Timpson Chung Shui Ming is the Chairman*

@ *members of the Remuneration Committee, of which Dr Lee Shau Kee is the Chairman*

> *members of the General Purpose Committee*

The Directors of Miramar Hotel & Investment Co., Ltd. (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2006. These interim results have not been audited but have been reviewed by both the Company’s auditors and the Company’s audit committee. The independent review report of the auditors is attached.

**CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006 - UNAUDITED**

		<b>Six months ended 30 September</b>	
		<b>2006</b>	2005
	Note	<b>HK\$'000</b>	HK\$'000
<b>Turnover</b>	2	<b>664,982</b>	635,947
<b>Other revenue</b>	3	<b>18,749</b>	12,188
<b>Other net loss</b>	3	<b>—</b>	(650)
Tour and ticketing costs		<b>(178,803)</b>	(137,121)
Cost of properties under development		<b>—</b>	(8,203)
Cost of inventories		<b>(58,005)</b>	(58,063)
Staff costs		<b>(115,228)</b>	(109,696)
Depreciation and amortisation		<b>(18,606)</b>	(18,611)
Utilities, repairs and maintenance and rent		<b>(50,718)</b>	(49,821)
Operating and other expenses		<b>(65,961)</b>	(47,405)
Net increase in fair value of investment properties	7(a)	<b>313,957</b>	218,352
<b>Profit from operations</b>	2	<b>510,367</b>	436,917
<b>Finance costs</b>		<b>(20,616)</b>	(16,786)
<b>Share of profits less losses of associates</b>		<b>1,712</b>	2,086
<b>Profit before taxation</b>		<b>491,463</b>	422,217
<b>Income tax</b>	4		
Current tax		<b>(37,124)</b>	(44,388)
Deferred tax - properties revaluation		<b>(54,576)</b>	(36,142)
Deferred tax - others		<b>(12,940)</b>	(8,584)
<b>Profit for the period</b>		<b>386,823</b>	333,103
<b>Attributable to:</b>			
Shareholders of the Company	10	<b>389,490</b>	327,744
Minority interests	10	<b>(2,667)</b>	5,359
		<b>386,823</b>	333,103
<b>Interim dividend declared after the interim period end</b>	5(a)	<b>86,585</b>	86,585
<b>Basic earnings per share</b>	6	<b>67.5 ¢</b>	56.8 ¢
<b>Interim dividend per share</b>		<b>15.0 ¢</b>	15.0 ¢

The notes on pages 6 to 16 form part of this interim financial report.

**CONSOLIDATED BALANCE SHEET  
AT 30 SEPTEMBER 2006 - UNAUDITED**

	30 September 2006 Note <b>HK\$'000</b>	31 March 2006 HK\$'000
<b>NON-CURRENT ASSETS</b>		
Fixed assets	7 <b>7,723,354</b>	7,422,044
Other non-current assets	<b>41,624</b>	53,167
	<u><b>7,764,978</b></u>	<u>7,475,211</u>
<b>CURRENT ASSETS</b>		
Properties under development	<b>226,768</b>	185,551
Inventories	<b>86,991</b>	89,887
Trade and other receivables	8 <b>122,289</b>	103,878
Restricted cash	<b>44</b>	47
Cash and bank balances	<b>469,695</b>	451,225
	<u><b>905,787</b></u>	<u>830,588</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	9 <b>(321,935)</b>	(304,497)
Current portion of interest-bearing borrowings	<b>(125,000)</b>	(125,000)
Bank overdrafts	<b>—</b>	(357)
Sales and rental deposits received	<b>(103,486)</b>	(71,682)
Tax payable	<b>(36,905)</b>	(22,804)
	<u><b>(587,326)</b></u>	<u>(524,340)</u>
<b>NET CURRENT ASSETS</b>	<u><b>318,461</b></u>	<u>306,248</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u><b>8,083,439</b></u>	<u>7,781,459</u>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing borrowings	<b>(689,902)</b>	(696,000)
Deferred liabilities	<b>(68,613)</b>	(70,586)
Deferred tax liabilities	<b>(1,081,357)</b>	(1,023,976)
	<u><b>(1,839,872)</b></u>	<u>(1,790,562)</u>
<b>NET ASSETS</b>	<u><b>6,243,567</b></u>	<u>5,990,897</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>404,062</b>	404,062
Reserves	<b>5,785,799</b>	5,535,640
<b>TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>	<u><b>6,189,861</b></u>	<u>5,939,702</u>
Minority interests	<b>53,706</b>	51,195
<b>TOTAL EQUITY</b>	10 <u><b>6,243,567</b></u>	<u>5,990,897</u>

