



Melbourne Enterprises Limited



2006

Annual Report

Group Structure

At 30 September 2006

PARENT COMPANY

Melbourne Enterprises Limited

SUBSIDIARY COMPANY

	Equity Holding	Principal Activities
Iau On Company Limited	100%	Property investment

ASSOCIATED COMPANIES

Chuen King Enterprises Limited	50%	Property trading
Manlo Holdings Limited	33 $\frac{1}{3}$ %	Investment holding
Littlejohn Company Limited	20%	Investment holding

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dato' Dr. Cheng Yu Tung (Chairman)

Mr. Chung Ming Fai

Mr. Chung Yin Shu, Frederick

Non-executive Director

Mr. Chung Wai Shu, Robert

Independent Non-executive Directors

Mr. Yuen Pak Yiu, Philip

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

Mr. Lo Pak Shiu

Mr. Yuen Sik Ming, Patrick

CHIEF EXECUTIVE

Mr. Ho Tak Him

COMPANY SECRETARY

Mr. Chung Yin Shu, Frederick

AUDIT COMMITTEE

Mr. Yuen Pak Yiu, Philip (Chairman)

Mr. Chung Yin Shu, Frederick (Secretary)

Mr. Chung Wai Shu, Robert

Mr. Lo Pak Shiu

Mr. Yuen Sik Ming, Patrick

JOINT AUDITORS

PricewaterhouseCoopers

H. C. Watt & Company Limited

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

Rooms 1712-6, 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

Management Profile

Executive Directors

Dato' Dr. Cheng Yu Tung, aged 81, is the Chairman of the Company and has been appointed Executive Director of the Company since December 1967. He is the Chairman of New World Development Company Limited, NWD (Hotels Investments) Limited, Chow Tai Fook Enterprises Limited and a director of Hang Seng Bank Limited.

Mr. Chung Ming Fai, aged 86, is one of the founders of the Company and has been appointed 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 62, 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.

Non-executive Director

Mr. Chung Wai Shu, Robert, aged 58, 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

Mr. Yuen Pak Yiu, Philip, aged 71, is a Solicitor. He is the senior partner of Yung, Yu, Yuen & Co., Solicitors. He is also a director of Henderson Investment Limited. He has been appointed Non-executive Director of the Company since December 1993.

Dr. Fong Yun Wah, S.B.S., J.P., aged 82. He is the Managing Director of Hip Shing Hong Development Company Limited and Kam Wah Investment Company Limited. He has been appointed Non-executive Director of the Company since November 1994.

Mr. Lo Pak Shiu, aged 52, 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 49, 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 is also a director of KTP Holdings Limited. He was appointed Independent Non-executive Director of the Company in September 2004.

Chief Executive

Mr. Ho Tak Him, aged 86, was appointed General Manager of the Company in December 1968. He has been appointed Chief Executive of the Company since January 1999.

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

The Directors present their annual report together with the audited financial statements for the financial year ended 30 September 2006.

PRINCIPAL ACTIVITIES

The Company continues to carry on the business of investment holding and property investment in Hong Kong. Activities of the subsidiary company and associated companies 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 2006 are set out in the consolidated profit and loss account on page 15. A commentary on annual results is included in the chairman's business review on page 12.

An interim dividend of HK\$0.70 per share was paid in July 2006, totalling HK\$17,500,000. The directors propose the payment of a final dividend of HK\$1.30 per share, totalling HK\$32,500,000, and recommend that the retained profits of the Company, amounting to HK\$1,400,100,000 at 30 September 2006, be carried forward.

DONATIONS

The Group made charitable donations of HK\$10,500 during the year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 13 to the financial statements.

RESERVES

Details of the movements in reserves are set out in the consolidated statement of changes in equity and note 23 to the financial statements.

Distributable reserves of the Company at 30 September 2006 amounted to HK\$1,432,600,000 (2005: HK\$32,484,000)

DIRECTORS

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

Dato' Dr. Cheng Yu Tung
Mr. Chung Ming Fai
Mr. Yuen Pak Yiu, Philip
Dr. Fong Yun Wah
Mr. Chung Yin Shu, Frederick
Mr. Chung Wai Shu, Robert
Mr. Lo Pak Shiu
Mr. Yuen Sik Ming, Patrick

In accordance with Article 103(A) of the Company's Articles of Association, Dato' Dr. Cheng Yu Tung, Mr. Chung Wai Shu, Robert and Mr. Yuen Pak Yiu, Philip, retire by rotation and, being eligible, offer themselves for re-election.

Directors' Report (Cont'd)

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company or its subsidiary company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

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

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as set out below:

Name of Director	Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the Group	Nature of interest of the Director in the entity
Dato' Dr. Cheng Yu Tung	Chow Tai Fook Enterprises Limited group of companies	Property investment	Chairman
	New World Development Company Limited group of companies	Property investment	Director
	Shun Tak Holdings Limited group of companies	Property investment	Director
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	Hip Shing Hong Development Company Limited	Property investment	Director
	Kam Wah Investment Company Limited	Property investment	Director

As the board of Directors of the Company is independent of the board 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 (Cont'd)

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the financial year was the Company or its subsidiary company a party to any arrangements to enable the Directors or Chief Executive (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 company not terminable within one year without the payment of a compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2006, the interests or short positions of the Directors and Chief Executive 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	
Directors			
Mr. Chung Ming Fai	12,000,500	1,000 (Note)	48.00%
Mr. Chung Yin Shu, Frederick	1,875	-	0.01%
Chief Executive			
Mr. Ho Tak Him	1,000	-	-

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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 2006, the register of interests in shares or short positions kept under Section 336 of the SFO showed that, other than the interests of directors as set out above, Chow Tai Fook Enterprises Limited ("CTF") had interest in 5% or more of the issued share capital of the Company. CTF, together with its associated companies, has a beneficial interest in 6,731,250 shares of the Company, representing 26.93% of the Company's issued share capital.

