



# Melbourne Enterprises Limited



ANNUAL REPORT 2018

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# GROUP STRUCTURE

At 30 September 2018

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## PARENT COMPANY

Melbourne Enterprises Limited

## SUBSIDIARY

Iau On Company Limited

### Equity Holding

100%

### Principal Activities

Property investment

## ASSOCIATES

Chuen King Enterprises Limited

50%

Property investment

Littlejohn Company Limited

20%

Investment holding

# CORPORATE INFORMATION

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## BOARD OF DIRECTORS

### Executive Directors

Mr. Chung Ming Fai (*Chairman*)

Mr. Chung Yin Shu, Frederick

Mr. Tsang On Yip, Patrick

### Non-executive Director

Mr. Chung Wai Shu, Robert

### Independent Non-executive Directors

Dr. Fong Yun Wah, G.B.S., J.P.

Mr. Lo Pak Shiu

Mr. Yuen Sik Ming, Patrick

## COMPANY SECRETARY

Mr. Chung Yin Shu, Frederick

## AUDIT COMMITTEE

Mr. Yuen Sik Ming, Patrick (*Chairman*)

Mr. Chung Wai Shu, Robert

Dr. Fong Yun Wah, G.B.S., J.P.

Mr. Lo Pak Shiu

## REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Mr. Yuen Sik Ming, Patrick (*Chairman*)

Mr. Chung Yin Shu, Frederick (*Secretary*)

Mr. Chung Wai Shu, Robert

Dr. Fong Yun Wah, G.B.S., J.P.

Mr. Lo Pak Shiu

## AUDITOR

PricewaterhouseCoopers

## SOLICITORS

Woo, Kwan, Lee & Lo

## BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Hang Seng Bank Limited

## SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited

Shops 1712-1716, 17/F., Hopewell Centre

183 Queen's Road East

Hong Kong

## REGISTERED OFFICE

Rooms 2102-4, Melbourne Plaza

33 Queen's Road Central

Hong Kong

## STOCK CODE

Hong Kong Stock Exchange 00158

## WEBSITE

[www.irasia.com/listco/hk/melbourneweb](http://www.irasia.com/listco/hk/melbourneweb)

# MANAGEMENT PROFILE

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## EXECUTIVE DIRECTORS

Mr. Chung Ming Fai, aged 98, is one of the founders of the Company and has been Executive Director of the Company since December 1967. He is a director of Aik San Realty Limited, Fu Hop Investment Company Limited and Good Earning Investment Company Limited. He is the father of Mr. Chung Yin Shu, Frederick and Mr. Chung Wai Shu, Robert.

Mr. Chung Yin Shu, Frederick, aged 74, was appointed Executive Director of the Company in December 1967. He is a director of Aik San Realty Limited, Fu Hop Investment Company Limited and Good Earning Investment Company Limited. He is the son of Mr. Chung Ming Fai and brother of Mr. Chung Wai Shu, Robert. He is also the Company Secretary.

Mr. Tsang On Yip, Patrick, aged 47, was appointed Executive Director of the Company in April 2015. He is a director of Cheng Yu Tung Foundation Limited, CTF Foundation Limited and Chow Tai Fook Enterprises Limited. He is also an executive director of UMP Healthcare Holdings Limited and a non-executive director of i-CABLE Communications Limited, Integrated Waste Solutions Group Holdings Limited and Greenheart Group Limited.

## NON-EXECUTIVE DIRECTOR

Mr. Chung Wai Shu, Robert, aged 70, was appointed Executive Director of the Company in December 1975 and became a Non-executive Director in June 1999. He is a director of Aik San Realty Limited, Fu Hop Investment Company Limited and Good Earning Investment Company Limited. He is the son of Mr. Chung Ming Fai and brother of Mr. Chung Yin Shu, Frederick.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Fong Yun Wah, G.B.S., J.P., aged 94, was appointed Non-executive Director of the Company in November 1994. He is presently an Independent Non-executive Director of the Company. He is also the Chairman of Hip Shing Hong Development Company Limited and Kam Wah Investment Company Limited.

Mr. Lo Pak Shiu, aged 64, was appointed Executive Director of the Company in March 1989. He is presently an Independent Non-executive Director of the Company. He is also a director of Foo Hang Jewellery Limited.

Mr. Yuen Sik Ming, Patrick, aged 61, is a Certified Public Accountant (Practising) and a fellow of Association of Chartered Certified Accountants. Mr. Yuen has extensive experience in accounting and corporate finance and is currently a practising director of Kingston CPA Limited. He was appointed Independent Non-executive Director of the Company in September 2004.

## SENIOR MANAGEMENT

Various businesses and functions of the Company are respectively under the direct responsibilities of the Executive Directors who are regarded as senior management of the Company.

# DIRECTORS' REPORT

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The Directors present their annual report together with the audited financial statements for the financial year ended 30 September 2018.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are property investment and investment holding in Hong Kong. The principal activities of the subsidiary and associates are set out in notes 15 and 16 to the financial statements respectively.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2018 are set out in the consolidated statement of comprehensive income on page 28. A commentary on annual results is included in the Directors' Business Review on page 18.

An interim dividend of HK\$2.30 per share was paid in June 2018, totalling HK\$57,500,000. The Directors propose the payment of a final dividend of HK\$2.80 per share, totalling HK\$70,000,000, and recommend that the retained profits of the Company, amounting to HK\$8,700,040,000 at 30 September 2018, be carried forward.

## BUSINESS REVIEW

The business review of the Group for the year ended 30 September, 2018 is set out in the sections headed "Directors' Business Review" and "Management Discussion and Analysis" on pages 18 and 19 respectively of this Annual Report.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 67.

# DIRECTORS' REPORT

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## DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 30 September 2018, calculated under Part 6 of the new Hong Kong Companies Ordinance (Cap. 622), amounted to HK\$225,629,000 (2017: HK\$204,442,000).

## DIRECTORS

The Directors during the financial year and at the date of this report were:

Mr. Chung Ming Fai

Dr. Fong Yun Wah, G.B.S., J.P.

Mr. Chung Yin Shu, Frederick

Mr. Chung Wai Shu, Robert

Mr. Lo Pak Shiu

Mr. Yuen Sik Ming, Patrick

Mr. Tsang On Yip, Patrick

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Lo Pak Shiu, and Mr. Yuen Sik Ming, Patrick, retire by rotation and, being eligible, offer themselves for re-election.

During the year and up to the date of this report, Mr. Chung Ming Fai, Mr. Chung Yin Shu, Frederick and Mr. Chung Wai Shu, Robert are also directors in the subsidiary of the Company. Other director of the Company's subsidiary during the year and up to the date of this report is: Mr. Lo Ka Chung.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in note 25 of the consolidated financial statements, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or Company's subsidiary was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

# DIRECTORS' REPORT

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## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (cont'd)

No loan was made during the financial year to the Company's Directors or officers or body corporate controlled by them either by the Company or by its subsidiary or by a third party on the security or guarantee of the Company or its subsidiary.

## CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions during the year and up to the date of this report are set out below:

- (1) On 20 July 2016, the Company as lessor and Promising Realty Limited ("PR") as lessee renewed a lease agreement, pursuant to which the lessee leased Rooms 2401-2411 on 24th floor of Melbourne Plaza, 33 Queen's Road Central, Hong Kong (the "PR Premises") from the lessor for a fixed term of two years from 1 August 2016 to 31 July 2018 at a monthly rental of HK\$315,600 with monthly air-conditioning charges and management fees of HK\$42,920.

The lease agreement was renewed on 12 July 2018 for a fixed term of two years from 1 August 2018 to 31 July 2020 at a monthly rental of HK\$334,536 with monthly air-conditioning charges and management fees of HK\$42,920.

The PR Premises, the subject of the lease agreement, is owned by the Company. PR is a company whose shares are ultimately owned by two executive Directors, namely Mr. Chung Ming Fai and Mr. Chung Yin Shu, Frederick, and a non-executive Director, namely Mr. Chung Wai Shu, Robert, and their associates and is, accordingly, a connected person of the Company and the renewal of the lease agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

As set out in the announcement of the Company dated 12 July 2018, the annual cap under the previous and the new lease agreements for the year ended 30 September 2018 and under the new lease agreement for each of the two years ending 30 September 2019 and 2020 were HK\$4,350,000, HK\$4,600,000 and HK\$3,900,000 respectively.

The total amount received from PR during the year ended 30 September 2018 under the lease agreements amounted to HK\$4,340,000 which did not exceed annual cap of HK\$4,350,000.



# DIRECTORS' REPORT

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## CONTINUING CONNECTED TRANSACTIONS (cont'd)

- (2) On 28 February 2017, the Company as lessor and Foo Hang Jewellery, Limited ("FH") as lessee renewed a lease agreement, pursuant to which the lessee would lease Rooms 1801-1814 on 18th floor of Melbourne Plaza, 33 Queen's Road Central, Hong Kong (the "FH Premises") for a fixed term of two years from 1 March 2017 to 28 February 2019 at a monthly rental of HK\$426,820 with monthly air-conditioning charges and management fees of HK\$58,180.

The FH Premises, the subject of the lease agreement, is owned by the Company. FH is a company whose shares are owned by associates of Mr. Lo Pak Shiu, an Independent Non-executive Director and is, accordingly, a connected person of the Company and the renewal of the lease agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

As set out in the announcement of the Company dated 28 February 2017, the annual cap under the new lease agreement for each of the two years ended 30 September 2018 and ending 30 September 2019 were HK\$5,870,000 and HK\$2,460,000 respectively.