The notes on pages 6 to 16 form part of this interim financial report.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006 - UNAUDITED**

		<b>Six months ended 30 September</b>	
		<b>2006</b>	2005
	Note	<b>HK\$'000</b>	HK\$'000
<b>TOTAL EQUITY AT 1 APRIL</b>			
Attributable to:			
Shareholders of the Company	10	<b>5,939,702</b>	4,984,911
Minority interests	10	<b>51,195</b>	10,718
		<u><b>5,990,897</b></u>	<u>4,995,629</u>
<b>NET (EXPENSE)/ INCOME RECOGNISED DIRECTLY IN EQUITY:</b>			
Changes in fair value of available-for-sale securities	10	<b>(145)</b>	(4,753)
Exchange differences on translation of the financial statements of overseas subsidiaries	10	<b>(1,122)</b>	7,329
Net (expense)/income for the period recognised directly in equity		<u><b>(1,267)</b></u>	<u>2,576</u>
<b>NET PROFIT FOR THE PERIOD</b>	10	<u><b>386,823</b></u>	<u>333,103</u>
<b>TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD</b>			
		<u><b>385,556</b></u>	<u>335,679</u>
Attributable to:			
Shareholders of the Company		<b>388,695</b>	328,551
Minority interests		<b>(3,139)</b>	7,128
		<u><b>385,556</b></u>	<u>335,679</u>
Increase in shareholdings in subsidiaries	10	<u><b>5,650</b></u>	—
Dividends approved and paid during the year	5(b) & 10	<u><b>(138,536)</b></u>	<u>(126,991)</u>
<b>TOTAL EQUITY AT 30 SEPTEMBER</b>		<u><b>6,243,567</b></u>	<u>5,204,317</u>

The notes on pages 6 to 16 form part of this interim financial report.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2006 - UNAUDITED**

	<b>Six months ended 30 September</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
<b>Net cash from operating activities</b>	<b>159,653</b>	137,344
<b>Net cash from investing activities</b>	<b>1,415</b>	722
<b>Net cash used in financing activities</b>	<b>(142,241)</b>	(179,597)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>18,827</b>	(41,531)
<b>Cash and cash equivalents at 1 April</b>	<b>450,868</b>	294,269
<b>Cash and cash equivalents at 30 September</b>	<b>469,695</b>	252,738
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<b>469,695</b>	252,738

The notes on pages 6 to 16 form part of this interim financial report.

## NOTES ON THE UNAUDITED INTERIM FINANCIAL REPORT

### 1 SIGNIFICANT ACCOUNTING POLICIES

#### **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 issuance on 29 November 2006.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2006, except for the adoption of certain new standards, amendments and interpretations issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2006. The adoption of the new standards, amendments and interpretations had no material effect on the Group’s results of operation and financial position.

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 2006 annual financial statements. 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.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 26.

The financial information relating to the financial year ended 31 March 2006 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2006 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 June 2006.

## 2 TURNOVER AND SEGMENTAL INFORMATION

Segmental information is presented in respect of the Group's business and geographic segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

### Business Segments

The Group comprises the following main business segments:

- Property investment : The leasing of office and retail premises to generate rental income and to gain from the appreciation in properties' values in the long term.
- Property development and sales : The development, purchase and sale of commercial and residential properties.
- Hotel ownership and management : The operation of hotel and provision of hotel management services.
- Food and beverage operation : The operation of restaurants.
- Travel operation : The operation of travel agency services.

### Six months ended 30 September 2006

	Property investment HK\$'000	Property development and sales HK\$'000	Hotel ownership and management HK\$'000	Food and beverage operation HK\$'000	Travel operation HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Revenue from external customers	196,431	2,711	169,925	94,853	201,062	—	664,982
Inter-segment revenue	7,248	—	1,941	—	233	(9,422)	—
Other revenue from external customers	<u>1,122</u>	<u>12</u>	<u>1,705</u>	<u>657</u>	<u>2,136</u>	<u>—</u>	<u>5,632</u>
<b>Total</b>	<u><u>204,801</u></u>	<u><u>2,723</u></u>	<u><u>173,571</u></u>	<u><u>95,510</u></u>	<u><u>203,431</u></u>	<u><u>(9,422)</u></u>	<u><u>670,614</u></u>
Contribution from operations	155,185	(9,642)	71,671	(1,400)	(1,292)	—	214,522
Net increase in fair value of investment properties	313,957	—	—	—	—	—	313,957
Unallocated operating income and expenses							<u>(18,112)</u>
Profit from operations							510,367
Finance costs							(20,616)
Share of profits less losses of associates	121	(503)	1,968	126	—	—	1,712
Income tax							<u>(104,640)</u>
<b>Profit for the period</b>							<u><u>386,823</u></u>