Save for the interests in shares referred to above, no other person is recorded in the register kept pursuant to Section 336 of the SFO as having an interest in 5% or more of the issued share capital of the Company as at 30 September 2006.

Directors' Report (Cont'd)

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor its subsidiary company 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 turnover during the year attributable to the Group's five largest customers was 30%, of which 9% was derived from The Group's largest customer.

The aggregate purchase of revenue items during the year attributable to the Group's five largest suppliers was 55%, of which 20% 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.

AUDITORS

The financial statements have been audited by Messrs. PricewaterhouseCoopers and H. C. Watt & Company Limited, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Dato' Dr. Cheng Yu Tung
Chairman

Hong Kong, 20 December 2006

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to set up and maintain a high standard of corporate governance practices and procedures. For the year under review, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules, 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 2006.

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 8 Directors, with 3 Executive Directors, a Non-executive Director and 4 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.

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.

REMUNERATION OF DIRECTORS

The Company established the Remuneration Committee on 12 June 2006 with specific written terms of reference. The Remuneration Committee 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, pensions and discretionary bonus. Details of the amount of emoluments of Directors paid for the financial year ended 30 September 2006 are set out in note 9 to the financial statements.

Members of the Remuneration Committee are Mr. Yuen Pak Yiu, Philip (Chairman), Mr. Chung Yin Shu, Frederick, Mr. Chung Wai Shu, Robert, Mr. Lo Pak Shiu and Mr. Yuen Sik Ming, Patrick .

Corporate Governance Report (Cont'd)

NOMINATION OF DIRECTORS

The Board 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, the Company had not established a nomination committee and no meeting was held by the Board for nomination of new Director.

AUDIT COMMITTEE

The Audit Committee, established in 1999 with specific written terms of reference, consists of three Independent Non-executive Directors of the Board, 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 2005 and the unaudited interim financial statements for the six months ended 31 March 2006 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 Pak Yiu, Philip (Chairman), Mr. Chung Yin Shu, Frederick, Mr. Chung Wai Shu, Robert, Mr. Lo Pak Shiu and Mr. Yuen Sik Ming, Patrick.

Attendance at Meetings of the Board, the Audit Committee and the Remuneration Committee

Name of Director	Number of meetings attended/eligible to attend for the year ended 30 September 2006		
	Board	Audit Committee	Remuneration Committee
Executive Directors			
Dato' Dr. Cheng Yu Tung (Chairman)	4/4		
Mr. Chung Ming Fai	4/4		
Mr. Chung Yin Shu, Frederick	4/4	2/2	1/1
Non-executive Director			
Mr. Chung Wai Shu, Robert	4/4	1/2	0/1
Independent Non-executive Directors			
Mr. Yuen Pak Yiu, Philip	2/4	2/2	1/1
Dr. Fong Yun Wah, S.B.S., J.P.	2/4		
Mr. Lo Pak Shiu	4/4	2/2	1/1
Mr. Yuen Sik Ming, Patrick	3/4	1/2	0/1

Corporate Governance Report (Cont'd)

AUDITORS' REMUNERATION

During the year ended 30 September 2006, the total fees paid/payable in respect of services provided by the Group's external auditors are set out below:

	2006 HK\$'000	2005 HK\$'000
Audit services	518	470
Non-audit services	141	141
	<u>659</u>	<u>611</u>

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board, supported by the accounts department, is responsible for the preparation of the financial statements of the Company and the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted together with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently. The Directors were 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 auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Auditors' Report on page 14 of this annual report.

INTERNAL CONTROL

The Group conducted an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, it was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance of applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

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.

Chairman's Business Review

I would report to shareholders that the Group's profit after taxation for the financial year ended 30 September 2006 amounted to HK\$293.0 million (2005: HK\$38.0 million). The Board of Directors recommend a final dividend of HK\$1.30 per share payable to the shareholders registered on 9 February 2007. In addition to the interim dividend of HK\$0.70 per share paid in July 2006, the total dividend for the year amounted to HK\$2.00 per share (2005: HK\$1.60 per share).

The Group's investment properties at Melbourne Plaza, 33 Queen's Road Central reached an occupancy rate of 95% while Kimley Commercial Building at 142-146 Queen's Road Central was 90% leased. Both occupancy and rental rates grew satisfactorily under the resilient economy. Rising rental income has been secured through close liaison and continuing negotiation with tenants.

The investment involving property development and golf club operations in Foshan, China of which the Group has an equity interest continues to operate without any immediate plan for property development. The golf club is operating on a self-finance basis. The cost-cutting measures have led to a slight improvement in its operation. In light of the completed debt restructuring, the Board has decided to write back a provision of HK\$24.0 million against advances to the said investment.

The Group has always maintained a prudent approach towards other investments and placed its emphasis on stable rental income as its main source of revenue. As the economy continues to improve, the investment properties in Central will contribute sturdy income for the Group. Without any debt or commitment, the Group will keep on bringing optimum 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.

Dato' Dr. Cheng Yu Tung
Chairman

Hong Kong, 20 December 2006

Management Discussion and Analysis

GROUP RESULTS

Net profit for the year amounted to HK\$293.0 million (2005: HK\$38.0 million). Turnover for the year amounted to HK\$87.9 million, representing an increase of 21% as compared to last year. In addition, the net profit for the year was positively impacted by the HK\$24.0 million write-back of provision against the Group's advances to Billion Park Investment Limited, an investee company, and the adoption of HKAS 40, whereby changes in the fair value of investment properties are recognised in the profit and loss account. The increase in net profit in 2006 as a result of the fair value uplift amounted to HK\$268.2 million, which was partially offset by its related deferred tax effect of HK\$46.9 million.

SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 95% and 90% let respectively.

LIQUIDITY AND FINANCIAL RESOURCES

Basically, the Group's working capital requirement was financed by its rental income. As at 30 September 2006, the Group had cash and bank balances totalling HK\$61.8 million (2005: HK\$53.5 million). During the year, the Group did not need any borrowings or overdraft facilities.

EMPLOYEES AND REMUNERATION POLICIES

The Group employs a total of 18 employees. The Group recognises the importance of the strength of its human resources for its success. Remuneration for employees are maintained at competitive levels and promotion and salary increments are assessed on a performance related basis.

MATERIAL ACQUISITIONS AND DISPOSALS

There were no acquisitions or disposals of subsidiaries and associated companies during the year. In addition, there are no future plans for material investments in capital assets.

Report of the Auditors

**TO THE SHAREHOLDERS OF
MELBOURNE ENTERPRISES LIMITED
(Incorporated in Hong Kong with limited liability)**

We have audited the financial statements on pages 15 to 41, which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Hong Kong Companies Ordinance requires the Directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 141 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.

Basis of opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2006 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

H. C. WATT & COMPANY LIMITED
Certified Public Accountants
R. GARFIELD WATT, AUDITOR
Practising Certificate No. P3436

PRICEWATERHOUSECOOPERS
Certified Public Accountants

Hong Kong, 20 December 2006

Consolidated Profit and Loss Account

Year Ended 30 September

	Note	2006 HK\$'000	2005 HK\$'000 (Restated)
Turnover	6	87,922	72,800
Operating costs		(24,321)	(19,831)
Gross profit		63,601	52,969
Other income	7	1,851	683
Write back of provision against advances to an investee company		24,000	–
Administrative expenses		(7,360)	(7,611)
Changes in fair value of investment properties		268,200	–
Operating profit	8	350,292	46,041
Share of results of associated companies		(513)	(8)
Profit before taxation		349,779	46,033
Taxation	10	(56,827)	(8,012)
Profit attributable to shareholders		292,952	38,021
Dividends	11	50,000	40,000
Earnings per share			
Basic and diluted	12	HK\$11.72	HK\$1.52

Consolidated Balance Sheet

At 30 September

	Note	2006 HK\$'000	2005 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment	13	107	140
Investment properties	14	1,961,200	1,693,000
Associated companies	16	840	1,329
Unlisted investment	17	–	1
Available-for-sale investment	17	1	–
		<u>1,962,148</u>	<u>1,694,470</u>
Current assets			
Advances to an investee company	17	24,000	–
Staff loans, secured		1,509	1,789
Debtors, deposits and prepayments	18	6,510	5,691
Cash and bank balances	19	61,802	53,460
		<u>93,821</u>	<u>60,940</u>
Current liabilities			
Creditors, accruals and deposits	20	19,763	16,653
Taxation		10,277	8,029
		<u>30,040</u>	<u>24,682</u>
Net current assets		<u>63,781</u>	<u>36,258</u>
Total assets less current liabilities		<u>2,025,929</u>	<u>1,730,728</u>
Non-current liabilities			
Provision for long service payments		6,278	6,132
Deferred tax liabilities	21	321,305	274,202
		<u>327,583</u>	<u>280,334</u>
Net assets		<u>1,698,346</u>	<u>1,450,394</u>
Equity			
Share capital	22	125,000	125,000
Investment property revaluation reserve		–	1,291,255
Retained profits		1,540,846	6,639
Proposed final dividend		32,500	27,500
Total equity		<u>1,698,346</u>	<u>1,450,394</u>

Chung Ming Fai
Director

Cheng Yu Tung
Director

Balance Sheet

At 30 September

	Note	2006 HK\$'000	2005 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment	13	107	140
Investment properties	14	1,780,000	1,535,000
Subsidiary company	15	10,279	10,868
Associated companies	16	164	140
Unlisted investment	17	–	1
Available-for-sale investment	17	1	–
		<u>1,790,551</u>	<u>1,546,149</u>
Current assets			
Advances to an investee company	17	24,000	–
Staff loans, secured		1,509	1,789
Debtors, deposits and prepayments	18	5,693	4,886
Cash and bank balances	19	61,616	53,372
		<u>92,818</u>	<u>60,047</u>
Current liabilities			
Creditors, accruals and deposits	20	18,368	15,381
Taxation		9,390	7,525
		<u>27,758</u>	<u>22,906</u>
Net current assets		<u>65,060</u>	<u>37,141</u>
Total assets less current liabilities		<u>1,855,611</u>	<u>1,583,290</u>
Non-current liabilities			
Provision for long service payments		6,278	6,132
Deferred tax liabilities	21	291,733	248,691
		<u>298,011</u>	<u>254,823</u>
Net assets		<u>1,557,600</u>	<u>1,328,467</u>
Equity			
Share capital	22	125,000	125,000
Investment property revaluation reserve	23	–	1,170,983
Retained profits	23	1,400,100	4,984
Proposed final dividend	23	32,500	27,500
Total equity		<u>1,557,600</u>	<u>1,328,467</u>

