



# Melbourne Enterprises Limited



*2008 Annual Report*

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# Group Structure

At 30 September 2008

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## 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

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## **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

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## **Executive Directors**

Dato' Dr. Cheng Yu Tung, aged 83, 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, New World Hotels (Holdings) Limited, Chow Tai Fook Enterprises Limited and a director of Hang Seng Bank Limited.

Mr. Chung Ming Fai, aged 88, 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 64, 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 60, 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 73, is a Solicitor. He was the senior partner of Yung, Yu, Yuen & Co., Solicitors until 1 April 2008 when he retired from the partnership and remains a consultant of the firm. 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 84, 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 54, 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 51, 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 88, 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

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The Directors present their annual report together with the audited financial statements for the financial year ended 30 September 2008.

## 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 2008 are set out in the consolidated income statement on page 18. A commentary on annual results is included in the Chairman's business review on page 14.

An interim dividend of HK\$1.20 per share was paid in July 2008, totalling HK\$30,000,000. The Directors propose the payment of a final dividend of HK\$2.20 per share, totalling HK\$55,000,000, and recommend that the retained profits of the Company, amounting to HK\$1,932,928,000 at 30 September 2008, be carried forward.

## 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 of the Group and the Company are set out in the consolidated statement of changes in equity and note 23 to the financial statements respectively.

Distributable reserves of the Company at 30 September 2008 amounted to HK\$1,987,928,000 (2007: HK\$1,728,240,000).

## 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 Ming Fai and Dr. Fong Yun Wah, retire by rotation and, being eligible, offer themselves for re-election.

# Directors' Report

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## DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 25 of the financial statements, no other 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 body 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.

## CONTINUING CONNECTED TRANSACTIONS

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

- (1) On 1 August 2006, 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 2006 to 31 July 2008 at a monthly rental of HK\$132,552 with monthly air-conditioning charges and management fees of HK\$32,822.

The lease agreement was renewed on 1 August 2008 for a fixed term of two years from 1 August 2008 to 31 July 2010 at a monthly rental of HK\$220,920 with monthly air-conditioning charges and management fees of HK\$35,978.

The PR Premises, the subject of the lease agreement, is owned by the Company. PR is a company which 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").

The total amount received from PR during the year ended 30 September 2008 under the lease agreements amounted to HK\$2,189,628.

- (2) On 5 March 2007, the Company as Lessor and Foo Hang Jewellery, Limited ("FH") as Lessee renewed a lease agreement, pursuant to which the Lessee would lease Rooms 1806-1814 on 18th floor of Melbourne Plaza, 33 Queen's Road Central, Hong Kong (the "FH Premises") from the Lessor for a fixed term of two years from 1 March 2007 to 28 February 2009 at a monthly rental of HK\$121,214 with monthly air-conditioning charges and management fees of HK\$24,716.

The FH Premises, the subject of the lease agreement, is owned by the Company. FH is a company which shares are owned by the 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.

The total amount received from FH during the year ended 30 September 2008 under the lease agreement amounted to HK\$1,772,580.

# Directors' Report

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## CONTINUING CONNECTED TRANSACTIONS (Continued)

(3) On 5 March 2007, the Company as Lessor and Wah Lai Investment Company Limited ("WL") as Lessee renewed a lease agreement, pursuant to which the Lessee would lease Rooms 1801-1805 on 18th floor of Melbourne Plaza, 33 Queen's Road Central, Hong Kong (the "WL Premises") from the Lessor for a fixed term of two years from 1 March 2007 to 28 February 2009 at a monthly rental of HK\$96,956 with monthly air-conditioning charges and management fees of HK\$19,774.

The WL Premises, the subject of the lease agreement, is owned by the Company. WL is a company which shares are ultimately owned by Mr. Lo Pak Shiu, an independent non-executive Director, and his 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 Listing Rules.

The total amount received from WL during the year ended 30 September 2008 under the lease agreement amounted to HK\$1,417,842.

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.

In accordance with Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditors of the Company to perform certain factual finding procedures on the continuing connected transactions stated above in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings based on the agreed procedures performed to the Board of Directors of the Company that the transactions:

- (a) have been approved by the Board of Directors of the Company;
- (b) have been entered into in accordance with the pricing policies of the Company; and
- (c) have been entered into in accordance with the relevant agreements governing such transactions.

An announcement relating to the continuing connected transactions stated above was first made on 6 January 2009. As no annual caps in respect of these three lease agreements for the financial year ended 30 September 2008 were disclosed by the Company in previous announcements, the auditors were unable to confirm the matter as required under Rule 14A.38(4) 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:

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	Director
	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

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## 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 2008, 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	
<b>Directors</b>			
Mr. Chung Ming Fai	12,000,500	1,000 (Note)	48.00%
Mr. Chung Yin Shu, Frederick	1,875	–	0.01%
<b>Chief Executive</b>			
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 2008, 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 2008.