## 2 TURNOVER AND SEGMENTAL INFORMATION (CONTINUED)

### Business segments (continued)

Six months ended 30 September 2005

	Property investment HK\$'000	Property development and sales HK\$'000	Hotel ownership and management HK\$'000	Food and beverage operation HK\$'000	Travel operation HK\$'000	Inter- segment elimination HK\$'000	Consolidated HK\$'000
Revenue from external customers	172,630	66,459	148,887	90,517	157,454	—	635,947
Inter-segment revenue	6,959	—	2,086	—	228	(9,273)	—
Other revenue from external customers	1,580	14	1,442	632	893	—	4,561
<b>Total</b>	<u>181,169</u>	<u>66,473</u>	<u>152,415</u>	<u>91,149</u>	<u>158,575</u>	<u>(9,273)</u>	<u>640,508</u>
Contribution from operations	132,483	54,052	60,779	(3,043)	(3,349)	—	240,922
Net increase in fair value of investment properties	218,352	—	—	—	—	—	218,352
Unallocated operating income and expenses							(22,357)
Profit from operations							436,917
Finance costs							(16,786)
Share of profits less losses of associates	159	(420)	1,828	519	—	—	2,086
Income tax							(89,114)
Profit for the period							<u>333,103</u>

### Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Six months ended 30 September 2006

	The Hong Kong Special Administrative Region HK\$'000	The People's Republic of China HK\$'000	The United States of America HK\$'000	Consolidated HK\$'000
Revenue from external customers	<u>635,352</u>	<u>29,630</u>	<u>—</u>	<u>664,982</u>

Six months ended 30 September 2005

	The Hong Kong Special Administrative Region HK\$'000	The People's Republic of China HK\$'000	The United States of America HK\$'000	Consolidated HK\$'000
Revenue from external customers	<u>544,318</u>	<u>31,702</u>	<u>59,927</u>	<u>635,947</u>

### 3 OTHER REVENUE AND NET LOSS

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
<b>Other revenue</b>		
Interest income	5,814	2,923
Forfeited deposits	20	1,172
Sundry income	12,915	8,093
	<u>18,749</u>	<u>12,188</u>
<b>Other net loss</b>		
Loss on disposal of investment properties	—	650
	<u>—</u>	<u>650</u>

### 4 INCOME TAX

Income tax in the consolidated income statement represents:

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
<b>Current tax - Hong Kong Profits Tax</b>		
Provision for the period	27,851	21,144
<b>Current tax - Overseas</b>		
Provision for the period	9,273	23,244
<b>Deferred tax</b>		
Origination and reversal of temporary differences	67,516	44,726
	<u>104,640</u>	<u>89,114</u>

#### 4 INCOME TAX (CONTINUED)

Provision for Hong Kong Profits Tax is calculated at 17.5% (2005: 17.5%) on the estimated assessable profit for the period.

Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax.

Share of associates' taxation for the six months ended 30 September 2006 of HK\$386,000 (2005: HK\$362,000) is included in the share of profits less losses of associates.

#### 5 DIVIDENDS

##### (a) Dividend attributable to the interim period:

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Interim dividend declared after the interim period end of 15 cents per share (2005: 15 cents per share)	<u>86,585</u>	<u>86,585</u>

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

##### (b) Dividend attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 24 cents per share (2005: 22 cents per share)	<u>138,536</u>	<u>126,991</u>

## **6 BASIC EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the Group's profit attributable to ordinary shareholders of HK\$389,490,000 (2005: HK\$327,744,000) and 577,231,252 shares (2005: 577,231,252 shares) in issue during the period.

## **7 FIXED ASSETS**

### **(a) Investment Properties**

Investment properties of the Group were revalued at 30 September 2006 on an open market value basis calculated by reference to net rental income allowing for reversionary income potential. The investment properties were revalued by the directors with reference to the valuations carried out by an independent firm of surveyors, DTZ Debenham Tie Leung Limited, who has among its staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. During the period, the net increase in fair value of investment properties was HK\$313,957,000 (2005: HK\$218,352,000).