Chung Ming Fai
Director

Cheng Yu Tung
Director

Consolidated Statement of Changes in Equity

Year Ended 30 September

	Share capital HK\$'000	Investment property revaluation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
Balance at 1 October 2004, as previously reported	125,000	1,194,757	8,618	20,000	1,348,375
Effect of adoption of HK(SIC)-Int 21	–	(209,082)	–	–	(209,082)
Balance at 1 October 2004, as restated	125,000	985,675	8,618	20,000	1,139,293
Surplus on revaluation of investment properties	–	370,400	–	–	370,400
Deferred tax charged for the year	–	(64,820)	–	–	(64,820)
Net income recognised directly in equity	–	305,580	–	–	305,580
Profit for the year	–	–	38,021	–	38,021
Total recognised income for the year	–	305,580	38,021	–	343,601
2004 final dividend paid	–	–	–	(20,000)	(20,000)
2005 interim dividend paid	–	–	(12,500)	–	(12,500)
2005 final dividend proposed	–	–	(27,500)	27,500	–
	–	305,580	(1,979)	7,500	311,101
Balance at 30 September 2005, as restated	125,000	1,291,255	6,639	27,500	1,450,394
Effect of adoption of HKAS 40	–	(1,291,255)	1,291,255	–	–
Balance at 1 October 2005, as adjusted	125,000	–	1,297,894	27,500	1,450,394
Profit for the year	–	–	292,952	–	292,952
2005 final dividend paid	–	–	–	(27,500)	(27,500)
2006 interim dividend paid	–	–	(17,500)	–	(17,500)
2006 final dividend proposed	–	–	(32,500)	32,500	–
Balance at 30 September 2006	125,000	–	1,540,846	32,500	1,698,346

Consolidated Cash Flow Statement

Year Ended 30 September

	2006 HK\$'000	2005 HK\$'000
Operating activities		
Operating profit	350,292	46,041
Adjustments for:		
Depreciation	33	50
Write back of provision against advances to an investee company	(24,000)	-
Changes in fair value of investment properties	(268,200)	-
Operating profit before working capital changes	58,125	46,091
Decrease in staff loans, secured	280	1,717
Increase in debtors, deposits and prepayments	(819)	(292)
Increase in creditors, accruals and deposits	3,110	2,917
Increase/(decrease) in provision for long service payments	146	(156)
Net cash generated from operations	60,842	50,277
Hong Kong profits tax paid	(7,476)	(6,354)
Net cash generated from operating activities	53,366	43,923
	-----	-----
Investing activities		
Purchases of property, plant and equipment	-	(17)
Increase in net amount due by associated companies	(24)	(37)
Net cash used in investing activities	(24)	(54)
	-----	-----
Financing activities		
Dividends paid	(45,000)	(32,500)
Net cash used in financing activities	(45,000)	(32,500)
	-----	-----
Net increase in cash and bank balances	8,342	11,369
Cash and bank balances at beginning of the year	53,460	42,091
Cash and bank balances at end of the year	61,802	53,460

Notes to the Financial Statements

1. GENERAL INFORMATION

Melbourne Enterprises Limited (the "Company") and its subsidiary (together the "Group") are engaged in property investment and investment holding in Hong Kong.

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.

These financial statements have been approved for issue by the Board of Directors on 20 December 2006.

2. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with all applicable Hong Kong Financial Reporting Standards, ("HKFRSs"), which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out in Note 3.

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005. The following is a summary of the material changes to the Group's principal accounting policies or presentation of accounts as a result of the adoption of the new or revised HKFRSs. Certain comparative figures have been reclassified or restated to conform with the current year's presentation.

(a) HKAS 1 Presentation of financial statements

The adoption of HKAS 1 has affected certain presentation and disclosures in the financial statements.

(b) HKAS 40 Investment property

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair value of investment properties are recognised in the profit and loss account. In prior years, increases in valuation of investment properties were credited to the investment property revaluation reserve; decreases were first off set against earlier revaluation surpluses on a portfolio basis and thereafter charged to the profit and loss account. The Group has applied the relevant transitional provisions under HKAS 40 and elected to apply HKAS 40 prospectively from 1 October 2005 onwards. As a result, investment property revaluation reserve as at 1 October 2005 has been transferred to retained profits. Comparative information has not been restated.

Notes to the Financial Statements (Cont'd)

2 BASIS OF PREPARATION (Cont'd)

The adoption of HKAS 40 has resulted in:

	Group HK\$'000	Company HK\$'000
The balance sheet of the Group and the Company as at 30 September 2006		
Increase in opening retained profits	1,565,157	1,419,374
Decrease in opening investment property revaluation reserve	(1,565,157)	(1,419,374)
The profit and loss account of the Group and the Company for the year ended 30 September 2006		
Increase in profit before taxation	268,200	245,000
Increase in basic and diluted earnings per share	HK\$ 10.73	

(c) HK(SIC)-Int 21 Income taxes—Recovery of revalued non-depreciable assets

The adoption of Hong Kong (SIC) Interpretation 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of the Group's leasehold investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from the recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale. The change has been applied retrospectively.

The adoption of HK(SIC)-Int 21 has resulted in a decrease in the Group's and the Company's opening reserves at 1 October 2004 of HK\$209,082,000 and HK\$189,766,000 respectively.

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
The balance sheet of the Group and the Company as at 30 September 2006 and 2005				
Increase in deferred tax liabilities	320,837	273,902	291,266	248,391
Decrease in investment property revaluation reserve	–	(273,902)	–	(248,391)
Decrease in retained profits	(320,837)	–	(291,266)	–
The profit and loss account of the Group and the Company for the year ended 30 September 2006 and 2005				
Increase in deferred tax expense	46,935	–	42,875	–
Decrease in profit attributable to shareholders	(46,935)	–	(42,875)	–
Decrease in basic and diluted earnings per share	(HK\$ 1.88)	–		

Notes to the Financial Statements (Cont'd)

2. BASIS OF PREPARATION (Cont'd)

(d) HKAS 32 Financial instruments: Disclosures and presentation HKAS 39 Financial instruments: Recognition and measurement

The adoption of HKAS 32 and 39 has resulted in a reclassification of unlisted investment to available-for-sale investment and advances to an investee company. Unlisted investment was stated at cost less provision prior to 30 September 2005. Available-for-sale investment is stated at fair value with any changes in fair value in subsequent periods being recognised directly in equity, except for impairment losses which are recognised directly in the profit and loss account. The change has been applied prospectively in accordance with the transitional provisions of HKAS 39.