# 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 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 31%, of which 10% 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 56%, 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, 13 January 2009

# Corporate Governance Report

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## **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 2008.

## **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 Remuneration Committee was established in 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, retirement benefits and discretionary bonus. Details of the amount of emoluments of Directors paid for the financial year ended 30 September 2008 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

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## 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, one Non-executive Director and one Executive Director, 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 2007 and the unaudited interim financial statements for the six months ended 31 March 2008 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 (Secretary), 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 2008		
	Board	Audit Committee	Remuneration Committee
<b>Executive Directors</b>			
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
<b>Non-executive Director</b>			
Mr. Chung Wai Shu, Robert	4/4	2/2	1/1
<b>Independent Non-executive Directors</b>			
Mr. Yuen Pak Yiu, Philip	2/4	1/2	0/1
Dr. Fong Yun Wah, S.B.S., J.P.	3/4		
Mr. Lo Pak Shiu	4/4	2/2	1/1
Mr. Yuen Sik Ming, Patrick	3/4	2/2	1/1

# Corporate Governance Report

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## AUDITORS' REMUNERATION

During the year ended 30 September 2008, the total fees paid/payable in respect of services provided by the Group's external auditors are set out below:

	2008 HK\$'000	2007 HK\$'000
Audit services	558	558
Non-audit services	141	141
	<u>699</u>	<u>699</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 accounting 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 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 pages 16 and 17 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

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I would report to shareholders that the Group's profit after taxation for the financial year ended 30 September 2008 amounted to HK\$361 million (2007: HK\$433 million). The Board of Directors recommend a final dividend of HK\$2.20 per share payable to the shareholders registered on 6 March 2009. In addition to the interim dividend of HK\$1.20 per share paid in July 2008, the total dividend for the year amounted to HK\$3.40 per share (2007: HK\$2.50 per share).

The Group's investment properties at Melbourne Plaza, 33 Queen's Road Central reached an occupancy rate of 96% while Kimley Commercial Building at 142-146 Queen's Road Central was 94% leased. Rental revenue remained stable under the current global economic slowdown. Without any debt or commitment, the Group is in a healthy financial position.

The Foshan Golf Club project forms part of the Group's investment. Preliminary design and planning for the new club house have been completed. Auxiliary works have been undertaken to complement future project development.

Looking ahead into a challenging economy, the Group will maintain its prudent approach to business management. Through close liaison with tenants and continuous improvements in our operation, 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, 13 January 2009

# Management Discussion and Analysis

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## **GROUP RESULTS**

Profit attributable to equity holders for the year amounted to HK\$360.6 million (2007: HK\$433.1 million). The decrease in profit was mainly resulted from current year's moderate uplift in fair value of investment properties of HK\$310.6 million compared with HK\$442.5 million in 2007. Turnover for the year amounted to HK\$125.8 million, up 20% year-on-year. Rental operation contributed HK\$93.6 million (2007: HK\$75.3 million) to the operating profit, representing an increase of 24% as compared to last year.

## **SIGNIFICANT INVESTMENTS**

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 96% and 94% let respectively.

## **LIQUIDITY AND FINANCIAL RESOURCES**

Basically, the Group's working capital requirement was financed by its rental income. As at 30 September 2008, the Group had cash and bank balances totalling HK\$99.0 million (2007: HK\$84.5 million). During the year, the Group did not require 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 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 subsidiary companies and associated companies during the year. Currently, there are no plans for material capital investments or future developments.



# Report of the Independent Auditors

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

We have audited the consolidated financial statements of Melbourne Enterprises Limited (the "Company") and its subsidiary (together the "Group") set out on pages 18 to 44, which comprise the consolidated and company balance sheets as at 30 September 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Responsibility of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Responsibility of the Auditors**

Our responsibility is to express an opinion on these financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the auditors, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation and true and fair presentation of the financial statements 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 internal control of the Company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

# Report of the Independent Auditors

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## **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group and the Company as at 30 September 2008 and of the profit and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**H. C. WATT & COMPANY LIMITED**  
Certified Public Accountants