### **(b) Hotel Property**

Hotel property with net book value of HK\$51,969,000 was valued at 30 September 2006 by the directors with reference to a valuation carried out by an independent firm of surveyors, DTZ Debenham Tie Leung Limited, who has among its staff Fellows of the Hong Kong Institute of Surveyors, on an open market value basis at HK\$2,529,282,000 (as at 31 March 2006: HK\$2,522,184,000). The valuation of hotel property is for information purpose only and has not been incorporated in the interim financial report.

## 8 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors (net of impairment losses for bad and doubtful debts) with the following ageing analysis:

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
0 to 3 months overdue	<b>51,530</b>	42,277
More than 3 months overdue	<b>8,592</b>	10,558
Trade receivables	<b>60,122</b>	52,835
Other receivables	<b>62,167</b>	51,043
	<b><u>122,289</u></b>	<u>103,878</u>

All of the trade and other receivables are expected to be recovered within one year.

The Group has a defined credit policy. The general credit terms allowed range from 7 to 60 days. Debtors with balances that are more than 60 days overdue are generally required to settle all outstanding balances before any further credits is granted.

## 9 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables with the following ageing analysis:

	<b>30 September 2006 HK\$'000</b>	31 March 2006 HK\$'000
Due within 3 months or on demand	<b>44,916</b>	39,035
Due after 3 months but within 6 months	<b>3,475</b>	3,165
Trade payables	<b>48,391</b>	42,200
Other payables	<b>111,803</b>	101,849
Amounts due to minority shareholders of subsidiaries	<b>161,741</b>	160,448
	<b>321,935</b>	304,497

All of the trade and other payables are expected to be settled within one year.

Amounts due to minority shareholders of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

## 10 TOTAL EQUITY

Note	Share Capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Investment			Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000	
					General reserve HK\$'000	revaluation reserve HK\$'000	Retained profits HK\$'000				
At 1 April 2005	404,062	287,628	(149,316)	4,409	304,827	(32,198)	4,165,499	4,984,911	10,718	4,995,629	
Dividend in respect of the previous year approved and paid during the period	5(b)	—	—	—	—	—	(126,991)	(126,991)	—	(126,991)	
Reclassification		—	—	48,535	—	—	(48,535)	—	—	—	
Exchange differences on translation of financial statements of overseas subsidiaries		—	—	—	5,635	—	—	5,635	2,291	7,926	
Changes in fair value of available-for-sale securities		—	—	—	—	(6,700)	—	(6,700)	—	(6,700)	
Profit for the year		—	—	—	—	—	1,169,432	1,169,432	38,186	1,207,618	
Dividends declared in respect of the current year	5(a)	—	—	—	—	—	(86,585)	(86,585)	—	(86,585)	
At 31 March 2006		<u>404,062</u>	<u>287,628</u>	<u>(100,781)</u>	<u>10,044</u>	<u>304,827</u>	<u>(38,898)</u>	<u>5,072,820</u>	<u>5,939,702</u>	<u>51,195</u>	<u>5,990,897</u>
At 1 April 2006		<u>404,062</u>	<u>287,628</u>	<u>(100,781)</u>	<u>10,044</u>	<u>304,827</u>	<u>(38,898)</u>	<u>5,072,820</u>	<u>5,939,702</u>	<u>51,195</u>	<u>5,990,897</u>
Dividend in respect of the previous year approved and paid during the period	5(b)	—	—	—	—	—	(138,536)	(138,536)	—	(138,536)	
Increase in shareholdings in subsidiaries		—	—	—	—	—	—	—	5,650	5,650	
Exchange differences on translation of financial statements of overseas subsidiaries		—	—	—	(650)	—	—	(650)	(472)	(1,122)	
Changes in fair value of available-for-sale securities		—	—	—	—	—	(145)	(145)	—	(145)	
Profit/(loss) for the period		—	—	—	—	—	389,490	389,490	(2,667)	386,823	
At 30 September 2006		<u>404,062</u>	<u>287,628</u>	<u>(100,781)</u>	<u>9,394</u>	<u>304,827</u>	<u>(39,043)</u>	<u>5,323,774</u>	<u>6,189,861</u>	<u>53,706</u>	<u>6,243,567</u>

## 11 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 September 2006 not provided for in the interim financial report were as follows:

	<b>The Group</b>	
	<b>At 30 September 2006 HK\$'000</b>	<b>At 31 March 2006 HK\$'000</b>
Contracted for:		
- Future expenditure relating to properties	<b>28,533</b>	5,596
Authorised but not contracted for	<b>—</b>	1,804
	<b><u>28,533</u></b>	<b><u>7,400</u></b>

## 12 MATERIAL RELATED PARTY TRANSACTIONS

- (a) The Group incurred a fee of HK\$681,000 (2005: HK\$681,000) to a subsidiary of its major shareholder for the provision of property agency services to the Group's investment properties in Hong Kong which was calculated at a certain percentage of the gross rental income from the Group's investment properties during the period.