(e) Standards, amendments and interpretations to published standards which are not yet effective

Certain new standards, amendments and interpretations to published standards that are mandatory for accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not yet adopted, are as follows:

Effective for the year ending 30 September 2007

HKAS 19 Amendment	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 39 Amendment	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 Amendment	The fair value option
HKAS 39 and HKFRS 4 Amendments	Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS 1 and 6 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards and exploration for and evaluation of mineral resources
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS - Int 4	Determining whether an arrangement contains a lease
HKFRS - Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) - Int 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK(IFRIC) - Int 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of embedded derivatives

Effective for the year ending 30 September 2008

HKAS 1 Amendment	Capital disclosures
HKFRS 7	Financial instruments: Disclosures

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

Notes to the Financial Statements (Cont'd)

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

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

All material intra-group transactions and balances have been eliminated on consolidation.

(b) Subsidiary company

A company is a subsidiary company if the Group, directly or indirectly, holds more than half of the issued equity capital, controls more than half of the voting power or controls the composition of the board of directors.

The Company's investment in the subsidiary company is carried at cost less provision for impairment losses. Provision for impairment is made when, in the opinion of the Directors, the carrying amount exceeds the recoverable amount. The results of the subsidiary company are accounted for by the Company on the basis of dividend income.

(c) Associated companies

An associated company is a company other than a subsidiary company and a jointly controlled entity, in which the Group's interest is held for the long term and substantial and significant influence is exercised through representatives on the board of directors.

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

(d) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) 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 arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

Notes to the Financial Statements (Cont'd)

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on 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. Investments 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 and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the profit and loss account in the period in which they arise. Unrealised gains and losses from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities 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 the profit and loss account – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

Notes to the Financial Statements (Cont'd)

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(e) 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 profit and loss account 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 write off 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% per annum.

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 profit and loss account.

(f) 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 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 valuation conducted as at the balance sheet date. Changes in fair value are recognised in the profit and loss account.

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 profit and loss account during the financial period in which they are incurred.

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(h) Revenue recognition

Rental and service income from investment properties is recognised on a straight-line basis over the periods of the leases. Interest income is recognised on a time proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

Notes to the Financial Statements (Cont'd)

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(i) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(j) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(k) Employee benefits

(i) Employee long service payments

Employee entitlement 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 profit and loss account in the year to which the contributions relate.

Notes to the Financial Statements (Cont'd)

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(l) Foreign currencies

The functional and presentation currencies of all the Group's entities are Hong Kong dollars. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

(a) The credit risk of the Group mainly arises from rental and service receivables. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies. The Group has no significant exposure to other financial risks, such as interest rate risk and liquidity risk.

(b) The carrying amounts of financial assets and liabilities with a maturity of less than one year, including debtors, deposits, prepayments, staff loans, creditors and accruals, are assumed to approximate their fair values as at the balance sheet date.

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 circumstance.

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 have a significant effect on carrying amounts of assets and liabilities 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 an open market value and existing use basis. The valuers have relied on the discounted cash flow analysis and the capitalisation of income approach as their primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

(b) Impairment of assets

The Group determines whether an asset is impaired by evaluating the duration and extent to which the fair value of an asset is less than its cost. This evaluation is subject to changes in factors such as operational and financing cash flow.

The Group assesses whether there is objective evidence that deposits, loans and receivables are impaired. It recognises impairment loss based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these assets will impact the amount of impairment loss required.

Notes to the Financial Statements (Cont'd)

6. SEGMENT INFORMATION

	2006 HK\$'000	2005 HK\$'000
(a) Turnover		
Property investment	<u>87,922</u>	<u>72,800</u>
(b) Contribution to operating profit		
Property investment	326,292	46,041
Unallocated item - write back of provision against advances to an investee company	<u>24,000</u>	<u>-</u>
	<u>350,292</u>	<u>46,041</u>

Turnover represents gross rental and service income from investment properties.

As the Group's principal business is property investment in Hong Kong, an analysis of the Group's turnover and profit by business and geographical segments has not been presented.

7. OTHER INCOME

	2006 HK\$'000	2005 HK\$'000
Bank deposit and other interest income	1,609	336
Sundry income	<u>242</u>	<u>347</u>
	<u>1,851</u>	<u>683</u>

Notes to the Financial Statements (Cont'd)

8. OPERATING PROFIT

	2006 HK\$'000	2005 HK\$'000
Operating profit is stated after charging:		
Directors' emoluments (Note 9(a))	891	878
Auditors' remuneration	518	470
Depreciation	33	50
Staff costs (excluding Directors' emoluments)		
Salaries and other emoluments	3,541	3,654
Long service payments	242	162
Contributions to mandatory provident fund scheme	135	139
	<u>891</u>	<u>878</u>

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

	2006 HK\$'000	2005 HK\$'000
Fees	160	160
Salaries and other emoluments	681	668
Long service payments	38	38
Contributions to mandatory provident fund scheme	12	12
	<u>891</u>	<u>878</u>

Each Non-executive Director receives a fixed fee of HK\$ 20,000 per annum and fees paid to Non-executive Directors for the year amounted to HK\$100,000 (2005: HK\$100,000). None of the Directors has waived the right to receive their emoluments.