**R. GARFIELD WATT**  
Practising Certificate No. P3436

Hong Kong, 13 January 2009

**PRICEWATERHOUSECOOPERS**  
Certified Public Accountants

# Consolidated Income Statement

Year Ended 30 September

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	Note	2008 HK\$'000	2007 HK\$'000
<b>Revenue</b>	6	125,807	104,494
Operating costs		( 25,723)	( 23,487)
Gross profit		100,084	81,007
Other income	7	2,091	2,383
Write back of provision against advances to an investee company		–	5,605
Administrative expenses		( 8,528)	( 8,056)
Changes in fair value of investment properties	14	<u>310,550</u>	<u>442,450</u>
Operating profit	8	404,197	523,389
Share of results of associated companies		( 15)	( 24)
<b>Profit before taxation</b>		404,182	523,365
Taxation	10	( 43,610)	( 90,246)
<b>Profit attributable to equity holders</b>		<u>360,572</u>	<u>433,119</u>
<b>Dividends</b>	11	<u>85,000</u>	<u>62,500</u>
<b>Earnings per share</b>			
Basic and diluted	12	<u>HK\$14.42</u>	<u>HK\$17.32</u>

# Consolidated Balance Sheet

At 30 September

	Note	2008 HK\$'000	2007 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	168	178
Investment properties	14	2,714,200	2,403,650
Associated companies	16	1,002	999
Available-for-sale investment	17	1	1
Advances to an investee company	17	29,605	29,605
		<u>2,744,976</u>	<u>2,434,433</u>
<b>Current assets</b>			
Debtors, deposits and prepayments	18	6,412	7,022
Staff loans, secured		–	112
Cash and bank balances	19	98,981	84,497
		<u>105,393</u>	<u>91,631</u>
<b>Current liabilities</b>			
Creditors, accruals and deposits	20	30,052	26,646
Amount due to an associated company	16	225	225
Taxation		17,933	14,530
		<u>48,210</u>	<u>41,401</u>
<b>Net current assets</b>		<u>57,183</u>	<u>50,230</u>
<b>Total assets less current liabilities</b>		<u>2,802,159</u>	<u>2,484,663</u>
<b>Non-current liabilities</b>			
Provision for long service payments		7,618	6,791
Deferred tax liabilities	21	427,504	398,907
		<u>435,122</u>	<u>405,698</u>
<b>Net assets</b>		<u>2,367,037</u>	<u>2,078,965</u>
<b>Equity</b>			
Share capital	22	125,000	125,000
Retained profits		2,187,037	1,911,465
Proposed final dividend		55,000	42,500
<b>Total equity</b>		<u>2,367,037</u>	<u>2,078,965</u>

Chung Ming Fai  
Director

Cheng Yu Tung  
Director

# Balance Sheet

At 30 September

	Note	2008 HK\$'000	2007 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	168	178
Investment properties	14	2,400,000	2,120,000
Subsidiary company	15	10,000	10,000
Associated companies	16	366	348
Available-for-sale investment	17	1	1
Advances to an investee company	17	29,605	29,605
		<u>2,440,140</u>	<u>2,160,132</u>
<b>Current assets</b>			
Debtors, deposits and prepayments	18	5,841	6,381
Staff loans, secured		–	112
Cash and bank balances	19	98,670	84,167
		<u>104,511</u>	<u>90,660</u>
<b>Current liabilities</b>			
Creditors, accruals and deposits	20	28,277	25,034
Amount due to a subsidiary	15	1,290	735
Amount due to an associated company	16	225	225
Taxation		16,637	13,360
		<u>46,429</u>	<u>39,354</u>
<b>Net current assets</b>		<u>58,082</u>	<u>51,306</u>
<b>Total assets less current liabilities</b>		<u>2,498,222</u>	<u>2,211,438</u>
<b>Non-current liabilities</b>			
Provision for long service payments		7,618	6,791
Deferred tax liabilities	21	377,676	351,407
		<u>385,294</u>	<u>358,198</u>
<b>Net assets</b>		<u>2,112,928</u>	<u>1,853,240</u>
<b>Equity</b>			
Share capital	22	125,000	125,000
Retained profits	23	1,932,928	1,685,740
Proposed final dividend	23	55,000	42,500
<b>Total equity</b>		<u>2,112,928</u>	<u>1,853,240</u>

Chung Ming Fai  
Director

Cheng Yu Tung  
Director

# Consolidated Statement of Changes in Equity

Year Ended 30 September

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	Share capital HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
Balance at 1 October 2006	125,000	1,540,846	32,500	1,698,346
Profit for the year	–	433,119	–	433,119
2006 final dividend paid	–	–	( 32,500)	( 32,500)
2007 interim dividend paid	–	( 20,000)	–	( 20,000)
2007 final dividend proposed	–	( 42,500)	42,500	–
Balance at 30 September 2007	125,000	1,911,465	42,500	2,078,965
Profit for the year	–	360,572	–	360,572
2007 final dividend paid	–	–	( 42,500)	( 42,500)
2008 interim dividend paid	–	( 30,000)	–	( 30,000)
2008 final dividend proposed	–	( 55,000)	55,000	–
Balance at 30 September 2008	<u>125,000</u>	<u>2,187,037</u>	<u>55,000</u>	<u>2,367,037</u>