The Group's travel division provides agency services to certain subsidiaries and associates of its major shareholder. Total agency fee receivable for the period amounted to HK\$6,037,000 (2005: HK\$7,208,000) in respect of air ticket booking, hotel accommodation and hire car services under similar terms it provides to other customers.



## 12 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

The amounts due to these companies at the period end amounted to HK\$4,493,000 (as at 31 March 2006: HK\$4,130,000).

The Group's travel division receives agency services from associates of its major shareholder in respect of air ticket booking and hotel accommodation under similar terms it receives from other suppliers. Services fees paid to these associates for the period amounted to HK\$198,000 (2005: HK\$137,000). The amounts due to these associates at the period end amounted to HK\$39,000 (as at 31 March 2006: HK\$32,000)

- (b) The Group provides hotel management services to certain associates which run hotel operations in the People's Republic of China and Hong Kong. Total management fees receivable for the period amounted to HK\$2,441,000 (2005: HK\$2,336,000) which were calculated at a certain percentage of the respective associates' revenue for the period. The net amounts due from these associates at the period end amounted to HK\$6,954,000 (as at 31 March 2006: HK\$8,089,000).
- (c) The Company and its wholly-owned subsidiaries provided loans to certain associates totaling HK\$420,000 (2005: HK\$445,000) during the period. Such loans are unsecured, non-interest bearing and repayable on demand. The amounts due from these associates at the period end amounted to HK\$22,516,000 (as at 31 March 2006: HK\$22,096,000).
- (d) The Group entered into leases with subsidiaries of its major shareholder for the leasing of a Group's premises in Hong Kong, under normal commercial terms it offers to other tenants, during the period. Total rental and building management fee received for the period amounted to HK\$1,583,000 (2005: HK\$377,000). The amount due from these companies at the period end amounted to HK\$10,000 (as at 31 March 2006: HK\$3,000).
- (e) The Group entered into a lease agreement with an associate of its major shareholder for the leasing of Shop Nos.3101-3107 on Level Three of ifc Mall under normal commercial terms. Total rental and building management fee expense for the period amounted to HK\$5,129,000 (2005: HK\$4,623,000) including contingent rental of HK\$695,000 (2005: HK\$589,000). There was no balance due from/to that associate at 30 September 2006 and 31 March 2006.

## **INTERIM DIVIDEND**

The Directors declare the payment of an interim dividend of 15 cents per share in respect of the financial year ending 31 March 2007 to shareholders listed on the Register of Members on 3 January 2007. Dividend warrants will be despatched by mail to shareholders on or about 10 January 2007.

## **CLOSING OF THE REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 22 December 2006 to 3 January 2007, both dates inclusive. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Registrar of the Company, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on Thursday, 21 December 2006.

## **CHAIRMAN'S REVIEW OF OPERATIONS AND PROSPECTS**

The Group's unaudited profit attributed to shareholders amounted to HK\$389,490,000 for the six-month period ended 30 September 2006, an increase of 19% as compared to the same period last year.

### **Business Overview**

During the period under review, Hong Kong's economy generally has been buoyant. Corporate profitability and general salary level experienced healthy increases. The higher propensity towards investment and spending has favourably pushed up the market demand for office and retail space. Hotel room rates also registered double-digit increment while occupancy remained high. As a result, operating performance of our core businesses recorded satisfactory improvement.

### **Hotel Operations**

Business activities in the greater China region continued to experience high growth. The increases in in-bound visitors from mainland China as well as other countries continued to be notable. Hotel Miramar recorded a 20% increment in the average room rate over the same period last year while maintaining an average occupancy rate at 90%. It is planned that the Hotel will undergo a major renovation programme by phases to refurbish the hotel facade, lobby, the ballroom and selected floors of guest rooms. The Hotel food and beverage operations also recorded satisfactory results. On the hotel management business side, the seven other hotels/serviced apartments operated by the Group reported steady performance.