The total amount received from FH during the year ended 30 September 2018 under the lease agreements amounted to HK\$5,820,000 which did not exceed the annual cap of HK\$5,870,000.

# DIRECTORS' REPORT

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## CONTINUING CONNECTED TRANSACTIONS (cont'd)

The continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's independent auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has issued an unqualified letter containing the findings and conclusions in respect of the abovementioned continuing connected transactions disclosed by the Group in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

A summary of the related party transactions entered into by the Group during the year ended 30 September 2018 is contained in note 25 to the consolidated financial statements. The transaction entered into with Fu Hop Investment Company Limited in respect of provision of meal to employees of the Group as described in note 25 to the consolidated financial statements constitutes continuing connected transaction under the Listing Rules. However, it is exempt from shareholders' approval, annual review and all disclosure requirements because it is below de minimis threshold under Rule 14A.76 of the Listing Rules.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, the following Directors are considered to have interests in the following businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or the Group pursuant to the Listing Rules as set out below:

<b>Name of Director</b>	<b>Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group</b>	<b>Description of businesses of the entity which are considered to compete or likely to compete with the Group</b>	<b>Nature of interest of the Director in the entity</b>
Mr. Chung Ming Fai	Aik San Realty Limited group of companies	Property investment	Director
	Fu Hop Investment Company Limited	Property investment	Director
	Good Earning Investment Company Limited	Property investment	Director
Mr. Chung Yin Shu, Frederick	Aik San Realty Limited group of companies	Property investment	Director
	Fu Hop Investment Company Limited	Property investment	Director
	Good Earning Investment Company Limited	Property investment	Director
Mr. Chung Wai Shu, Robert	Aik San Realty Limited group of companies	Property investment	Director
	Fu Hop Investment Company Limited	Property investment	Director
	Good Earning Investment Company Limited	Property investment	Director
Dr. Fong Yun Wah, G.B.S., J.P.	Hip Shing Hong Development Company Limited	Property investment	Director
	Kam Wah Investment Company Limited	Property investment	Director
Mr. Tsang On Yip, Patrick	Chow Tai Fook Enterprises Limited group of companies	Property investment	Director

As the Board of Directors of the Company is independent of the boards of these entities, the Group is therefore capable of carrying on such business independently of, and at arm's length from the businesses of these entities.

# DIRECTORS' REPORT

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## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the financial year was the Company or its subsidiary a party to any arrangements to enable the Directors (including their spouses or children under 18 years of age) to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SERVICE CONTRACTS OF DIRECTORS

None of the Directors has a service contract with the Company or its subsidiary, not terminable within one year without the payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2018, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning 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 Issuers, were as follows:

	Number of shares held		Approximate percentage of shareholding
	Personal interests	Corporate interests	
<b>Directors</b>			
Mr. Chung Ming Fai	12,000,500	1,000 <sup>(Note)</sup>	48.00
Mr. Chung Yin Shu, Frederick	1,875	—	0.01

Note:

Mr. Chung Ming Fai controls more than one-third of the voting power of Fu Hop Investment Company Limited which held 1,000 shares in the Company.

## PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 2018, the interests or short positions of substantial shareholders (as defined in the Listing Rules) in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

### Long positions in shares

Name	Number of shares held			Approximate percentage of shareholding
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited ("CYTF") <sup>(1)</sup>	—	6,731,250	6,731,250	26.93
Cheng Yu Tung Family (Holdings II) Limited ("CYTF II") <sup>(1)</sup>	—	6,731,250	6,731,250	26.93
Chow Tai Fook Capital Limited ("CTFC") <sup>(1)</sup>	—	6,731,250	6,731,250	26.93
Chow Tai Fook (Holding) Limited (formerly known as Centennial Success Limited) ("CTFH") <sup>(1)</sup>	—	6,731,250	6,731,250	26.93
Chow Tai Fook Enterprises Limited ("CTF") <sup>(2)</sup>	2,981,250	3,750,000	6,731,250	26.93
New World Development Company Limited ("NWD") <sup>(3)</sup>	—	3,750,000	3,750,000	15.00
Kin Kiu Enterprises, Limited ("KK") <sup>(3)</sup>	3,750,000	—	3,750,000	15.00

Notes:

- (1) CYTF and CYTF II hold 48.98% and 46.65% interests in CTFC, respectively. CTFC in turn owns 81.03% interest in CTFH which holds the entire interests in CTF. Therefore, CYTF, CYTF II, CTFC and CTFH are deemed to have interests in the shares in which CTF is deemed to be interested by virtue of its interests in NWD as mentioned in note 2 below.
- (2) CTF and its subsidiaries have interests in more than one-third of the issued shares of NWD and accordingly CTF is deemed to have an interest in the shares in which NWD is interested or deemed to be interested.
- (3) NWD holds 100% direct interest in KK and is accordingly deemed to have an interest in the shares deemed to be interested by KK.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 30 September 2018.

# DIRECTORS' REPORT

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## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor its subsidiary has purchased or sold any of the Company's shares during the year.

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the financial year.

## SUFFICIENCY OF PUBLIC FLOAT

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue during the year attributable to the Group's five largest customers was 33%, of which 13% was derived from the Group's largest customer.

The aggregate purchases of revenue items during the year attributable to the Group's five largest suppliers was 47%, of which 13%, was made from the Group's largest supplier.

None of the Directors, their associates, or shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the share capital of the customers or suppliers noted above.

## AUDIT COMMITTEE

An Audit Committee has been established for the purpose of reviewing and providing supervision on the Company's financial reporting process and internal controls. The results for the year have been reviewed by the Audit Committee. The composition of the Audit Committee is shown on page 3.

## AUDITOR

The financial statements have been audited by Messrs PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board  
**Chung Yin Shu, Frederick**  
*Company Secretary*

Hong Kong, 14 December 2018

# CORPORATE GOVERNANCE REPORT

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## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules (the “CG Code”) throughout the year ended 30 September 2018, except for the deviations as disclosed in this report.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions. Having made specific enquiry of all Directors, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the year ended 30 September 2018.

## BOARD OF DIRECTORS

The Board is responsible for overseeing the management, businesses, strategic directions and financial performance of the Group. The Board holds regular meetings to discuss the Group’s businesses and operations. All important issues are discussed in a timely manner.

The Board comprises 7 Directors, with 3 Executive Directors, 1 Non-executive Director and 3 Independent Non-executive Directors. The biographies of the Directors are set out in Management Profile on page 4 of this annual report. The Company has received annual confirmation of independence from all the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

## DIRECTORS’ TRAINING

All Directors are provided with timely updates on the Company’s performance, financial position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development activities to develop and refresh their knowledge and skills.

## NON-EXECUTIVE DIRECTORS

Non-executive Directors (including the Independent Non-executive Directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group. The Non-executive Directors are not appointed for a specific term as is stipulated in Code provision A.4.1, but are subject to retirement by rotation in accordance with the articles of association of the Company. Article 103(A) of the articles of association of the Company provides that at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

# CORPORATE GOVERNANCE REPORT

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## AUDIT COMMITTEE

The Audit Committee, established with specific written terms of reference, consists of three Independent Non-executive Directors and one Non-executive Director and is responsible for the review and supervision of the Group's financial reporting process and internal controls.

During the year, the Audit Committee reviewed the audited financial statements for the year ended 30 September 2018 and the unaudited interim financial statements for the six months ended 31 March 2018 with recommendations to the Board for approval, reviewed reports on internal control system of the Group, and discussed with the management and the external auditors the accounting policies and practices which may affect the Group and financial reporting matters.

Members of the Audit Committee are Mr. Yuen Sik Ming, Patrick (Chairman), Mr. Chung Wai Shu, Robert, Dr. Fong Yun Wah, G.B.S., J.P. and Mr. Lo Pak Shiu.

## REMUNERATION COMMITTEE

The Remuneration Committee, established with specific written terms of reference, is responsible for making recommendations on the Company's policy and structure for the remuneration of all the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for approval by the Board. The Remuneration Committee met once during the year to review the remuneration policy for Directors and senior management of the Company.

The remuneration for the Directors and senior management comprises basic salary, retirement benefits and discretionary bonus. Details of the amount of emoluments of Directors paid for the financial year ended 30 September 2018 are set out in note 9 to the financial statements.

Members of the Remuneration Committee are Mr. Yuen Sik Ming, Patrick (Chairman), Mr. Chung Yin Shu, Frederick (Secretary), Mr. Chung Wai Shu, Robert, Dr. Fong Yun Wah, G.B.S., J.P. and Mr. Lo Pak Shiu.

## NOMINATION COMMITTEE

The Nomination Committee, established in March 2012 with specific written terms of reference, is responsible for considering the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and approving and terminating the appointment of a Director. A candidate to be appointed as Independent Non-executive Director must also meet the independence requirement sets out in Rule 3.13 of the Listing Rules. During the year under review, one meeting was held by the Nomination Committee.

Members of the Nomination Committee are Mr. Yuen Sik Ming, Patrick (Chairman), Mr. Chung Yin Shu, Frederick (Secretary), Mr. Chung Wai Shu, Robert, Dr. Fong Yun Wah, G.B.S., J.P. and Mr. Lo Pak Shiu.