# Consolidated Cash Flow Statement

Year Ended 30 September

	2008 HK\$'000	2007 HK\$'000
<b>Cash flows from operating activities</b>		
Operating profit	404,197	523,389
Adjustments for :		
Depreciation	37	38
Changes in fair value of investment properties	( 310,550)	( 442,450)
Write back of provision against advances to an investee company	—	( 5,605)
Operating profit before working capital changes	93,684	75,372
Decrease/(increase) in debtors, deposits and prepayments	610	( 512)
Decrease in staff loans	112	1,397
Increase in creditors, accruals and deposits	3,406	6,883
Increase in provision for long service payments	827	513
Net cash generated from operations	98,639	83,653
Hong Kong profits tax paid	( 11,610)	( 8,391)
Net cash from operating activities	87,029	75,262
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	( 27)	( 109)
(Increase)/decrease in net amount receivable from associated companies	( 18)	42
Net cash used in investing activities	( 45)	( 67)
<b>Cash flows from financing activities</b>		
Dividends paid	( 72,500)	( 52,500)
Net cash used in financing activities	( 72,500)	( 52,500)
Net increase in cash and bank balances	14,484	22,695
Cash and bank balances at beginning of the year	84,497	61,802
Cash and bank balances at end of the year	98,981	84,497

# 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 company (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 13 January 2009.

## 2. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and 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 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 new or revised standards

For the year ended 30 September 2008, the Group has adopted the following new standard, amendment to standard and interpretation which are relevant to the Group's operations and are mandatory for the financial year ended 30 September 2008:

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Presentation of Financial Statements - Capital Disclosures
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment

HKFRS 7, "Financial Instruments: Disclosures" and the complementary amendment to HKAS 1, "Presentation of Financial Statements - Capital Disclosures", introduces new disclosures relating to financial instruments.

HK(IFRIC) - Int 10, "Interim Financial Reporting and Impairment", prohibits the impairment losses recognised in an interim period on investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

The adoption of these new standards does not have any significant change to the accounting policies or any significant effect on results and financial position of the Group.

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

The following new revised standards, amendments and interpretations which are relevant to the Group's operation and are mandatory for accounting periods beginning on or after 1 January 2008 or later periods but which the Group has not early adopted:

The HKAS 39, "Financial Instruments: Recognition and Measurement", amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, "Financial Instruments: Disclosures", introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories.



# Notes to the Financial Statements

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## 2. BASIS OF PREPARATION (Continued)

### (b) Standards, amendments and interpretations which are not yet effective (Continued)

HKFRS 8, "Operating Segments" replaces HKAS 14, "Segment Reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

HKFRS 3 (Revised), "Business Combinations", continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

HKAS 1 (Revised), "Presentation of Financial Statements", will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

HKAS 27 (Revised), "Consolidated and Separate Financial Statements", requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in the income statement.

HKICPA's improvements to HKFRS published in October 2008

HKAS 1 (Amendment), "Presentation of Financial Statements", clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, "Financial Instruments: Recognition and Measurement" are examples of current assets and liabilities respectively.

HKAS 19 (Amendment), "Employee Benefits", clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. HKAS 37, "Provisions, Contingent Liabilities and Contingent Assets" requires contingent liabilities to be disclosed, not recognised. HKAS 19 has been amended to be consistent.

# Notes to the Financial Statements

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## 2. BASIS OF PREPARATION (Continued)

### (b) Standards, amendments and interpretations which are not yet effective (Continued)

HKAS 28 (Amendment), "Investments in Associates" (and consequential amendments to HKAS 32, "Financial Instruments: Presentation" and HKFRS 7, "Financial Instruments: Disclosures") states that an investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases.

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 operation and financial position.

## 3. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of consolidation

The consolidated financial statements incorporate the financial statements 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.

### (b) Subsidiary company

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intra group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the share of net assets attributable to the Group together with any goodwill carried in the balance sheet.

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.

# Notes to the Financial Statements

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## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (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 financial statements 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 financial statements. The results of associated companies are accounted for by the Company on the basis of dividend income.

### (d) Investments

The Group classifies its investments as loans and receivables 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) 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.

#### (ii) Available-for-sale financial assets

Available-for-sale financial assets 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 the investment within 12 months of the balance sheet date.

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. 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 are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. 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 income statement as gains or losses from investments.

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.

# Notes to the Financial Statements

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## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (d) Investments (Continued)

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 securities 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 income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

### (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 income statement 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 income statement.

### (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 income statement.

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 income statement during the financial period in which they are incurred.

# Notes to the Financial Statements

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## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (g) Impairment of non-financial assets

Assets that have an indefinite useful life and are not subject to depreciation/amortisation 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 depreciation/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) Cash and cash equivalents

Cash and bank balances are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and cash investments with a maturity of three months or less from date of investment.