## **Property Business**

Miramar Shopping Centre and Hotel Miramar Shopping Arcade, the composite mall situated in the heart of the tourist and shopping areas in Tsim Sha Tsui, has started to upgrade its market positioning and image by deploying new tenant mix since last year. Refurbishment of Miramar Shopping Centre has been completed at the end of November. Average rental rate for renewals and new leases concluded during the period went up by approximately 35% compared with expired leases; and average occupancy stayed at about 90%. For the office tower, the average rental rate for renewals and new leases concluded during the period also showed a remarkable growth of more than 80% compared with expired leases with an average occupancy rate close to 90%. This was attributed to the fact that most of the expired leases with lower rentals were concluded when the market was in recession. In short, the overall rental revenue achieved considerable growth.

Our Group, together with the developer of Tung Ying Building site, entered into an agreement with the MTR Corporation, to jointly build a pedestrian tunnel connecting the Tsim Sha Tsui MTR Station to Miramar Shopping Centre, Hotel Miramar and the new building on Tung Ying Building site. We are also in the planning stage to carry out a major renovation, with the intention to link up the Miramar Shopping Centre and Hotel Miramar Shopping Arcade, coinciding with the construction of the pedestrian tunnel.

Due to a general slowdown in the US property market, the Group's land-sale project at Placer County, California, U.S. recorded no transaction during the period.

## **Food and Beverage Operations**

The overall food and beverage operations registered steady profit growth. During the period under review, the Group focused on developing high performing outlets, consolidating revenue growth as well as imposing stringent cost control. Cuisine Cuisine and Lumiere, the premier restaurant duo launched for more than a year, staged a healthy performance and became widely patronized during the period.

## **Travel Business**

Our travel business made strong progress. New package tours and itineraries have been introduced and recorded substantial growth in the number of customers. The commercial travel department has also gained more business from government sector and commercial organizations, resulting in satisfactory financial performance. The cruise department was appointed as the Hong Kong General Agent for OCEANIA, a leading cruise company in Europe, making significant progress in our growing cruise business.

## **Managing Director**

Since his appointment as a director in 2004, Mr Lee Ka Shing has been active in the strategizing of the Group's corporate direction. In steering the Group's future expansion and strengthening the organization, the Board appointed Mr Lee as the Group's Managing Director on 1 August 2006. In his latest capacity, Mr Lee has been providing resourceful insights and contributions on major business operations.

## **Prospects**

The economic outlook of developed countries around the world remains positive and sound. As one of the key hubs in the greater China region, Hong Kong continues to develop the economy with its flexibility and competence. The Board of Directors will consider appropriate allocation of resources to enhance various Group's assets by stages, with the view to further improve the operating efficiency and returns to shareholders. The Board of Directors is confident that, barring unforeseen circumstances, the Group shall continue to achieve satisfactory results throughout this financial year.

## DISCLOSURE OF INTERESTS

### Directors' Interests in Shares

As at 30 September 2006, the interests and short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures 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 under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Company	Name of Director	Personal Interests	Family Interests	Corporate Interests	Other Interests	Percentage of total issued shares
Miramar Hotel And Investment Company, Limited	Dr LEE Shau Kee	—	—	255,188,250 <i>(note 1)</i>	—	44.21%
	Dr David SIN Wai Kin	4,158,000	—	—	—	0.72%
	Mr WOO Kim Phoe	11,426,400	—	—	—	1.98%
	Dr Patrick FUNG Yuk Bun	—	—	—	8,426,710 <i>(note 2)</i>	1.46%
	Mr Dominic CHENG Ka On	7,774,640	4,000	—	—	1.35%
	Mr Richard TANG Yat Sun	125,000	—	11,241,900 <i>(note 3)</i>	—	1.97%
	Mr Thomas LIANG Cheung Bui	—	1,080,000 <i>(note 4)</i>	—	—	0.19%
	Mr LEE Ka Shing	—	—	—	255,188,250 <i>(note 11)</i>	44.21%
Booneville Company Limited	Dr LEE Shau Kee	—	—	2 <i>(note 5)</i>	—	100%
	Mr LEE Ka Shing	—	—	—	2 <i>(note 5)</i>	100%
Fook Po Enterprises Company Limited	Dr LEE Shau Kee	270	—	—	—	9.80%
	Dr David SIN Wai Kin	225	—	—	—	8.17%
Henderson-Miramar Hotels Holdings Limited	Dr LEE Shau Kee	—	—	2 <i>(note 6)</i>	—	100%
	Mr LEE Ka Shing	—	—	—	2 <i>(note 6)</i>	100%
Placer Holdings, Inc.	Mr Richard TANG Yat Sun	4,000	—	—	—	2%
Strong Guide Property Limited	Dr LEE Shau Kee	—	—	2 <i>(note 7)</i>	—	100%
	Mr LEE Ka Shing	—	—	—	2 <i>(note 7)</i>	100%