# CORPORATE GOVERNANCE REPORT

## Attendance at Meetings of the Board and Board Committees

Name of Director	Number of meetings attended/ eligible to attend for the year ended 30 September 2018			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Executive Directors</b>				
Mr. Chung Ming Fai ( <i>Chairman</i> )	4/6			
Mr. Chung Yin Shu, Frederick	6/6		1/1	1/1
Mr. Tsang On Yip, Patrick	4/6			
<b>Non-executive Director</b>				
Mr. Chung Wai Shu, Robert	6/6	2/2	1/1	1/1
<b>Independent Non-executive Directors</b>				
Dr. Fong Yun Wah, G.B.S., J.P.	5/6	1/2	1/1	0/1
Mr. Lo Pak Shiu	6/6	2/2	1/1	1/1
Mr. Yuen Sik Ming, Patrick	5/6	2/2	1/1	1/1

## AUDITOR'S REMUNERATION

During the year ended 30 September 2018, the total fees paid/payable in respect of services provided by the Group's external auditor are set out below:

	2018 HK\$'000	2017 HK\$'000
Audit and audit related services	830	754
Non-audit services	181	164
	<b>1,011</b>	<b>918</b>

# CORPORATE GOVERNANCE REPORT

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## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board, supported by the finance and accounts department, is responsible for the preparation of the financial statements of the Company and the Group. In preparing the financial statements, the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants have been adopted. Appropriate accounting policies have also been used and applied consistently. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is included in the Report of the Independent Auditor on pages 24 and 27 of this annual report.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to oversee and to ensure that sound and effective risk management and internal control systems are maintained on an ongoing basis so as to safeguard the Group's assets and the interests of shareholders. The Board is responsible for reviewing the risk management and the internal control policies and has delegated the day-to-day management of internal control and operational risks to the Executive Directors.

The Board has performed an annual review over their risk management and internal control of the Group and for reviewing its effectiveness. During the year, the Group has performed internal control review where observations and recommendations had been summarised and reported to the Audit Committee and the Board. Management is committed and will continue to take steps to follow up the status of the agreed remedial actions with process owners. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance with applicable laws, rules and regulations.

The Board has reviewed and is satisfied with the adequacy of resources, staff qualifications and experiences, training requirements and budgets of the Group's accounting and financial reporting functions.

## COMMUNICATION WITH SHAREHOLDERS

The Board and senior management maintain a continuing dialogue with the Company's shareholders and investors through various channels including the Company's annual general meeting. The Chairman and other members of the Board attend the annual general meeting. The Directors will answer questions raised by the shareholders on the performance of the Group. The Company also holds press and analysts' conferences at least once a year following the release of full year results announcements at which the Executive Directors and senior management of the Group are available to answer questions regarding the performance of the Group.

## DIRECTORS' BUSINESS REVIEW

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I would report to shareholders that the Group's profit after taxation for the financial year ended 30 September 2018 amounted to HK\$2,299 million (2017: HK\$1,515 million). The Board of Directors recommend a final dividend of HK\$2.80 per share payable to the shareholders registered on 13 February 2019. In addition to the interim dividend of HK\$2.30 per share paid in June 2018, the total dividend for the year amounted to HK\$5.10 per share (2017: HK\$5.0 per share).

The Group's investment properties at Melbourne Plaza, 33 Queen's Road Central and Kimley Commercial Building at 142-146 Queen's Road Central were 97% and 77% leased as at 30 September 2018 respectively.

During the year, despite the Group's rental income dropped by 5.3% year-on-year, tenancy remains stable. Without any debt or commitment, the Group is in a healthy financial position.

For the Group's investment in Foshan Golf Club project, part of the residential properties have been sold. There are other project items under development and promotion.

Looking into the future, through close liaison with tenants and continuing with its prudent business approach, the Group hope to bring optimal return to all shareholders.

Taking this opportunity, I would like to thank my fellow directors and staff members for their loyal services and continuing efforts.

**Chung Yin Shu, Frederick**

*Executive Director*

Hong Kong, 14 December 2018

# MANAGEMENT DISCUSSION AND ANALYSIS

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## GROUP RESULTS

Profit attributable to equity holders for the year amounted to HK\$2,298.6 million (2017: HK\$1,515.4 million). The increase in profit mainly resulted from the current year's increase in fair value of investment properties of HK\$2,149.5 million compared with the HK\$1,361.5 million fair value gain in 2017. Revenue for the year amounted to HK\$220.1 million (2017: HK\$232.3 million), down 5.3% year-on-year. The rental operation contributed HK\$178.1 million (2017: HK\$184.2 million) to the operating profit, representing a decrease of 3.3% as compared to last year.

## SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 97% and 77% let as at 30 September 2018 respectively (2017: approximately 96% and 73% let respectively).

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's working capital requirement was financed by its rental income. As at 30 September 2018, the Group had cash and bank balances totalling HK\$274.0 million (2017: HK\$246.5 million). During the year, the Group did not take up any borrowings or overdraft facilities.

## EMPLOYEES AND REMUNERATION POLICIES

The Group employs a total of 17 employees. The Group recognises the importance of the strength of its human resources for its success. Remuneration of employees is maintained at competitive levels and promotion and salary increments are assessed on a performance basis.

## MATERIAL ACQUISITIONS, DISPOSALS AND FUTURE DEVELOPMENTS

There were no acquisitions or disposals of subsidiaries and associates during the year. There are no other plans for material capital investments or future developments.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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## ABOUT THIS REPORT

Melbourne Enterprises Limited (the “Company”) and its subsidiaries (together the “Group” or “we”) are pleased to present our annual Environmental, Social and Governance (“ESG”) Report. The scope of this report covers our key business operations in property investment in Hong Kong. The report summarise our performances in sustainable development during the financial year ended 30 September 2018.

The report is prepared based on the ESG Reporting Guide under Appendix 27 of the Main Board Listing Rules issued by the Stock Exchange of Hong Kong Limited. As a business with a lean employee team of 17 people, the Group embeds ESG considerations when investing in and managing its assets. The Group endeavours to create sustained growth and long-term value for its stakeholders, who comprises the Group’s employees, customers, shareholders, suppliers/contractors, and the wider community. We continue to interact with our stakeholders on an ongoing basis in order to understand their aspirations, collect their views and act on their feedback. The key interests and concerns of our stakeholders are summarised and analysed to help us identify the key ESG issues, which have been reflected via the respective disclosures in the rest of this report.

## ENVIRONMENTAL PROTECTION

The Group is committed to operating its business in an environmentally conscious manner. Building energy consumption, waste management and water use during the use and occupancy of the Group’s investment properties comprise the key parts of the Group’s environmental footprint. Therefore great emphasis has been put into resource conservation and emissions management at these properties.

We strive to reduce our greenhouse gas emissions through the lowering of our energy consumption from the major areas which include air conditioning, lift and lighting systems. We have upgraded our air conditioning system by installing the high efficiency water-cooled chillers with variable-speed drives. Special coatings, which contain tight urethane resin-based paint have been applied to the facades of our buildings in order to improve thermal insulation and reduce energy consumption from cooling. Our lifts have also been upgraded with energy saving equipment with variable voltage and frequency to achieve a higher energy efficiency. Lighting systems in the corridors of some of our properties have been replaced with compact fluorescent or LED lamps that are more durable and energy efficient. We have plan to extend this initiative to all of the lighting systems within the properties of the Group and we are on track in progress.

In addition to the continuous feature upgrades of some building facilities and installation, our employees are also encouraged to minimise usage of energy, water and other resources. For example, at our offices we have been promoting double-sided printing and waste recycling. Our employees are encouraged to turn off idle lightings and electrical appliances. In addition in our efforts to conserve more energy, property management staff at our commercial buildings will turn off their building’s lighting and reduce passenger lift service starting from 8pm.

Water conservation is another key focus of the Group. For example, our property management team encourages smart water use by installing water efficient taps in washrooms and promoting concepts of water conservation to our tenants.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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## Environmental Performance Data Table

Environmental KPIs	Unit	2017/18
Total greenhouse gas (GHG) emissions	tonne CO <sub>2</sub> e	3,968
Greenhouse gas emissions (Scope 1)	tonne CO <sub>2</sub> e	715
Greenhouse gas emissions (Scope 2)	tonne CO <sub>2</sub> e	3,253
Total non-hazardous waste produced	tonne	170
Total electricity consumption	kWh	4,117,664
Total electricity consumption intensity	kWh/Square Feet	13.45
Total Water consumption	m <sup>3</sup>	16,477
Total Water consumption intensity by revenue	m <sup>3</sup> /Square Feet	0.05

## EMPLOYMENT AND LABOUR PRACTICES

### EMPLOYMENT

The Group aspires to be an employer of choice. To offer a fulfilling and rewarding career, we put our people first by creating a secured, engaging and inclusive work environment.

Our human resources practices are established to align with the applicable laws and regulations with regard to recruitment, compensation, other benefits and welfare, promotion, working hours, resting periods, equal opportunity, diversity, anti-discrimination and dismissal.

The Group provides competitive remuneration to attract and retain talent. Salary increments are assessed objectively, on a performance basis. On top of salaries, we provide a range of benefits including medical allowance, transportation and study allowances. Employees are provided with a free lunch and refreshments every working day. In order to promote employee engagement and a sense of belonging, we also organise travel tours for our staff and their families and also distribute red pockets and mooncakes at traditional festivals such as the Lunar New Year and Mid-Autumn Festival.