### (i) 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.

### (j) 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.

### (k) Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company and its subsidiary 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.

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 financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

# Notes to the Financial Statements

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## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (k) Current and deferred taxation (Continued)

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 subsidiary companies 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.

### (l) 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 income statement 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.

### (m) 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 income statement.

### (n) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the financial period when the dividends become legal and constructive obligations of the Company.

### (o) 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 income statement. 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 income statement.

# Notes to the Financial Statements

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## 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

### (p) Share capital

Ordinary shares are classified as equity.

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

### (a) Credit risk

The credit risk of the Group mainly arises from deposits with bank, advances to an investee company and 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 assets is the carrying amount of those assets as stated in the balance sheet.

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 positions on a regular basis. When necessary, impairment loss is made for estimated irrecoverable amounts.

Debtors and deposits 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 by established credit policies. The Group carries out regular review and follow-up action on any overdue amounts to minimise exposures to credit risk. Under the current circumstances of the global financial turmoil, the Group will monitor its credit control procedures and policies.

### (b) Interest rate risk

The Group is exposed to interest rate risk through the impact at rate changes on interest bearing bank deposits.

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit before taxation would have been HK\$860,000 (2007: HK\$800,000) higher/lower. The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to the exposure to interest rate risk for financial instruments in existence at the balance sheet date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the next annual balance sheet date.

### (c) Liquidity risk

The Group aims to maintain prudent liquidity risk management and flexibility in funding by keeping sufficient cash and cash equivalents.

Creditors and deposits are due within one year. Amount due to a subsidiary company which does not have contractual maturity date is repayable on demand.

# Notes to the Financial Statements

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## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (Continued)

### (d) 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 does not have any borrowings at 30 September 2008 and 2007. The Group uses equity to finance its operation.

### (e) Fair value estimation

The carrying amounts of debtors, deposits, staff loans, creditors and accruals approximate their fair values due to the short-term maturities of these assets and liabilities.

## 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:

### Estimate of fair value 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 Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current sale prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences; and
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

At 30 September 2008, 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\$271.4 million (2007: HK\$240.4 million) higher/lower and the Group's profit before tax would have been increased/decreased HK\$271.4 million.



# Notes to the Financial Statements

## 6. SEGMENT INFORMATION

	2008 HK\$'000	2007 HK\$'000
<b>(a) Revenue</b>		
Property investment	<u>125,807</u>	<u>104,494</u>
<b>(b) Contribution to operating profit</b>		
Property investment - Rental operation	93,647	75,334
Changes in fair value of investment properties	310,550	442,450
Unallocated item - Write back of provision against advances to an investee company	<u>-</u>	<u>5,605</u>
	<u>404,197</u>	<u>523,389</u>

Revenue (representing 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 revenue and profit by business and geographical segments has not been presented.

## 7. OTHER INCOME

	2008 HK\$'000	2007 HK\$'000
Bank deposit and other interest income	1,744	2,118
Sundry income	<u>347</u>	<u>265</u>
	<u>2,091</u>	<u>2,383</u>

## 8. OPERATING PROFIT

	2008 HK\$'000	2007 HK\$'000
<b>Operating profit is stated after charging:</b>		
Directors' emoluments (note 9(a))	1,374	1,251
Auditors' remuneration	558	558
Depreciation	37	38
Staff costs (excluding Directors' emoluments)		
Salaries and other emoluments	3,934	3,647
Long service payments	978	512
Contributions to mandatory provident fund scheme	<u>142</u>	<u>137</u>

# Notes to the Financial Statements

## 9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments	2008 HK\$'000	2007 HK\$'000
Fees	400	400
Salaries and other emoluments	748	701
Long service payments	214	138
Contributions to mandatory provident fund scheme	12	12
	1,374	1,251
	1,374	1,251

Each Non-executive Director receives a fixed fee of HK\$ 50,000 (2007: HK\$50,000) per annum and fees paid to Non-executive Directors for the year amounted to HK\$250,000 (2007: HK\$250,000). During the year, the Group did not pay the Directors any inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors has waived the right to receive their emoluments.