Save as disclosed above, as at 30 September 2006, none of the directors or the chief executive of the Company had held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

Apart from the foregoing, at no time during the period was the Company or any subsidiary a party to any arrangements to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

### Substantial Shareholders and others

The Company has been notified of the following interests in the Company's issued shares at 30 September 2006, amounting to 5% or more of the shares in issue:

Substantial Shareholders	Ordinary shares held	Percentage of total issued shares
Dr Lee Shau Kee	255,188,250 <i>(note 1)</i>	44.21%
Mr Lee Ka Shing	255,188,250 <i>(note 11)</i>	44.21%
Rimmer (Cayman) Limited ("Rimmer")	255,188,250 <i>(note 8)</i>	44.21%
Riddick (Cayman) Limited ("Riddick")	255,188,250 <i>(note 8)</i>	44.21%
Hopkins (Cayman) Limited ("Hopkins")	255,188,250 <i>(note 8)</i>	44.21%
Henderson Development Limited ("Henderson Development")	255,188,250 <i>(note 9)</i>	44.21%
Henderson Land Development Company Limited ("Henderson Land")	255,188,250 <i>(note 9)</i>	44.21%
Kingslee S.A.	255,188,250 <i>(note 10)</i>	44.21%
Henderson Investment Limited ("Henderson Investment")	255,188,250 <i>(note 10)</i>	44.21%
Aynbury Investments Limited ("Aynbury")	255,188,250 <i>(note 10)</i>	44.21%
Higgins Holdings Limited ("Higgins")	100,612,750 <i>(note 10)</i>	17.43%
Multiglade Holdings Limited ("Multiglade")	79,121,500 <i>(note 10)</i>	13.71%
Threadwell Limited ("Threadwell")	75,454,000 <i>(note 10)</i>	13.07%

### Persons other than Substantial Shareholders

Mr Chong Wing Cheong	57,587,210	9.98%
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Save as disclosed above, as at 30 September 2006, none of the above shareholders had held any interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation as defined in the SFO.

*Notes:*

- (1) Dr Lee Shau Kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins. By virtue of the SFO, Dr Lee Shau Kee is taken to be interested in 255,188,250 shares, which are duplicated in the interests described in Notes 8, 9, 10 and 11.
- (2) All these shares were held by a unit trust of which Dr Patrick Fung Yuk Bun was a beneficiary.
- (3) These shares were held through corporations in which Mr Richard Tang Yat Sun owned more than 30% of the issued share capital.
- (4) All these shares were held by a trust of which Mr Thomas Liang Cheung Biu's spouse was a beneficiary.
- (5) These 2 shares in Booneville Co Ltd were equally owned by a wholly-owned subsidiary of the Company and Henderson Land. By virtue of the SFO, Dr Lee Shau Kee and Mr Lee Ka Shing are taken to be interested in Henderson Land and the Company as set out in Notes 1, 8, 9, 10 and 11.
- (6) These 2 shares in Henderson-Miramar Hotels Holdings Ltd were equally owned by a wholly-owned subsidiary of the Company and Henderson Investment. By virtue of the SFO, Dr Lee Shau Kee and Mr Lee Ka Shing are taken to be interested in Henderson Investment and the Company as set out in Notes 1, 8, 9, 10 and 11.
- (7) These 2 shares in Strong Guide Property Ltd were equally owned by a wholly-owned subsidiary of the Company and Henderson China Holdings Ltd which was 100% held by Henderson Land. By virtue of the SFO, Dr Lee Shau Kee and Mr Lee Ka Shing are taken to be interested in Henderson Land and the Company as set out in Notes 1, 8, 9, 10 and 11.
- (8) Rimmer and Riddick, trustees of different discretionary trusts, held units in a unit trust ("Unit Trust"). Hopkins was the trustee of the Unit Trust which beneficially owned all the issued ordinary shares in the share capital of Henderson Development. These 255,188,250 shares are duplicated in the interests described in Notes 1, 9, 10 and 11.
- (9) Henderson Development had a controlling interest in Henderson Land which was the holding company of Kingslee S.A. These 255,188,250 shares are duplicated in the interests described in Notes 1, 8, 10 and 11.
- (10) Kingslee S.A., a subsidiary of Henderson Land, was the holding company of Henderson Investment. The 255,188,250 shares were beneficially owned by some of the subsidiaries of Henderson Investment. Higgins, Multiglade and Threadwell were subsidiaries of Aynbury. Aynbury was a subsidiary of Henderson Investment. These 255,188,250 shares represent the shares described in Notes 1, 8, 9 and 11.
- (11) As director of the Company and one of the discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Shing is taken to be interested in 255,188,250 shares, which are duplicated in the interests described in Notes 1, 8, 9 and 10, by virtue of the SFO.