The Group embraces diversity and provides employees with equal opportunity. A nurturing and collaborative workplace for all employees is highly advocated whilst zero tolerance to harassment and discrimination of any form is strictly enforced by the Group. Employees are assessed and hired based on their capabilities, regardless of their age, gender, nationality, cultural background, religious belief, etc.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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## HEALTH AND SAFETY

Protecting the health, safety and wellbeing of our employees is one of our key focuses. Maintenance and regular inspections are conducted in accordance with regulatory requirements. Fire equipment such as fire extinguishers and emergency lighting system are checked regularly to ensure proper functioning in the event of an emergency.

We believe that both physical and mental health is important to maintain a high standard of work. For example, flexible work arrangement is made available as far as practical in support of our employees to maintain work-life balance.

## DEVELOPMENT AND TRAINING

The Group believes that professional development of the employees lays a solid foundation for its business growth and is key to maintaining its competitiveness. Our employees are encouraged to pursue work-related advanced studies and attend seminars and workshops to hone their skills. We support our people by providing study subsidies and the flexibility in work scheduling to facilitate the professional development of our employees.

## LABOUR STANDARDS

The Group strictly prohibits the use of child and forced labour in its operations and takes rigorous measures to prevent such practices. Our suppliers and contractors are expected to adhere to the same standard.

## OPERATING PRACTICES

### SUPPLY CHAIN MANAGEMENT

The Group interacts with a number of suppliers and contractors when managing our investment properties. Adherence to environmental and social standards by suppliers and contractors forms an important part of our commitment to sustainable procurement. Through working with our suppliers and contractors, we strive to minimise the risks associated with our supply chain including those related to environmental, social and governance practices. In the event of unsatisfactory performance, the supplier will be asked to rectify this issue in a timely manner. We may also suspend the business relationships with the suppliers or contractors who fail to comply with our performance and ethical standards. For sizeable outsourcing work such as building maintenance and renovation projects, a tendering process is in place for contractor selection. This includes a fair and transparent process for bidding, investigations, tender evaluations and decision-making.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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## PRODUCT RESPONSIBILITY

The Group is responsible for providing a quality, safe and healthy living and working environment to the tenants and visitors of its leased properties. Tenants' feedback is welcomed and helps guide the continuous improvement of our service quality. Daily site inspections are conducted and frequent communications with our tenants are maintained with an aim to uphold a high standard of service quality. Feedback and complaints are escalated as needed and followed up by designated teams in a timely manner. For example, in our recent facility renovation project, we upgraded existing facilities with barrier-free entrance as appropriate, in response to the Hong Kong SAR Government's policy on creating a barrier-free access physical environment for persons with disabilities.

Protecting customer data privacy is a priority when it comes to managing our relationships with our tenants. We implement scrupulous procedures to protect customer data. Customer data are only accessible by authorised personnel and handled with care.

## ANTI-CORRUPTION

The Group is committed to operating with a high level of integrity and accountability. We have zero tolerance towards fraudulent behaviour, corruption and any forms of bribery. Our principles and strong stance against corruption, conflicts of interest and other malpractices are well conveyed to our employees and the parties that we work with.

## COMMUNITY INVESTMENT

The Group is dedicated to serve the community and to creating a positive impact. For example, during the year, we continued to support the used clothes recycling campaign jointly organised by a non-profit making organisation. The campaign, is aimed to reduce waste and raise funds to help those in need. We provided our emptied shop as the premises to host the clothes sale. Donations raised in the clothes sale was used to support the underprivileged. Beneficiaries include, but not limited to, Food Angel, the HK Liver Transplant Patients' Association and World Children's Fund HK Limited. The total donation amount for period of October 2017/September 2018 is approximately HK\$780,000.

## REGULATORY COMPLIANCE

The Group was not aware of any non-compliance with laws and regulations that has a significant impact on the Group relating to environmental protection, employment and labour practices and operating practices during the reporting period.



# REPORT OF THE INDEPENDENT AUDITOR

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## INDEPENDENT AUDITOR'S REPORT

To the Members of Melbourne Enterprises Limited  
(incorporated in Hong Kong with limited liability)

### OPINION

#### *What we have audited*

The consolidated financial statements of Melbourne Enterprises Limited (the "Company") and its subsidiary (the "Group") set out on pages 28 to 66, which comprise:

- the consolidated balance sheet as at 30 September 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### *Our opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

# REPORT OF THE INDEPENDENT AUDITOR

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matter identified in our audit is valuation of investment properties.

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Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Valuation of investment properties</b></p> <p>Refer to notes 3(g), 5(a) and 14 to the consolidated financial statements</p> <p>As at 30 September 2018, the Group's investment properties were stated at fair value of HK\$9,538.0 million, with a fair value gain of HK\$2,149.5 million recorded in the consolidated statement of comprehensive income for the year.</p> <p>Management has engaged an independent external valuer to perform a valuation of the investment properties. The external valuer used the direct comparison approach in the valuation of all the investment properties. The valuation of these investment properties requires significant judgment and estimates by the management and the valuer.</p> <p>In determining a property's valuation, the valuer took into account properties of a similar nature, condition or location and made adjustments to comparable market transactions to arrive at the final valuation.</p> <p>As the fair value changes were significant to the consolidated financial statements and significant judgment is required in determining the fair values, specific audit focus was placed on this area.</p>	<p>We evaluated the valuer's qualifications, expertise and objectivity.</p> <p>With the assistance of our internal valuation experts, we performed the following:</p> <ul style="list-style-type: none"><li>we read the valuation reports for all properties, held discussions with the valuer to assess the appropriateness of the valuation approach and the market transactions used (including adjustments to comparable market transactions) for determining the fair value for the purpose of the Group's financial statements.</li><li>we compared the market transactions used by the valuer to our knowledge of the property market and published external data, such as transaction records by property agencies and the Land Registry.</li></ul> <p>We found that management's valuation of the investment properties was supported by the available evidence.</p>

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## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

# REPORT OF THE INDEPENDENT AUDITOR

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## OTHER INFORMATION (cont'd)

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

# REPORT OF THE INDEPENDENT AUDITOR

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## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ng Wai Lun.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 14 December 2018

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 September

	Note	2018 HK\$' 000	2017 HK\$' 000
<b>Revenue</b>	6	<b>220,088</b>	232,319
Operating costs		<b>(29,472)</b>	(36,810)
Gross profit		<b>190,616</b>	195,509
Other income	7	<b>778</b>	599
Impairment loss on advance to an investment accounted for using the equity method		<b>(2)</b>	(4)
Administrative expenses		<b>(13,336)</b>	(11,892)
Changes in fair values of investment properties	14	<b>2,149,500</b>	1,361,500
Operating profit	8	<b>2,327,556</b>	1,545,712
Share of results of investments accounted for using the equity method		<b>(4)</b>	17
<b>Profit before taxation</b>		<b>2,327,552</b>	1,545,729
Income tax expenses	10	<b>(28,970)</b>	(30,302)
<b>Profit for the year attributable to equity holders</b>		<b>2,298,582</b>	1,515,427
<b>Other comprehensive income</b>			
<i>Item that may be classified subsequently to profit or loss</i>			
Fair value gain/(loss) on available-for-sale investment		<b>21,234</b>	(29,573)
<b>Total comprehensive income attributable to equity holders</b>		<b>2,319,816</b>	1,485,854
<b>Earnings per share</b>			
Basic and diluted	12	<b>HK\$91.94</b>	HK\$60.62

The notes on pages 33 to 66 form part of the consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

		<b>30 September 2018 HK\$' 000</b>	30 September 2017 HK\$' 000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	13	1,746	2,381
Investment properties	14	9,538,000	7,388,500
Investments accounted for using the equity method	16	317	321
Available-for-sale investment	18	49,763	28,529
Advances to an investee company	18	29,605	29,605
		<u>9,619,431</u>	<u>7,449,336</u>
<b>Current assets</b>			
Debtors, deposits, prepayments and others	19	6,526	6,751
Prepaid income tax		—	97
Cash and bank balances	20	273,961	246,459
		<u>280,487</u>	<u>253,307</u>
<b>Current liabilities</b>			
Creditors, accruals and deposits	21	49,296	44,829
Current tax payable		28,906	31,731
		<u>78,202</u>	<u>76,560</u>
<b>Net current assets</b>			
		<u>202,285</u>	<u>176,747</u>
<b>Total assets less current liabilities</b>			
		<u>9,821,716</u>	<u>7,626,083</u>
<b>Non-current liabilities</b>			
Provision for long service payments		13,491	12,674
Deferred tax liabilities	22	1,778	1,778
		<u>15,269</u>	<u>14,452</u>
<b>Net assets</b>			
		<u>9,806,447</u>	<u>7,611,631</u>

## CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	30 September 2018 HK\$' 000	30 September 2017 HK\$' 000
<b>Equity</b>			
Share capital	23	125,000	125,000
Investment revaluation reserve		49,762	28,528
Retained profits		9,631,685	7,458,103
<b>Total equity</b>		<b>9,806,447</b>	<b>7,611,631</b>

**Chung Ming Fai**  
*Director*

**Chung Yin Shu, Frederick**  
*Director*

The notes on pages 33 to 66 form part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 September

	<b>Share capital</b>	<b>Investment revaluation reserve</b>	<b>Retained profits</b>	<b>Total</b>
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Balance at 1 October 2016	125,000	58,101	6,065,176	6,248,277
Profit for the year	—	—	1,515,427	1,515,427
Fair value loss on an available-for-sale investment	—	(29,573)	—	(29,573)
Total comprehensive income for the year	—	(29,573)	1,515,427	1,485,854
2016 final dividend paid	—	—	(65,000)	(65,000)
2017 interim dividend paid	—	—	(57,500)	(57,500)
Balance at 30 September 2017	125,000	28,528	7,458,103	7,611,631
Profit for the year	—	—	2,298,582	2,298,582
Fair value gain on an available-for-sale investment	—	21,234	—	21,234
Total comprehensive income for the year	—	21,234	2,298,582	2,319,816
2017 final dividend paid	—	—	(67,500)	(67,500)
2018 interim dividend paid	—	—	(57,500)	(57,500)
Balance at 30 September 2018	125,000	49,762	9,631,685	9,806,447

The notes on pages 33 to 66 form part of the consolidated financial statements.



# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 September

	2018 HK\$'000	2017 HK\$'000
<b>Cash flows from operating activities</b>		
Operating profit	2,327,556	1,545,712
Adjustments for:		
Interest income	(550)	(420)
Depreciation	635	644
Impairment loss on advance to an investment accounted for using the equity method	2	4
Impairment loss on a trade debtor	130	141
Changes in fair values of investment properties	(2,149,500)	(1,361,500)
Operating profit before working capital changes	178,273	184,581
Decrease/(increase) in debtors, deposits, prepayments and others	94	(528)
Increase/(decrease) in creditors, accruals and deposits	4,468	(2,874)
Increase in provision for long service payments	817	693
Net cash generated from operations	183,652	181,872
Interest received	550	420
Hong Kong profits tax paid	(31,698)	(33,379)
Net cash generated from operating activities	152,504	148,913
<b>Cash flows from investing activities</b>		
Increase in advance to an investment accounted for using the equity method	(2)	(4)
Dividend received from an investment accounted for using the equity method	—	69
Net cash (used in)/generated from investing activities	(2)	65
<b>Cash flows used in financing activity</b>		
Dividends paid	(125,000)	(122,500)
Net cash used in financing activity	(125,000)	(122,500)
Net increase in cash and bank balances	27,502	26,478
Cash and bank balances at beginning of the year	246,459	219,981
Cash and bank balances at end of the year	273,961	246,459

The notes on pages 33 to 66 form part of the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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## 1. GENERAL INFORMATION

Melbourne Enterprises Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The address of its registered office is Rooms 2102-4, Melbourne Plaza, 33 Queen’s Road Central, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company and its subsidiary (together the “Group”) are principally engaged in property investment and investment holding in Hong Kong.

These financial statements have been approved for issue by the Board of Directors on 14 December 2018.

## 2. BASIS OF PREPARATION

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and the available-for-sale investment, which are measured at fair value, and in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 below.

### (a) Adoption of amendments and improvements to standards

The Group has adopted the following amendments and improvements to existing standards that are mandatory for the financial year ended 30 September 2018:

HKAS 7 Amendment	Disclosure Initiative
HKAS 12 Amendment	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements	Annual Improvements 2014-2016 Cycle

The adoption of these amendments and improvements to existing standards does not have a significant impact on the results and financial position of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

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## 2. BASIS OF PREPARATION (cont'd)

### (b) Standards, interpretations, amendments and improvements to standards which are not yet effective

The following new standards, interpretations, amendments and improvements to existing standards are mandatory for the Group's accounting periods beginning on 1 October 2018 or later periods and have not been early adopted by the Group:

HKAS 40 Amendment	Transfers of Investment Property
HKAS 19 Amendment	Employee Benefits
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 Amendment	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract
HKFRS 9	Financial Instruments
HKFRS 9 Amendment	Prepayment Features with Negative Compensation
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 Amendment	Clarifications to HKFRS 15
HKFRS 16	Leases
HKFRS 17	Insurance Contracts
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Annual Improvement Projects	Annual Improvements 2014 – 2016 Cycle and Annual Improvements 2015 – 2017 Cycle

The Group will apply these standards, interpretations, amendments and improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the related impact to the Group, in which the preliminary assessments of HKFRS 9, HKFRS 15 and HKFRS 16 are set out below:

HKFRS 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group will adopt HKFRS 9 when it becomes mandatory on 1 October 2018.

# NOTES TO THE FINANCIAL STATEMENTS

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## 2. BASIS OF PREPARATION (cont'd)

### (b) Standards, interpretations, amendments and improvements to standards which are not yet effective (cont'd)

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets as a fair value through other comprehensive income (FVOCI) election is available for the equity instruments which are currently classified as available-for-sale, and hence there will be no change to the accounting for this asset. However, gains or losses realised on the sale of financial asset at FVOCI will no longer be recognised in profit or loss on sale, but instead the cumulative gain or loss will be reclassified from FVOCI reserve to retained profits.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The Group does not expect the new guidance to have a significant impact on the Group's financial statements.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

HKFRS 15 Revenue from Contracts with Customers is a new standard issued by the HKICPA for the recognition of revenue. This replaces HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1 October 2018. The Group will adopt the new standard from 1 October 2018.

The Group does not expect any significant impact of HKFRS 15 as its major source of revenue is rental income which is excluded from the scope of the new standard.

HKFRS 16 Leases was issued in May 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

# NOTES TO THE FINANCIAL STATEMENTS

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## 2. BASIS OF PREPARATION (cont'd)

### (b) Standards, interpretations, amendments and improvements to standards which are not yet effective (cont'd)

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 October 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary made up to 30 September and include the Group's share of the results for the year and undistributed post-acquisition reserves of associates.

### (b) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On the acquisition by acquisition basis, the Group recognises a non-controlling interest in our acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree at the date of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (b) Subsidiaries (cont'd)

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the carrying amount for the purposes of subsequently accounting for the retained interest as associated companies, joint ventures or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The Company's investment in the subsidiary is carried at cost less provision for impairment losses. The result of the subsidiary is accounted for by the Company on the basis of dividend received and receivable.

### (c) Associates

An associate is an entity over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition. Investments in associates are carried at cost less provision for impairment losses in the Company's financial statements. The results of associates are accounted for by the Company on the basis of dividend income.

The Group's share of post-acquisition profits or losses of associates is recognised in the Group's profit or loss and the share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For equity accounting purpose, accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Investments

The Group classifies its investments in the categories of loans and receivables and available-for-sale investment. Management determines the classification of its investments at initial recognition depending on the purpose for which the investments are acquired.

#### (i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

#### (ii) *Available-for-sale investment*

Available-for-sale investment are non-derivatives that are either designated in this category or not classified in the other category. They are included in non-current assets unless management intends to dispose of it within 12 months of the end of the reporting period.

Regular purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Changes in the fair value of monetary financial assets denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the financial asset and other changes in the carrying amount of the financial asset. The translation differences on monetary financial assets are recognised in profit or loss; translation differences on non-monetary financial assets are recognised in other comprehensive income.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. If the market for a financial asset is not active and for unlisted financial assets, the Group establishes fair value by using valuation techniques which make maximum use of market inputs and relying as little as possible on entity-specific inputs.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (e) Impairment of financial assets

#### (i) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.



# NOTES TO THE FINANCIAL STATEMENTS

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (e) Impairment of financial assets (cont'd)

#### (ii) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

### (f) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the carrying amount of the assets or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repair and maintenance costs are expensed in the consolidated statement of comprehensive income during the period in which they are incurred. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying value of an asset is greater than its estimated recoverable amount.

Depreciation of property, plant and equipment is calculated to allocate their cost or carrying values less accumulated impairment losses to their estimated residual values over their estimated useful lives using the straight-line method at the rate of 10% or 20% per annum. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional qualified valuers on an open market value basis at the end of each reporting period. Changes in fair value are recognised in the consolidated statement of comprehensive income.

Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of comprehensive income during the financial period in which they are incurred.

### (h) Impairment of investment in a subsidiary, associates and non-financial assets

Non-financial assets that have an indefinite useful life, for example goodwill, or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. An impairment loss is recognised in the income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment testing of the investments in a subsidiary and associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associates in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (i) Cash and bank balances

In the consolidated statement of cash flows, cash and bank balances includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

### (j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### (i) *Rental*

Rental is recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

#### (ii) *Service fees*

Property management service fee is recognised when services are rendered.

#### (iii) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

#### (iv) *Dividend income*

Dividend is recognised when the right to receive payment is established.

### (k) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in notes 3 (j)(i) above.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (I) Current and deferred taxation

#### (a) Current income tax

The current taxation is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company, its subsidiary company and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

#### (b) Deferred income tax

##### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiary and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (l) Current and deferred taxation (cont'd)

#### (c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (m) Employee benefits

#### (i) *Employee long service payments*

Employees' entitlements to long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for long service payments as a result of services rendered by employees up to the balance sheet date.

#### (ii) *Mandatory Provident Fund Scheme*

The Company contributes to a Mandatory Provident Fund ("MPF") scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The scheme is a defined contribution scheme managed by an independent trustee and is available to all employees. The MPF is funded by payments from employees and by the Company, and provide benefits linked to contributions and investment returns on the scheme. Contributions to the scheme are recognised as an expense in the statement of comprehensive income (operating profit) in the year to which the contributions relate.

#### (iii) *Bonus plan*

Provision for bonus plan is recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

### (n) Foreign currencies

#### (i) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in HK dollars (HK\$), which is the company's functional and the group's presentation currency.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (n) Foreign currencies (cont'd)

#### (ii) *Transactions and balances*

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

### (o) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the financial period when the dividends are approved by the Company's shareholders/Directors, where appropriate.