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

### For the year ended 30 September 2008

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	50	–	–	–	–	50
Mr. Chung Ming Fai	50	–	–	–	–	50
Mr. Yuen Pak Yiu, Philip	50	–	–	–	–	50
Dr. Fong Yun Wah	50	–	–	–	–	50
Mr. Chung Yin Shu, Frederick	50	669	79	214	12	1,024
Mr. Chung Wai Shu, Robert	50	–	–	–	–	50
Mr. Lo Pak Shiu	50	–	–	–	–	50
Mr. Yuen Sik Ming, Patrick	50	–	–	–	–	50
	400	669	79	214	12	1,374
	400	669	79	214	12	1,374

# Notes to the Financial Statements

## 9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

### (a) Directors' emoluments (Continued)

For the year ended 30 September 2007

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	50	–	–	–	–	50
Mr. Chung Ming Fai	50	–	–	–	–	50
Mr. Yuen Pak Yiu, Philip	50	–	–	–	–	50
Dr. Fong Yun Wah	50	–	–	–	–	50
Mr. Chung Yin Shu, Frederick	50	625	76	138	12	901
Mr. Chung Wai Shu, Robert	50	–	–	–	–	50
Mr. Lo Pak Shiu	50	–	–	–	–	50
Mr. Yuen Sik Ming, Patrick	50	–	–	–	–	50
	<u>400</u>	<u>625</u>	<u>76</u>	<u>138</u>	<u>12</u>	<u>1,251</u>

### (b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one Director (2007: one Director) whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining four (2007: four) individuals during the year are as follows:

	2008 HK\$'000	2007 HK\$'000
Salaries and other emoluments	1,557	1,451
Long service payments	512	202
Contributions to mandatory provident fund scheme	36	48
	<u>2,105</u>	<u>1,701</u>

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

# Notes to the Financial Statements

## 10. TAXATION

In 2008, the Government of the Hong Kong Special Administrative Region enacted a change in the profits tax rate from 17.5% to 16.5% for the fiscal year 2008/09. Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

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

	2008 HK\$'000	2007 HK\$'000
<b>Hong Kong profits tax</b>		
Current taxation charge	15,013	12,644
Deferred taxation -		
Changes in fair value on investment properties	51,241	77,429
Origination and reversal of temporary differences	150	173
Effect of change in tax rate	( 22,794)	-
Taxation charge	<u>43,610</u>	<u>90,246</u>

Share of taxation of associated companies for the year ended 30 September 2008 of HK\$ nil (2007: HK\$ nil) is included in the income statement 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:

	2008 HK\$'000	2007 HK\$'000
Profit before taxation and share of results of associated companies	<u>404,197</u>	<u>523,389</u>
Calculated at a taxation rate of 16.5% (2007: 17.5%)	66,692	91,593
Income not subject to taxation	( 288)	( 1,347)
Expenses not deductible for taxation purposes	25	-
Effect of change in tax rate	( 22,794)	-
Others	( 25)	-
Taxation charge	<u>43,610</u>	<u>90,246</u>

# Notes to the Financial Statements

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## 11. DIVIDENDS

	2008 HK\$'000	2007 HK\$'000
Interim dividend paid of HK\$1.20 (2007: HK\$0.80) per share	30,000	20,000
Final dividend proposed of HK\$2.20 (2007: HK\$1.70) per share	<u>55,000</u>	<u>42,500</u>
	<u>85,000</u>	<u>62,500</u>

At a meeting held on 15 December 2008, the Directors recommended a final dividend of HK\$2.20 per share. This proposed dividend will be accounted for as an appropriation of retained profits for the year ending 30 September 2009.

## 12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to equity holders of HK\$360,572,000 (2007: HK\$433,119,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2008 and 2007.

Diluted earnings per share equal basic earnings per share because there were no potential dilutive shares outstanding during the last two years.

# Notes to the Financial Statements

## 13. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and equipment Group HK\$'000	Company HK\$'000
Cost		
At 1 October 2006	1,604	1,575
Additions	109	109
At 30 September 2007	1,713	1,684
Additions	27	27
At 30 September 2008	1,740	1,711
	-----	-----
Accumulated depreciation		
At 1 October 2006	1,497	1,468
Charge for the year	38	38
At 30 September 2007	1,535	1,506
Charge for the year	37	37
At 30 September 2008	1,572	1,543
	=====	=====
Net book value		
At 30 September 2008	168	168
At 30 September 2007	178	178
	=====	=====

# Notes to the Financial Statements

## 14. INVESTMENT PROPERTIES

	<b>Group</b> <b>HK\$'000</b>	<b>Company</b> <b>HK\$'000</b>
Valuation at 1 October 2006	1,961,200	1,780,000
Fair value changes	<u>442,450</u>	<u>340,000</u>
Valuation at 30 September 2007	2,403,650	2,120,000
Fair value changes	<u>310,550</u>	<u>280,000</u>
Valuation at 30 September 2008	<u>2,714,200</u>	<u>2,400,000</u>

<b>Principal investment properties</b>	<b>Type</b>	<b>Floor area</b> <b>(Sq m)</b>	<b>Group</b> <b>interest</b>
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 2008 and 2007 on an open market value basis by independent professionally qualified valuers, CS Surveyors Limited.