## **CORPORATE FINANCE**

The Group maintains its conservative financial policy, with high liquidity and low gearing. Gearing, expressed as a percentage of consolidated net borrowings to the total of consolidated net borrowings and consolidated net assets, fell to 5% (at 31 March 2006: 6%) during the period.

The Group has negligible foreign currency risk, given that the majority of the financing facilities obtained by the Group are denominated in Hong Kong dollars. Interests on bank loans and borrowings of the Group are chargeable mainly based on certain agreed interest margin over the Hong Kong Interbank Offer Rate, which is therefore of floating rate in nature.

The Group has adequate lines of credit available to fund its development programme for the foreseeable future. At 30 September 2006, total available facilities amounted to HK\$1.8 billion (at 31 March 2006: HK\$1.8 billion), and 47% (at 31 March 2006: 47%) were drawn down. At 30 September 2006, consolidated net borrowings were HK\$0.3 billion (at 31 March 2006: HK\$0.4 billion), of which none was secured borrowings (at 31 March 2006: none).

## **EMPLOYEES**

As at 30 September 2006, the Company employed about 1,477 full-time employees, including 1,156 employed in Hong Kong, 317 employed in the People's Republic of China and 4 employed in the United States of America. The Company continues to adopt the performance-based approach to reward employees. Annual salary review is given basing on individual performance. Employees are also motivated through various incentive schemes and year-end bonus, which are designed on a staff contribution and departmental performance basis. At the same time, we conduct research to tap the market pulse. Employee salary is regularly reviewed with reference to factors like individual performance, job nature and market trend. As such, our employees' remuneration packages are maintained at reasonable and competitive level.



Besides providing our staff with the necessary job knowledge and skills so as to facilitate them to achieve the job more efficiently, there are other purposes that training may serve. One of them is for motivation purpose since the Company is caring of their personal development, while the other is fostering teamwork by getting together employees from different sections and divisions of the organization. The result is satisfactory and encouraging. As we believe that middle management is the bridge between senior management and the general staff, it is the beam and column of our company structure from which all our successes stem. As such, we have held five “Highly Effective Management Training” workshops this year for our middle management staff including all managers and assistant managers to attend. In the workshops, managers are trained how to achieve personal success and interpersonal success. The feedback of the program is encouraging and we believed that they should carry out their job more effectively with a more dynamic mind-set.

#### **CORPORATE GOVERNANCE**

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six-month period ended 30 September 2006, with deviations from CG Code E.1.1. According to CG Code E.1.1, persons proposed to be appointed or re-elected as directors at a general meeting should be nominated by means of a separate resolution. With the unanimous approval from the shareholders at the Company’s Annual General Meeting of 2006, the retiring directors proposed for re-election this year were nominated by means of a single resolution.

#### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the directors. Having made specific enquiry, the Company confirmed that all directors had complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the period, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
**LEE SHAU KEE**  
*Chairman*

Hong Kong, 29 November 2006



## **INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF MIRAMAR HOTEL & INVESTMENT COMPANY LIMITED**

### **INTRODUCTION**

We have been instructed by the Company to review the interim financial report set out on pages 2 to 16.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

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 interim financial report is the responsibility of, and has been approved by, the directors.

It is our responsibility to form an independent 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.

### **REVIEW WORK PERFORMED**

We conducted our review in accordance with Statement of Auditing Standards 700, Engagements to review interim financial reports issued by the Hong Kong Institute of Certified Public Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

### **REVIEW CONCLUSION**

On the basis of our review, which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2006.

### **KPMG**

Certified Public Accountants

Hong Kong, 29 November 2006