### (p) Trade and other debtors

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the assets and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognised in the consolidated statement of comprehensive income. When a debtor is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

If collection of trade and other debtors is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

### (q) Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### (s) Share capital

Ordinary shares are classified as equity.

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

The Group's activities expose it to a variety of financial risks and the Group's overall risk management policy seeks to minimise potential adverse effects on the Group's financial performance. The Group continues to control financial risk in a conservative approach to safeguard the interest of shareholders.

### (a) Credit risk

The credit risk of the Group mainly arises from deposits with banks, advances to an investee company, debtors and deposits. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the balance sheet dates in relation to each class of recognised financial asset is the carrying amount of those assets as stated in the balance sheets.

Deposits are placed with high credit-quality financial institutions.

The Group monitors the exposure to credit risk in respect of the financial assistance provided to an investee company through reviewing its financial position on a regular basis. When necessary, impairment loss is made for estimated irrecoverable amounts.

Debtors mainly include rental receivables. There is no concentration of credit risk with respect to these receivables as the customer bases are widely dispersed in different sectors and industries. The exposures to these credit risks are closely monitored on an ongoing basis using established credit policies. The Group carries out regular review and follow-up action on any overdue amounts to minimise exposures to credit risk, and will monitor its credit control procedures and policies.

# NOTES TO THE FINANCIAL STATEMENTS

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## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (cont'd)

### (b) Liquidity risk

The Group aims to maintain prudent liquidity risk management and flexibility in funding by keeping sufficient cash and cash equivalents. The Group's working capital requirement is generally financed by its rental income.

Creditors and deposits are due within one year.

### (c) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

The Group did not have any borrowings at 30 September 2018 and 2017. The Group uses equity to finance its operation.

### (d) Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are disclosed by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. None of the instruments is included in level 1 as at 30 September 2018 and 2017.



# NOTES TO THE FINANCIAL STATEMENTS

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (cont'd)

### (d) Fair value estimation (cont'd)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. None of the instrument is included in level 2 as at 30 September 2018 and 2017.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The unobservable inputs were used to determine the fair value of available-for-sale investment included in level 3.

The following table presents the Group's financial instruments that are measured at fair value at 30 September 2018 and 2017:

	<b>2018</b>	2017
	<b>Level 3</b>	Level 3
	<b>HK\$'000</b>	HK\$'000
Available-for-sale financial investment	<b>49,763</b>	28,529

As at 30 September 2018, the fair value of an unlisted available-for-sale investment is determined by adjusted net asset method with reference to market value of the golf courses and related commercial and residential properties assessed by an independent professional valuer, using direct market comparison, residual method and income capitalisation method for respective properties. The directors consider that this valuation technique is more relevant given that certain of the development properties have been realised. This available-for-sale investment is included in level 3.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of investment properties are as follows:

### (a) Valuation of investment properties

The fair value of each investment property is individually determined at each balance sheet date by independent valuers on a market value assessment. The fair value is based on the direct comparison method with reference to current sale prices in an active market for properties of similar nature, condition or location. In the absence of such information, the valuer determines the amount within a range of reasonable fair value estimates. In making its judgement, the valuer considers information from a variety of sources including current sale prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

### (a) Valuation of investment properties (cont'd)

Judgement is required to determine the principal valuation assumptions to determine the fair value of the investment properties.

At 30 September 2018, if the market value of investment properties had been 10% higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK\$953.8 million (2017: HK\$738.9 million) higher/lower and the Group's profit before tax would have been increased/decreased by HK\$953.8 million (2017: HK\$738.9 million).

### (b) Fair value of available-for-sale financial investment

The fair value of available-for-sale financial investment that is not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a method (i.e. adjusted net asset method) and make assumptions that are mainly based on market conditions at the end of each reporting period.

## 6. SEGMENT INFORMATION

The Board collectively has been identified as the chief operating decision makers. The Board reviews the Group's internal reporting in order to assess performance and allocate resources.

The Board considers property investment in Hong Kong as the sole operating segment of the Group.

	2018 HK\$'000	2017 HK\$'000
<b>(a) Revenue</b>		
Property investment	<b>220,088</b>	232,319
<b>(b) Contribution to profit before taxation</b>		
Property investment – Rental operation	<b>178,058</b>	184,216
Increase in fair values of investment properties	<b>2,149,500</b>	1,361,500
	<b>2,327,558</b>	1,545,716
Impairment loss on advance to an investment accounted for using the equity method	<b>(2)</b>	(4)
Share of results of investments accounted for using the equity method	<b>(4)</b>	17
Profit before taxation	<b>2,327,552</b>	1,545,729

Revenue (representing turnover) comprises gross rental and service income from investment properties in Hong Kong.

# NOTES TO THE FINANCIAL STATEMENTS

## 7. OTHER INCOME

	2018 HK\$'000	2017 HK\$'000
Bank interest income	550	420
Sundry income	228	179
	<u>778</u>	<u>599</u>

## 8. OPERATING PROFIT

	2018 HK\$'000	2017 HK\$'000
Operating profit is stated after charging:		
Outgoings in respect of investment properties	27,925	35,324
Directors' emoluments (note 9(a))	2,326	1,965
Auditor's remuneration	830	754
Depreciation	635	644
Impairment loss on trade debtors	130	141
Staff costs (excluding Directors' emoluments)		
Salaries and other emoluments	5,091	4,918
Long service payments	603	506
Contributions to mandatory provident fund scheme	157	166
	<u>157</u>	<u>166</u>

## 9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

	2018 HK\$'000	2017 HK\$'000
<b>(a) Directors' emoluments</b>		
Fees	1,050	750
Salaries and other emoluments	1,062	1,028
Long service payments	214	187
	<u>2,326</u>	<u>1,965</u>

Each Director receives a fixed fee of HK\$150,000 (2017: HK\$100,000) per annum. Fees paid to Non-executive Directors for the year amounted to HK\$600,000 (2017: HK\$450,000). During the year, the Group did not pay the Directors any inducement to join or upon joining the Group, any compensation for loss of office. None of the Directors has waived the right to receive their emoluments.

# NOTES TO THE FINANCIAL STATEMENTS

## 9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (cont'd)

Details of the emoluments paid and accrued to the Directors are as follows:

### For the year ended 30 September 2018

Name of Director	Fees	Salaries and allowances	Bonus	Long service payments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Chung Ming Fai	150	—	—	—	150
Dr. Fong Yun Wah, G.B.S., J.P.	150	—	—	—	150
Mr. Chung Yin Shu, Frederick	150	946	116	214	1,426
Mr. Chung Wai Shu, Robert	150	—	—	—	150
Mr. Lo Pak Shiu	150	—	—	—	150
Mr. Yuen Sik Ming, Patrick	150	—	—	—	150
Mr. Tsang On Yip, Patrick	150	—	—	—	150
	<b>1,050</b>	<b>946</b>	<b>116</b>	<b>214</b>	<b>2,326</b>

### For the year ended 30 September 2017

Name of Director	Fees	Salaries and allowances	Bonus	Long service payments	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Chung Ming Fai	100	—	—	—	100
Mr. Yuen Pak Yiu, Philip (note i)	50	—	—	—	50
Dr. Fong Yun Wah, G.B.S., J.P.	100	—	—	—	100
Mr. Chung Yin Shu, Frederick	100	916	112	187	1,315
Mr. Chung Wai Shu, Robert	100	—	—	—	100
Mr. Lo Pak Shiu	100	—	—	—	100
Mr. Yuen Sik Ming, Patrick	100	—	—	—	100
Mr. Tsang On Yip, Patrick	100	—	—	—	100
	<b>750</b>	<b>916</b>	<b>112</b>	<b>187</b>	<b>1,965</b>

# NOTES TO THE FINANCIAL STATEMENTS

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## 9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (cont'd)

### Notes

- i) Resigned on 3 March 2017.
- ii) During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2017: HK\$Nil).
- iii) During the year, no consideration was provided to or receivable by third parties for making available directors' services (2017: HK\$Nil).
- iv) During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2017: None).
- v) Except as disclosed in note 25 to the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2017: None).

# NOTES TO THE FINANCIAL STATEMENTS

## 9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (cont'd)

### (b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one Director (2017: one Director) whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining four (2017: four) individuals during the year are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries and other emoluments	2,199	2,129
Long service payments	377	332
Contributions to mandatory provident fund scheme	43	54
	<u>2,619</u>	<u>2,515</u>

The emoluments of each of the individuals are below HK\$1,000,000.

## 10. INCOME TAX EXPENSES

The amount of taxation charged to the consolidated statement of comprehensive income represents:

	2018 HK\$'000	2017 HK\$'000
Current income tax		
– Hong Kong profits tax	29,087	30,342
– Over-provision in respect of prior year	(117)	(40)
Income tax expenses	<u>28,970</u>	<u>30,302</u>

There is no share of taxation of investments accounted for using the equity method for the year ended 30 September 2018 (2017: HK\$ nil) included in the consolidated statement of comprehensive income as share of results of investment accounted for using the equity method.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

# NOTES TO THE FINANCIAL STATEMENTS

## 10. INCOME TAX EXPENSES (cont'd)

For the year ended 30 September 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

For the year ended 30 September 2017, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2018 HK\$'000	2017 HK\$'000
Profit before taxation and share of results of investments accounted for using the equity method	<b>2,327,556</b>	1,545,712
Calculated at a taxation rate of 16.5% (2017: 16.5%)	<b>384,047</b>	255,042
Income not subject to taxation	<b>(354,900)</b>	(224,807)
Expenses or loss not deductible for taxation purposes	<b>105</b>	107
Effect of different tax rate of a subsidiary	<b>(165)</b>	—
Over-provision in respect of prior year	<b>(117)</b>	(40)
Income tax expenses	<b>28,970</b>	30,302

## 11. DIVIDENDS

	2018 HK\$'000	2017 HK\$'000
Interim dividend paid of HK\$2.30 (2017: HK\$2.30) per share	<b>57,500</b>	57,500
Final dividend proposed of HK\$2.80 (2017: HK\$2.70) per share	<b>70,000</b>	67,500
	<b>127,500</b>	125,000

At a meeting held on 14 December 2018, the Directors recommended a final dividend of HK\$2.80 per share. This proposed dividend will be accounted for as an appropriation of retained profits for the year ending 30 September 2019.