Notes to the Financial Statements (Cont'd)

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

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

For the year ended 30 September 2006

Name of Director	Fees HK\$'000	Salaries and allowances HK\$'000	Bonus HK\$'000	Long service payments HK\$'000	Mandatory provident fund contributions HK\$'000	Total HK\$'000
Dato' Dr. Cheng Yu Tung	20	–	–	–	–	20
Mr. Chung Ming Fai	20	–	–	–	–	20
Mr. Yuen Pak Yiu, Philip	20	–	–	–	–	20
Dr. Fong Yun Wah	20	–	–	–	–	20
Mr. Chung Yin Shu, Frederick	20	605	76	38	12	751
Mr. Chung Wai Shu, Robert	20	–	–	–	–	20
Mr. Lo Pak Shiu	20	–	–	–	–	20
Mr. Yuen Sik Ming, Patrick	20	–	–	–	–	20
	160	605	76	38	12	891

For the year ended 30 September 2005

Name of Director	Fees HK\$'000	Salaries and allowances HK\$'000	Bonus HK\$'000	Long service payments HK\$'000	Mandatory provident fund contributions HK\$'000	Total HK\$'000
Dato' Dr. Cheng Yu Tung	20	–	–	–	–	20
Mr. Chung Ming Fai	20	–	–	–	–	20
Mr. Yuen Pak Yiu, Philip	20	–	–	–	–	20
Dr. Fong Yun Wah	20	–	–	–	–	20
Mr. Chung Yin Shu, Frederick	20	605	63	38	12	738
Mr. Chung Wai Shu, Robert	20	–	–	–	–	20
Mr. Lo Pak Shiu	20	–	–	–	–	20
Mr. Yuen Sik Ming, Patrick	20	–	–	–	–	20
	160	605	63	38	12	878

Notes to the Financial Statements (Cont'd)

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 (2005: one Director) whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining four (2005: four) individuals during the year are as follows:

	2006 HK\$'000	2005 HK\$'000
Salaries and other emoluments	1,409	1,383
Long service payments	57	56
Contributions to mandatory provident fund scheme	48	48
	<u>1,514</u>	<u>1,487</u>

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

Notes to the Financial Statements (Cont'd)

10. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

The amount of taxation charged to the consolidated profit and loss account represents:

	2006 HK\$'000	2005 HK\$'000 (Restated)
Hong Kong profits tax	9,724	7,838
Deferred taxation relating to changes in fair value of investment properties	46,935	-
Deferred taxation relating to the origination and reversal of temporary differences	168	174
Taxation charge	<u>56,827</u>	<u>8,012</u>

Share of taxation of associated companies for the year ended 30 September 2006 of HK\$ nil (2005: HK\$1,000) is included in the profit and loss account as share of results of associated companies.

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:

	2006 HK\$'000	2005 HK\$'000 (Restated)
Profit before taxation and share of results of associated companies	<u>350,292</u>	<u>46,041</u>
Calculated at a taxation rate of 17.5% (2005: 17.5%)	61,301	8,057
Income not subject to taxation	(4,474)	(45)
Taxation charge	<u>56,827</u>	<u>8,012</u>

Notes to the Financial Statements (Cont'd)

11. DIVIDENDS

	2006 HK\$'000	2005 HK\$'000
Interim dividend paid of HK\$0.70 (2005: HK\$0.50) per share	17,500	12,500
Final dividend proposed of HK\$1.30 (2005: HK\$1.10) per share	<u>32,500</u>	<u>27,500</u>
	<u>50,000</u>	<u>40,000</u>

At a meeting held on 20 December 2006, the Board of Directors proposed a final dividend of HK\$1.30 per share. This proposed dividend will be accounted for as an appropriation of retained profits in the year ending 30 September 2007.

12. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$292,952,000 (2005: HK\$38,021,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2006 and 2005.

Diluted earnings per share equals basic earnings per share because there were no potential dilutive shares outstanding during the year.

Notes to the Financial Statements (Cont'd)

13. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and equipment Group HK\$'000	Company HK\$'000
Cost		
At 1 October 2004	1,587	1,558
Additions	17	17
At 30 September 2005 and 30 September 2006	<u>1,604</u>	<u>1,575</u>
Accumulated depreciation		
At 1 October 2004	1,414	1,385
Charge for the year	50	50
At 30 September 2005	<u>1,464</u>	<u>1,435</u>
Charge for the year	33	33
At 30 September 2006	<u>1,497</u>	<u>1,468</u>
Net book value		
At 30 September 2006	<u>107</u>	<u>107</u>
At 30 September 2005	<u>140</u>	<u>140</u>

Notes to the Financial Statements (Cont'd)

14. INVESTMENT PROPERTIES

	Group HK\$'000	Company HK\$'000
Valuation at 1 October 2004	1,322,600	1,200,000
Fair value changes recognised in equity	370,400	335,000
Valuation at 30 September 2005	1,693,000	1,535,000
Fair value changes recognised in profit and loss account	268,200	245,000
Valuation at 30 September 2006	<u>1,961,200</u>	<u>1,780,000</u>

Principal investment properties	Type	Floor area (Sq m)	Group interest
Melbourne Plaza	Commercial	24,074	100%
Kimley Commercial Building	Commercial	4,554	100%

The investment properties are held under long leases (over 50 years) in Hong Kong and were revalued on 30 September 2006 on an open market value basis by independent, professionally qualified valuers, CS Surveyors Limited.

15. SUBSIDIARY COMPANY

	2006 HK\$'000	2005 HK\$'000
Unlisted shares, at cost	10,000	10,000
Amount receivable	279	868
	<u>10,279</u>	<u>10,868</u>

The amount receivable is unsecured, interest free and has no fixed terms of repayment. Its carrying amount is not materially different from its fair value.