## 15. SUBSIDIARY COMPANY

	<b>Company</b>	
	<b>2008</b> <b>HK\$'000</b>	<b>2007</b> <b>HK\$'000</b>
Unlisted shares, at cost	<u>10,000</u>	<u>10,000</u>
Amount due to a subsidiary	<u>1,290</u>	<u>735</u>

The amount due to a subsidiary is unsecured, interest free and repayable on demand. Its carrying amount is not materially different from its fair value.

<b>Private company incorporated in Hong Kong</b> <b>and directly owned by the Company</b>	<b>Paid up ordinary</b> <b>share capital</b>	<b>Equity</b> <b>holding</b>
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

## 16. ASSOCIATED COMPANIES

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Unlisted shares, at cost	70	70	70	70
Share of undistributed post- acquisition profits less losses	( 4,498)	( 4,483)		
Group's share of net (liabilities)/assets	( 4,428)	( 4,413)		
Amount due from an associated company	5,430	5,412	5,430	5,412
Less: Provision	—	—	( 5,134)	( 5,134)
	<u>5,430</u>	<u>5,412</u>	<u>296</u>	<u>278</u>
	<u>1,002</u>	<u>999</u>	<u>366</u>	<u>348</u>
Amount due to an associated company	<u>225</u>	<u>225</u>	<u>225</u>	<u>225</u>

The amount due from an associated company is unsecured, interest free and not repayable within 12 months. The amount due to an associated company is unsecured, interest free and repayable on demand. 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:

	2008 HK\$'000	2007 HK\$'000
Revenues	<u>1</u>	<u>3</u>
Loss for the year	( <u>15</u> )	( <u>24</u> )
Non-current assets	84	84
Current assets	1,347	1,353
Current liabilities	( 5,859)	( 5,850)
Net liabilities	( <u>4,428</u> )	( <u>4,413</u> )

### 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

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

	Group and Company	
	2008	2007
	HK\$'000	HK\$'000
Available-for-sale investment	<u>1</u>	<u>1</u>
Advances to an investee company	<u>29,605</u>	<u>29,605</u>

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 not repayable within 12 months.

## 18. DEBTORS, DEPOSITS AND PREPAYMENTS

Trade debtors represent rental receivables. The Group normally does not grant credit period to trade debtors. As of 30 September 2008, trade receivables of the Group and the Company of HK\$4,114,000 (2007: HK\$4,356,000) and HK\$3,698,000 (2007: HK\$3,868,000) respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days past due	2,478	3,054	2,212	2,692
31 to 60 days past due	708	748	584	677
61 to 90 days past due	313	236	297	181
Over 90 days past due	<u>615</u>	<u>318</u>	<u>605</u>	<u>318</u>
Amount past due but not impaired	<u>4,114</u>	<u>4,356</u>	<u>3,698</u>	<u>3,868</u>

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 amount of debtors, deposits and prepayments approximate their fair values.

# Notes to the Financial Statements

## 19. CASH AND BANK BALANCES

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at banks and on hand	12,981	4,497	12,670	4,167
Short-term bank deposit	<u>86,000</u>	<u>80,000</u>	<u>86,000</u>	<u>80,000</u>
	<u>98,981</u>	<u>84,497</u>	<u>98,670</u>	<u>84,167</u>

The effective interest rate on short-term bank deposit was 1.6% (2007: 4.4%) per annum and the deposit had maturity of 1 month (2007: 1 month).

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

## 20. CREDITORS, ACCRUALS AND DEPOSITS

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade creditors				
Within 30 days	985	615	897	584
Accruals and deposits	<u>29,067</u>	<u>26,031</u>	<u>27,380</u>	<u>24,450</u>
	<u>30,052</u>	<u>26,646</u>	<u>28,277</u>	<u>25,034</u>

# Notes to the Financial Statements

## 21. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2007: 17.5%).

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

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accelerated tax depreciation				
At beginning of the year	641	468	641	467
Charged to income statement	150	173	150	174
Effect of change in tax rate	( 37)	–	( 37)	–
At end of the year	<u>754</u>	<u>641</u>	<u>754</u>	<u>641</u>
Fair value gain on investment properties				
At beginning of the year	398,266	320,837	350,766	291,266
Charged to income statement	51,241	77,429	46,200	59,500
Effect of change in tax rate	( 22,757)	–	( 20,044)	–
At end of the year	<u>426,750</u>	<u>398,266</u>	<u>376,922</u>	<u>350,766</u>
	<u>427,504</u>	<u>398,907</u>	<u>377,676</u>	<u>351,407</u>

## 22. SHARE CAPITAL

	2008	2007
	HK\$'000	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

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## 23. RESERVES

The movement of the Group's reserves for the years ended 30 September 2007 and 2008 are presented in the consolidated statement of changes in equity on page 21 of this annual report.