# NOTES TO THE FINANCIAL STATEMENTS

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## 12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to equity holders of HK\$2,298,582,000 (2017: 1,515,427,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2018 and 2017.

Diluted earnings per share equal basic earnings per share because there were no potential dilutive shares outstanding during the two years ended 30 September 2018 and 2017.

## 13. PROPERTY, PLANT AND EQUIPMENT

	<b>Fixtures and equipment</b> HK\$'000
<b>Cost</b>	
At 1 October 2016, 30 September 2017 and 30 September 2018	8,117
<b>Accumulated depreciation</b>	
At 1 October 2016	5,092
Charge for the year	644
At 30 September 2017	5,736
Charge for the year	635
At 30 September 2018	6,371
<b>Net book value</b>	
At 30 September 2018	1,746
At 30 September 2017	2,381



# NOTES TO THE FINANCIAL STATEMENTS

## 14. INVESTMENT PROPERTIES

	HK\$'000
Valuation at 1 October 2016	6,027,000
Fair value changes	<u>1,361,500</u>
Valuation at 30 September 2017	7,388,500
Fair value changes	<u>2,149,500</u>
Valuation at 30 September 2018	<u>9,538,000</u>

Principal investment properties	Type	Floor area (Sq ft)	Group interest
Melbourne Plaza	Commercial retail	257,036	100%
Kimley Commercial Building	Commercial retail	49,003	100%
On Hing Mansion Shop 9B	Retail	270	100%

### Valuation process of the Group

The investment properties as at 30 September 2018 were revalued on an open market value basis by CS Surveyors Limited, independent professional valuer who holds a recognised professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuation performed by the independent valuer for financial reporting purposes. This team reports directly to the senior management and the Audit Committee. Discussions of valuation processes and results are held between the management and valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department verifies all major inputs to the independent valuation report; assesses property valuation movements when compared to the prior year valuation report; and holds discussions with the independent valuer.

The investment properties are commercial properties in Hong Kong held under long leases (over 50 years).

Fair values of the investment properties are derived using the direct comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size.

As at 30 September 2018, all investment properties are included in level 3 fair value hierarchy.

There were no changes to the valuation techniques during the year and there were no transfers between fair value hierarchy during the year.

# NOTES TO THE FINANCIAL STATEMENTS

## 14. INVESTMENT PROPERTIES (cont'd)

### Valuation process of the Group (cont'd)

The most significant input into this valuation is price per square foot. Information about fair value measurement using significant unobservable inputs:

Completed properties	2018 Fair value HK\$'000	2017 Fair value HK\$'000	Valuation technique	Range of unobservable inputs HK\$ per square foot	Relationship of unobservable inputs
Melbourne Plaza	8,660,000	6,675,000	Direct Comparison	Market comparable prices ranging from 24,931 - 338,250 (2017: 19,061 - 183,019) and adjusted taking into account locations and other individual factor such as size, layout, frontage and conditions of the property.	The higher the price, the higher the fair value
Kimley Commercial Building	860,000	696,000	Direct Comparison	Market comparable prices ranging from 13,750 - 83,784 (2017: 10,541 - 83,784) and adjusted taking into account locations and other individual factor such as size, layout, frontage and conditions of the property.	The higher the price, the higher the fair value
On Hing Mansion Shop 9B	18,000	17,500	Direct Comparison	Market comparable prices ranging from 57,096 - 84,507 (2017: 58,511 - 77,869) and adjusted taking into account locations and other individual factor such as size, layout, frontage and conditions of the property.	The higher the price, the higher the fair value

# NOTES TO THE FINANCIAL STATEMENTS

## 15. SUBSIDIARY

Details of the subsidiary as at 30 September 2018 and 2017 are set out below:

<b>Private company incorporated in Hong Kong and directly owned by the Company</b>	<b>Issued and paid up ordinary share capital</b>	<b>Equity holding</b>
Iau On Company Limited	HK\$10,000,000 of 100,000 shares	100%

The subsidiary is engaged in the business of property investment in Hong Kong.

## 16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	<b>2018 HK\$'000</b>	2017 HK\$'000
Group's share of net assets of investments accounted for using the equity method	<b>317</b>	321
Advance to an investment accounted for using the equity method	<b>5,425</b>	5,423
Less: Provision for impairment losses	<b>(5,425)</b>	(5,423)
	<b>—</b>	—
	<b>317</b>	321

The advance to an investment accounted for using the equity method is unsecured, interest free and not repayable within 12 months.

There is no investment accounted for using the equity method that is individually significant to the Group. The Group's share of aggregate results of the investments accounted for using the equity method is set out below:

	<b>2018 HK\$'000</b>	2017 HK\$'000
Revenues	<b>—</b>	—
(Loss)/profit and other comprehensive income for the year	<b>(4)</b>	17

# NOTES TO THE FINANCIAL STATEMENTS

## 16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

Details of the investments accounted for using the equity method are set out below:

Associates in Hong Kong and directly owned by the Company	Issued and paid up ordinary share capital	Equity holding		Principal activities (in Hong Kong)
		2018	2017	
Chuen King Enterprises Limited	HK\$100,000 of 1,000 shares	50%	50%	Property investment
Littlejohn Company Limited	HK\$100,000 of 100,000 shares	20%	20%	Investment holding

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

	2018 HK\$'000	2017 HK\$'000
<b>Financial assets</b>		
Available-for-sale investment	49,763	28,529
<b>Loans and receivables at amortised cost</b>		
Long-term receivables	29,605	29,605
Trade and other debtors	5,094	5,310
Cash and bank balances	273,961	246,459
<b>Financial liabilities</b>		
<b>Financial liability at amortised cost</b>		
Trade creditors and deposits	48,195	43,950

## NOTES TO THE FINANCIAL STATEMENTS

### 18. AVAILABLE-FOR-SALE INVESTMENT AND ADVANCES TO AN INVESTEE COMPANY

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Available-for-sale investment	<b>49,763</b>	28,529
Advances to an investee company	<b>29,605</b>	29,605

Available-for-sale financial asset represents 14.29% equity interest in Billion Park Investment Limited (“Billion Park”), a private company incorporated in Hong Kong. The principal activity of Billion Park is to participate in Foshan Country Club Company Limited, a co-operative joint venture formed in the People’s Republic of China in which the Group has an effective interest of 5%, for the construction of golf courses and related commercial and residential facilities in Foshan.

As at 30 September 2018, the fair value of unlisted available-for-sale investment is determined by adjusted net asset method with reference to market value of the golf courses facilities and related commercial and residential properties assessed by an independent professional valuer, using direct market comparison, residual method and income capitalisation method for respective properties.

The following table presents the change for the year ended 30 September 2018:

	HK\$'000
At 1 October 2017	28,529
Fair value gain recognised for the year	21,234
At 30 September 2018	49,763

The advances are unsecured, interest free and not repayable within repayable 12 months. Their carrying amounts are not materially different from their fair values.

# NOTES TO THE FINANCIAL STATEMENTS

## 19. DEBTORS, DEPOSITS, PREPAYMENTS AND OTHERS

Trade debtors represent rental and service income receivables. The Group normally does not grant credit period to trade debtors. As of 30 September 2018, trade receivables of the Group amounting to HK\$4,560,000 (2017: HK\$4,778,000) was past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging of these trade receivables is as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Within 30 days past due	<b>3,162</b>	3,172
31 to 60 days past due	<b>1,180</b>	1,026
61 to 90 days past due	<b>216</b>	531
Over 90 days past due	<b>2</b>	49
Amount past due but not considered impaired	<b>4,560</b>	4,778

Trade debtors of HK\$130,098 (2017: HK\$141,292) were written off for the year ended 30 September 2018.

The other classes within debtors, deposits and prepayments do not contain impaired assets.

The Group does not hold any collateral as security, except that the Group holds rental deposits from tenants for leasing of properties.

The carrying amounts of debtors and deposits were denominated in Hong Kong dollars and approximate their fair values.

## 20. CASH AND BANK BALANCES

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Cash at banks and on hand	<b>273,961</b>	246,459

The carrying amounts of cash and bank balances were denominated in Hong Kong dollars.

# NOTES TO THE FINANCIAL STATEMENTS

## 21. CREDITORS, ACCRUALS AND DEPOSITS

	2018 HK\$'000	2017 HK\$'000
Trade creditors	785	533
Accruals and deposits	48,195	43,951
Amount due to an associate	316	345
	<u>49,296</u>	<u>44,829</u>

The amount due to an associate is unsecured, interest free and repayable on demand. The carrying amounts of creditors, accruals, deposits and the amount due to an associate were denominated in Hong Kong dollars and approximate their fair values.