Private company incorporated in Hong Kong and directly owned by the Company	Paid up ordinary share capital	Equity holding
Iau On Company Limited	100,000 shares of HK\$100 each	100%

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

Notes to the Financial Statements (Cont'd)

16. ASSOCIATED COMPANIES

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Unlisted shares, at cost	70	70	70	70
Share of undistributed post-acquisition profits less losses	(4,459)	(3,946)	-	-
Group's share of net (liabilities)/assets	(4,389)	(3,876)	70	70
Amount receivable	5,454	5,430	5,454	5,430
Less: Provision	-	-	(5,135)	(5,135)
	5,454	5,430	319	295
Less: Amount payable	(225)	(225)	(225)	(225)
	5,229	5,205	94	70
	840	1,329	164	140

The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment. Their carrying amounts are not materially different from their fair values.

The Group's share of revenues, results, assets and liabilities of associated companies are as follows:

	2006 HK\$'000	2005 HK\$'000
Revenues	3	17
Loss for the year	(513)	(8)
Non-current assets	84	84
Current assets	1,358	1,510
Current liabilities	(5,831)	(5,470)
Net liabilities	(4,389)	(3,876)

Private companies incorporated in Hong Kong and directly owned by the Company

	Paid up ordinary share capital	Equity holding	Principal activities (in Hong Kong)
Chuen King Enterprises Limited	1,000 shares of HK\$100 each	50%	Property trading
Manlo Holdings Limited	6 shares of HK\$10 each	33⅓%	Investment holding
Littlejohn Company Limited	100,000 shares of HK\$1 each	20%	Investment holding

Notes to the Financial Statements (Cont'd)

17. AVAILABLE-FOR-SALE INVESTMENT, UNLISTED INVESTMENT AND ADVANCES TO AN INVESTEE COMPANY

	Group and Company	
	2006	2005
	HK\$'000	HK\$'000
Unlisted shares, at cost	–	143
Advances	–	29,605
Less: Provision	–	(29,747)
Unlisted investment	–	1
Reclassified on adoption of HKAS 39	1	(1)
Available-for-sale investment	1	–
Advances to an investee company	29,605	–
Less: Impairment	(5,605)	–
	24,000	–

Available-for-sale investment 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 International Country Club Company Limited, a co-operative joint venture formed in the People's Republic of China and in which the Group has an effective interest of 5%, for the construction of golf courses and related commercial and residential facilities in Foshan.

The advances are unsecured, interest free and have no specific repayment terms.

18. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade debtors				
Below 60 days	3,979	2,456	3,511	2,031
61 to 90 days	336	242	232	140
Over 90 days	320	272	228	144
	4,635	2,970	3,971	2,315
Deposits and prepayments	1,875	2,721	1,722	2,571
	6,510	5,691	5,693	4,886

Trade debtors represent rental income which is due one month in advance.

Notes to the Financial Statements (Cont'd)

19. CASH AND BANK BALANCES

	Group		Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at banks and on hand	8,158	13,289	7,972	13,201
Short-term bank deposits	53,644	40,171	53,644	40,171
	<u>61,802</u>	<u>53,460</u>	<u>61,616</u>	<u>53,372</u>

The effective interest rates on short-term bank deposits ranged from 3.4% to 3.7% (2005: 3.0%) per annum and the deposits had an average maturity ranging from 2 months to 6 months (2005: 1 month).

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

20. CREDITORS, ACCRUALS AND DEPOSITS

	Group		Company	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade creditors				
Below 60 days	620	908	590	813
Accruals and deposits	19,143	15,745	17,778	14,568
	<u>19,763</u>	<u>16,653</u>	<u>18,368</u>	<u>15,381</u>

Notes to the Financial Statements (Cont'd)

21. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2005: 17.5%).

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

	Group		Company	
	2006 HK\$'000	2005 HK\$'000 (Restated)	2006 HK\$'000	2005 HK\$'000 (Restated)
Accelerated tax depreciation				
At beginning of the year	300	126	300	126
Charged to profit and loss account	168	174	167	174
At end of the year	<u>468</u>	<u>300</u>	<u>467</u>	<u>300</u>
Fair value gain on investment properties				
At beginning of the year	273,902	209,082	248,391	189,766
Charged to investment property revaluation reserve	–	64,820	–	58,625
Charged to profit and loss account	46,935	–	42,875	–
At end of the year	<u>320,837</u>	<u>273,902</u>	<u>291,266</u>	<u>248,391</u>
	<u>321,305</u>	<u>274,202</u>	<u>291,733</u>	<u>248,691</u>

22. SHARE CAPITAL

	2006 HK\$'000	2005 HK\$'000
Authorised		
30,000,000 shares of HK\$5 each	<u>150,000</u>	<u>150,000</u>
Issued and fully paid		
25,000,000 shares of HK\$5 each	<u>125,000</u>	<u>125,000</u>

Notes to the Financial Statements (Cont'd)

23. RESERVES

The movement of the Group's reserves for the years ended 30 September 2005 and 2006 are presented in the consolidated statement of changes in equity on page 18 of this annual report.