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

	<b>Retained profits HK\$'000</b>	<b>Proposed final dividend HK\$'000</b>
<b>Company</b>		
Balance at 1 October 2006	1,400,100	32,500
Profit for the year	348,140	–
2006 final dividend paid	–	( 32,500)
2007 interim dividend paid	( 20,000)	–
2007 final dividend proposed	( 42,500)	42,500
Balance at 30 September 2007	1,685,740	42,500
Profit for the year	332,188	–
2007 final dividend paid	–	( 42,500)
2008 interim dividend paid	( 30,000)	–
2008 final dividend proposed	( 55,000)	55,000
Balance at 30 September 2008	<u>1,932,928</u>	<u>55,000</u>

# Notes to the Financial Statements

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## 24. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

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

	Group		Company	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
In the first year	92,501	87,031	87,630	81,083
In the second to fifth year inclusive	<u>31,892</u>	<u>48,619</u>	<u>30,178</u>	<u>47,035</u>
	<u>124,393</u>	<u>135,650</u>	<u>117,808</u>	<u>128,118</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 similar to and mutually agreed with other third party tenants of the Group. Rental and related income from these related companies during the year were HK\$ 5,380,000 (2007: HK\$3,498,000).

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. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

# Five-Year Financial Summary

	2008	2007	2006	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Investment properties, property, plant and equipment	2,714,368	2,403,828	1,961,307	1,693,140	1,322,773
Associated companies	1,002	999	840	1,329	1,300
Investment	29,606	29,606	24,001	1	1
Current assets	<u>105,393</u>	<u>91,631</u>	<u>69,821</u>	<u>60,940</u>	<u>50,996</u>
Total assets	2,850,369	2,526,064	2,055,969	1,755,410	1,375,070
Current liabilities	( 48,210)	( 41,401)	( 30,040)	( 24,682)	( 20,281)
Non-current liabilities	( 435,122)	( 405,698)	( 327,583)	( 280,334)	( 6,414)
Net assets	<u>2,367,037</u>	<u>2,078,965</u>	<u>1,698,346</u>	<u>1,450,394</u>	<u>1,348,375</u>
Share capital	125,000	125,000	125,000	125,000	125,000
Reserves	2,187,037	1,911,465	1,540,846	1,297,894	1,203,375
Proposed final dividend	<u>55,000</u>	<u>42,500</u>	<u>32,500</u>	<u>27,500</u>	<u>20,000</u>
Shareholders' funds	<u>2,367,037</u>	<u>2,078,965</u>	<u>1,698,346</u>	<u>1,450,394</u>	<u>1,348,375</u>
Revenue	<u>125,807</u>	<u>104,494</u>	<u>87,922</u>	<u>72,800</u>	<u>70,263</u>
Operating profit	404,197	523,389	350,292	46,041	22,141
Share of results of associated companies	( 15)	( 24)	( 513)	( 8)	( 12)
Profit before taxation	404,182	523,365	349,779	46,033	22,129
Taxation	( 43,610)	( 90,246)	( 56,827)	( 8,012)	( 7,459)
Profit attributable to equity holders	<u>360,572</u>	<u>433,119</u>	<u>292,952</u>	<u>38,021</u>	<u>14,670</u>
	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share					
Basic and diluted	<u>14.42</u>	<u>17.32</u>	<u>11.72</u>	<u>1.52</u>	<u>0.59</u>
Dividends per share					
Interim	1.20	0.80	0.70	0.50	0.50
Final	<u>2.20</u>	<u>1.70</u>	<u>1.30</u>	<u>1.10</u>	<u>0.80</u>
	<u>3.40</u>	<u>2.50</u>	<u>2.00</u>	<u>1.60</u>	<u>1.30</u>

Comparative figures for the year ended 30 September 2004 have not been restated to reflect the adoption of new/revised HKFRSs as the directors are of the opinion that it is impracticable to do so.

# 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 Restaurant, 2/F., New World Tower, 18 Queen's Road Central, Hong Kong on Friday, 6 March 2009 at 3:00 p.m. for the following purposes:

1. To consider and adopt the audited financial statements and the Reports of Directors and Auditors for the year ended 30 September 2008.
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 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 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 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 Directors of the Company 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 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 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

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(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)."

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

Hong Kong, 13 January 2009



# Notice of Annual General Meeting

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## 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.
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, 3 March 2009 to Friday, 6 March 2009, 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 4:30 p.m. on Monday, 2 March 2009.
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, Dato' Dr. Cheng Yu Tung, Mr. Chung Ming Fai and Dr. Fong Yun Wah 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 9 and "Directors' Emoluments" on pages 32 to 34 respectively in this annual report.