Trade creditors of HK\$559,000 are within 30 days and HK\$226,000 are over 90 days.

## 22. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2017: 16.5%).

The movements on the deferred tax liabilities account are as follows:

	2018 HK\$'000	2017 HK\$'000
Accelerated tax depreciation		
At beginning and end of the year	<u>1,778</u>	<u>1,778</u>

## 23. SHARE CAPITAL

	2018		2017	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Ordinary shares, issued and fully paid:				
At beginning and end of the year	<u>25,000,000</u>	<u>125,000</u>	<u>25,000,000</u>	<u>125,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 24. FUTURE MINIMUM LEASE RECEIVABLE

The future aggregate minimum lease receivable under non-cancellable operating leases are as follows:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
In the first year	<b>145,910</b>	148,441
In the second to fifth year inclusive	<b>84,414</b>	54,588
	<b>230,324</b>	203,029

The Group's operating leases are generally for terms of one to three years.

## 25. RELATED PARTY TRANSACTIONS

During the year, certain investment properties of the Group were leased to related companies, which are controlled by certain directors of the Company and/or their close family members, at terms in accordance with the relevant tenancy agreements. Rental and related income from these related companies during the year were HK\$10,160,000 (2017: HK\$10,122,000).

During the year, the meal expenses for employees of HK\$480,000 for three years ended 30 September 2018 were paid by the Group to a related company, Fu Hop Investment Company Limited, which is controlled by certain directors of the Company, at mutually agreed terms.

No significant transactions have been entered with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 9(a).

The advance to an investment accounted for using the equity method and the amount due to an associate are disclosed in notes 16 and 21 respectively.

## 26. COMMITMENT

As at 30 September 2018, there was no material commitment outstanding for the Group.

In 2016, the Group had engaged a sub-contractor to undertake the external wall refurbishment and maintenance works for Kimley Commercial Building. The contract sum for refurbishment work was HK\$11,300,000. Payment in progress under the contracts amounted to HK\$10,070,580 as at 30 September 2017.



# NOTES TO THE FINANCIAL STATEMENTS

## 27. COMPANY BALANCE SHEET

	Note	30 September 2018 HK\$'000	30 September 2017 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		1,746	2,381
Investment properties		8,660,000	6,675,000
Investment in a subsidiary	15	10,000	10,000
Investments accounted for using the equity method		70	70
Available-for-sale investment		49,763	28,529
Advances to an investee company		29,605	29,605
		<u>8,751,184</u>	<u>6,745,585</u>
<b>Current assets</b>			
Debtors, deposits, prepayments and others		6,162	6,014
Amount due from a subsidiary		3,140	8,564
Cash and bank balances		273,010	245,352
		<u>282,312</u>	<u>259,930</u>
<b>Current liabilities</b>			
Creditors, accruals and deposits		45,860	41,950
Current tax payable		27,565	31,731
		<u>73,425</u>	<u>73,681</u>
<b>Net current assets</b>		<u>208,887</u>	<u>186,249</u>
<b>Total assets less current liabilities</b>		<u>8,960,071</u>	<u>6,931,834</u>
<b>Non-current liabilities</b>			
Provision for long service payments		13,491	12,674
Deferred tax liabilities		1,778	1,778
		<u>15,269</u>	<u>14,452</u>
<b>Net assets</b>		<u>8,944,802</u>	<u>6,917,382</u>

# NOTES TO THE FINANCIAL STATEMENTS

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## 27. COMPANY BALANCE SHEET (cont'd)

	<b>30 September 2018 HK\$'000</b>	30 September 2017 HK\$'000
<b>Equity</b>		
Share capital	<b>125,000</b>	125,000
Investment revaluation reserve	<b>49,762</b>	28,528
Retained profits	<b>8,770,040</b>	6,763,854
<b>Total equity</b>	<b>8,944,802</b>	6,917,382

**Chung Ming Fai**  
*Director*

**Chung Yin Shu, Frederick**  
*Director*

# NOTES TO THE FINANCIAL STATEMENTS

## 27. COMPANY BALANCE SHEET (cont'd)

Note

### Reserves

The movements of the Company's reserves is as follows:

	<b>Investment revaluation reserve</b>	<b>Retained profits</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
<b>Company</b>			
Balance at 1 October 2016	58,101	5,454,588	5,512,689
Profit for the year	—	1,431,766	1,431,766
Fair value loss on available-for-sale investment	(29,573)	—	(29,573)
Total comprehensive income for the year	(29,573)	1,431,766	1,402,193
2016 final dividend paid	—	(65,000)	(65,000)
2017 interim dividend paid	—	(57,500)	(57,500)
Balance at 30 September 2017	28,528	6,763,854	6,792,382
Profit for the year	—	2,131,186	2,131,186
Fair value gain on available-for-sale investment	21,234	—	21,234
Total comprehensive income for the year	21,234	2,131,186	2,152,420
2017 final dividend paid	—	(67,500)	(67,500)
2018 interim dividend paid	—	(57,500)	(57,500)
Balance at 30 September 2018	49,762	8,770,040	8,819,802

## FIVE-YEAR FINANCIAL SUMMARY

	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Investment properties, property, plant and equipment	9,539,746	7,390,881	6,030,025	5,903,677	5,491,319
Investments accounted for using the equity method	317	321	853	905	1,030
Investment	79,368	58,134	87,707	34,545	29,606
Current assets	280,487	253,307	226,305	181,292	145,652
Total assets	9,899,918	7,702,643	6,344,890	6,120,419	5,667,607
Current liabilities	(78,202)	(76,560)	(82,854)	(76,059)	(74,659)
Non-current liabilities	(15,269)	(14,452)	(13,759)	(13,231)	(12,402)
Net assets	9,806,447	7,611,631	6,248,277	6,031,129	5,580,546
Share capital	125,000	125,000	125,000	125,000	125,000
Investment revaluation reserve	49,762	28,528	58,101	4,939	—
Retained profits	9,631,685	7,458,103	6,065,176	5,901,190	5,455,546
Total equity	9,806,447	7,611,631	6,248,277	6,031,129	5,580,546
Revenue	220,088	232,319	232,111	223,410	211,874
Operating profit	2,327,556	1,545,712	311,904	589,753	36,426
Share of results of investments accounted for using the equity method	(4)	17	(52)	(59)	(8)
Profit before taxation	2,327,552	1,545,729	311,852	589,694	36,418
Income tax expense	(28,970)	(30,302)	(30,367)	(29,050)	(24,694)
Profit attributable to equity holders	2,298,582	1,515,427	281,485	560,644	11,724
	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share					
Basic and diluted	91.94	60.62	11.26	22.43	0.47
Dividends per share					
Interim	2.30	2.30	2.20	2.20	2.20
Final	2.80	2.70	2.60	2.50	2.40
	5.10	5.00	4.80	4.70	4.60

# NOTICE OF ANNUAL GENERAL MEETING

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**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of Melbourne Enterprises Limited (the “Company”) will be held at Tsui Hang Village, 2/F., New World Tower, 18 Queen’s Road Central, Hong Kong on Friday, 1 February 2019 at 3:00 p.m. for the following purposes:

1. To consider and adopt the audited financial statements and the Reports of Directors and the Independent Auditors for the year ended 30 September 2018.
2. To declare a final dividend.
3. To re-elect Directors and authorise the board of Directors to fix their remuneration.
4. To re-appoint Messrs. PricewaterhouseCoopers as auditor and authorise the Board of Directors to fix their remuneration.
5. As special business to consider and, if thought fit, pass with or without modifications, the following resolution as an Ordinary Resolution:

## ORDINARY RESOLUTION

**“THAT:**

- (a) subject to paragraph (c) below and pursuant to Sections 140 and 141 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue, (ii) an issue of shares as scrip dividends pursuant to the articles of association of the Company from time to time; (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of

# NOTICE OF ANNUAL GENERAL MEETING

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its subsidiaries of shares or rights to acquire shares of the Company; or (iv) an issue of shares upon conversion by the bondholders of their bonds into shares of the Company in accordance with the terms and conditions of an issue of convertible guaranteed bonds by the Company or a special purpose subsidiary wholly owned by the Company, shall not exceed 20% of the aggregate number of the issued shares of the Company (subject to adjustment in the case of subdivision or consolidation of shares) as at the date of passing this resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

By Order of the Board  
**Chung Yin Shu, Frederick**  
*Company Secretary*

Hong Kong, 14 December 2018

Notes:

- (1) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

# NOTICE OF ANNUAL GENERAL MEETING

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- (2) To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the registered office of the Company at Rooms 2102-4, Melbourne Plaza, 33 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting (as the case may be).
- (3) The register of members of the Company will be closed from Tuesday, 29 January 2019 to Friday, 1 February 2019, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the Annual General Meeting, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 28 January 2019.
- (4) Pursuant to Rule 13.39(4) of the Listing Rules, at any general meeting, a resolution put to the vote of the meeting must be taken by poll.
- (5) In accordance with Article 103(A) of the Company's Articles of Association, Mr. Lo Pak Shiu and Mr. Yuen Sik Ming, Patrick retire by rotation and, being eligible, offer themselves for re-election.
- (6) Details of all retiring Directors, their interests in the shares of the Company and their remuneration are set out under the headings "Management Profile", "Directors' Interests in Shares, Underlying Shares and Debentures" and "Directors' Emoluments" in the Annual Report 2018.