	Investment property revaluation reserve HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000
Company			
Balance at 1 October 2004, as previously reported	1,084,374	7,118	20,000
Effect of adoption of HK(SIC)-Int 21	(189,766)	-	-
Balance at 1 October 2004, as restated	<u>894,608</u>	<u>7,118</u>	<u>20,000</u>
Surplus on revaluation of investment properties	335,000	-	-
Deferred tax charged for the year	(58,625)	-	-
Net income recognised directly in equity	276,375	-	-
Profit for the year	<u>-</u>	<u>37,866</u>	<u>-</u>
Total recognised income for the year	276,375	37,866	-
2004 final dividend paid	-	-	(20,000)
2005 interim dividend paid	-	(12,500)	-
2005 final dividend proposed	<u>-</u>	<u>(27,500)</u>	<u>27,500</u>
	<u><u>276,375</u></u>	<u><u>(2,134)</u></u>	<u><u>7,500</u></u>
Balance at 30 September 2005, as restated	1,170,983	4,984	27,500
Effect of adoption of HKAS 40	(1,170,983)	1,170,983	-
Balance at 1 October 2005, as adjusted	-	1,175,967	27,500
Profit for the year	-	274,133	-
2005 final dividend paid	-	-	(27,500)
2006 interim dividend paid	-	(17,500)	-
2006 final dividend proposed	<u>-</u>	<u>(32,500)</u>	<u>32,500</u>
Balance at 30 September 2006	<u><u>-</u></u>	<u><u>1,400,100</u></u>	<u><u>32,500</u></u>

Notes to the Financial Statements (Cont'd)

24. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

The future minimum rental payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
In the first year	54,572	51,932	51,124	47,547
In the second to fifth year inclusive	25,529	18,731	23,940	17,522
	<u>80,101</u>	<u>70,663</u>	<u>75,064</u>	<u>65,069</u>

The Group's and the Company's operating leases are generally for terms of two years.

25. RELATED PARTY TRANSACTIONS

In the normal course of business activities, certain investment properties of the Group are leased to related companies, which are controlled by certain Directors of the Company, at prices and terms no less than those contracted with other third party tenants of the Group. Rental and related income from these related companies during the year were HK\$2,976,000 (2005: HK\$2,946,000).

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).

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 20 December 2006.

Five-Year Financial Summary

	2006 HK\$'000	2005 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Investment properties, property, plant and equipment	1,961,307	1,693,140	1,322,773	988,192	1,072,232
Associated companies	840	1,329	1,300	1,288	1,212
Investment	1	1	1	20,568	29,748
Deferred tax assets	–	–	–	57	–
Current assets	93,821	60,940	50,996	50,543	57,637
Total assets	2,055,969	1,755,410	1,375,070	1,060,648	1,160,829
Current liabilities	(30,040)	(24,682)	(20,281)	(22,903)	(22,552)
Non-current liabilities	(327,583)	(280,334)	(6,414)	(6,140)	(5,996)
Net assets	1,698,346	1,450,394	1,348,375	1,031,605	1,132,281
Share capital	125,000	125,000	125,000	125,000	125,000
Reserves	1,540,846	1,297,894	1,203,375	886,605	982,281
Proposed final dividend	32,500	27,500	20,000	20,000	25,000
Shareholders' funds	1,698,346	1,450,394	1,348,375	1,031,605	1,132,281
Turnover	87,922	72,800	70,263	69,609	77,245
Operating profit	350,292	46,041	22,141	32,827	54,538
Share of results of associated companies	(513)	(8)	(12)	63	351
Profit before taxation	349,779	46,033	22,129	32,890	54,889
Taxation	(56,827)	(8,012)	(7,459)	(7,292)	(8,474)
Profit attributable to shareholders	292,952	38,021	14,670	25,598	46,415
Earnings per share	HK\$	HK\$	HK\$	HK\$	HK\$
Basic and diluted	11.72	1.52	0.59	1.02	1.86
Dividends per share					
Interim	0.70	0.50	0.50	0.70	0.50
Final	1.30	1.10	0.80	0.80	1.00
	2.00	1.60	1.30	1.50	1.50

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Melbourne Enterprises Limited (the "Company") will be held at Tsui Hang Village Restaurant, 2/F., New World Tower, 18 Queen's Road Central, Hong Kong on Friday, 9 February 2007 at 3:30 p.m. for the following purposes:

1. To consider and adopt the audited Statement of Accounts and the Reports of Directors and Auditors for the year ended 30 September 2006.
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 Joint Auditors 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 Section 57B of the Companies Ordinance, the exercise by the directors of the Company ("Directors") during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of HK\$5.00 each in the capital of the Company ("Share(s)") 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 board of Directors 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 nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the board of Director pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), (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 its subsidiaries of Shares or rights to acquire the Shares; 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 a special purpose subsidiary wholly owned by the Company, shall not exceed 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution, and the said approval shall be limited accordingly; and

Notice of Annual General Meeting (Cont'd)

(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 the applicable laws of Hong Kong 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.

"Rights Issue" means an offer of Shares open for a period fixed by the board of Directors to the holders of Shares on the register of members of the Company 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 board of Directors 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)."

On behalf of the Board
CHUNG YIN SHU, FREDERICK
Company Secretary

Hong Kong, 20 December 2006

Notice of Annual General Meeting (Cont'd)

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 but must be present in person to represent the member.
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 deposited 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, 6 February 2007 to Friday, 9 February 2007, 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, Rooms 1712-6, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on Monday, 5 February 2007.
4. Pursuant to existing Article 74 of the Articles of Association of the Company, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:
 - (i) by the chairman of the meeting; or
 - (ii) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or
 - (iii) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting right of all the members having the right to vote at the meeting; or
 - (iv) by a member or members present in person or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares in which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.
5. In accordance with Article 103(A) of the Company's Articles of Association, Dato' Dr. Cheng Yu Tung, Mr. Chung Wai Shu, Robert and Mr. Yuen Pak Yiu, Philip 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 heading "Management Profile" on page 4, "Directors' Interests in Shares, Underlying Shares and Debentures" on page 7 and "Directors' Emoluments" on page 29 respectively in this annual report.