



Melbourne Enterprises Limited



2009 Annual Report

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Group Structure

At 30 September 2009

PARENT COMPANY

Melbourne Enterprises Limited

SUBSIDIARY COMPANY

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

ASSOCIATED COMPANIES

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dato' Dr. Cheng Yu Tung (Chairman)
Mr. Chung Ming Fai
Mr. Chung Yin Shu, Frederick

Non-executive Director

Mr. Chung Wai Shu, Robert

Independent Non-executive Directors

Mr. Yuen Pak Yiu, Philip
Dr. Fong Yun Wah, S.B.S., J.P.
Mr. Lo Pak Shiu
Mr. Yuen Sik Ming, Patrick

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

STOCK CODE

Hong Kong Stock Exchange 00158

WEBSITE

www.irasia.com

Management Profile

Executive Directors

Dato' Dr. Cheng Yu Tung, aged 84, 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 and Chow Tai Fook Enterprises Limited. He was a director of Hang Seng Bank Limited until 6 May 2009.

Mr. Chung Ming Fai, aged 89, 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 65, 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 61, 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 74, 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 and Independent Non-executive Director of Hopson Development Holdings Limited. He has been appointed Non-executive Director of the Company since December 1993.

Dr. Fong Yun Wah, S.B.S., J.P., aged 85, is the Chairman 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 55, 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 52, 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 89, was appointed General Manager of the Company in December 1968. He has been appointed Chief Executive of the Company since January 1999 until he retired on 31 December 2008.

Senior Management

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

Directors' Report

The Directors present their annual report together with the audited financial statements for the financial year ended 30 September 2009.

PRINCIPAL ACTIVITIES

The Company continues to carry on the business of investment holding and property investment in Hong Kong. The principal 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 2009 are set out in the consolidated income statement on page 19. A commentary on annual results is included in the Chairman's business review on page 15.

An interim dividend of HK\$1.50 per share was paid in July 2009, totalling HK\$37,500,000. 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\$2,123,073,000 at 30 September 2009, be carried forward.

DONATIONS

The Group made charitable donations of HK\$10,000 (2008: nil) during the financial year.

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of the movements in reserves 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 2009 amounted to HK\$2,178,073,000 (2008: HK\$1,987,928,000).

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, Mr. Yuen Pak Yiu, Philip, Mr. Chung Yin Shu, Frederick and Mr. Chung Wai Shu, Robert, retire by rotation and, being eligible, offer themselves for re-election.

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 25 of the consolidated 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 2008, 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 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").

As set out in the announcement of the Company dated 6 January 2009, the annual cap for the lease agreement for each of the two years ending 30 September 2009 and 2010 was HK\$3,160,000 and HK\$2,640,000 respectively.

The total amount received from PR during the year ended 30 September 2009 under the lease agreements amounted to HK\$3,082,776 which is within the annual cap of HK\$3,160,000.

Directors' Report

CONTINUING CONNECTED TRANSACTIONS (Continued)

- (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 lease agreement was renewed on 26 February 2009 for a fixed term of one year from 1 March 2009 to 28 February 2010 at a monthly rental of HK\$221,200 with monthly air-conditioning charges and management fees of HK\$36,024.

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.

As set out in the announcement of the Company dated 1 March 2009, the annual cap for the lease agreement for each of the two years ending 30 September 2009 and 2010 was HK\$2,596,000 and HK\$1,319,000 respectively.

The total amount received from FH during the year ended 30 September 2009 under the lease agreement amounted to HK\$2,542,118 which is within the annual cap of HK\$2,596,000.

- (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 lease agreement was renewed on 26 February 2009 for a fixed term of one year from 1 March 2009 to 28 February 2010 at a monthly rental of HK\$78,260 with monthly air-conditioning charges and management fees of HK\$12,740.

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.

As set out in the announcement of the Company dated 1 March 2009, the annual cap for the lease agreement for each of the two years ending 30 September 2009 and 2010 was HK\$1,253,000 and HK\$467,000 respectively.

The total amount received from WL during the year ended 30 September 2009 under the lease agreement amounted to HK\$1,230,140 which is within the annual cap of HK\$1,253,000.

CONTINUING CONNECTED TRANSACTIONS (Continued)

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;
- (c) have been entered into in accordance with the relevant agreements governing such transactions; and
- (d) have not exceeded the annual caps disclosed in previous announcements.

Save as disclosed above, significant related party transactions that do not constitute connected transactions made during the year are disclosed in note 25 to the financial statements.

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:

<u>Name of Director</u>	<u>Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group</u>	<u>Description of businesses of the entity which are considered to compete or likely to compete with the Group</u>	<u>Nature of interest of the Director in the entity</u>
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

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 2009, the interests or short positions of the Directors and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:-

	Number of shares held		Approximate percentage of shareholding
	Personal interests	Corporate interests	
Directors			
Mr. Chung Ming Fai	12,000,500	1,000 (Note)	48.00%
Mr. Chung Yin Shu, Frederick	1,875	–	0.01%

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.

Mr. Ho Tak Him was the Chief Executive of the Company until he retired on 31 December 2008. Mr. Ho holds 1,000 shares in the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 2009, 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 2009.

Directors' Report

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

During the year, less than 30% of the Group's turnover were attributable to the Group's five largest customers.

The aggregate purchase of revenue items during the year attributable to the Group's five largest suppliers was 52%, of which 19% 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 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, 18 December 2009

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions. Having made specific enquiry of all Directors, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the year ended 30 September 2009.

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 2009 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

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 2008 and the unaudited interim financial statements for the six months ended 31 March 2009 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 2009		
	Board	Audit Committee	Remuneration Committee
Executive Directors			
Dato' Dr. Cheng Yu Tung (Chairman)	8/8		
Mr. Chung Ming Fai	7/8		
Mr. Chung Yin Shu, Frederick	7/8	2/2	2/2
Non-executive Director			
Mr. Chung Wai Shu, Robert	7/8	2/2	2/2
Independent Non-executive Directors			
Mr. Yuen Pak Yiu, Philip	6/8	2/2	2/2
Dr. Fong Yun Wah, S.B.S., J.P.	6/8		
Mr. Lo Pak Shiu	5/8	2/2	1/2
Mr. Yuen Sik Ming, Patrick	6/8	2/2	2/2

Corporate Governance Report

AUDITORS' REMUNERATION

During the year ended 30 September 2009, the total fees paid/payable in respect of services provided by the Group's external auditors are set out below:

	2009 HK\$'000	2008 HK\$'000
Audit and audit related services	592	558
Non-audit services	<u>194</u>	<u>141</u>
	<u>786</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 Report of the Independent Auditors on pages 17 and 18 of this annual report.

INTERNAL CONTROL

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

COMMUNICATION WITH SHAREHOLDERS

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

Chairman's Business Review

I would report to shareholders that the Group's profit after taxation for the financial year ended 30 September 2009 amounted to HK\$294 million (2008: HK\$361 million). The Board of Directors recommend a final dividend of HK\$2.20 per share payable to the shareholders registered on 5 February 2010. In addition to the interim dividend of HK\$1.50 per share paid in July 2009, the total dividend for the year amounted to HK\$3.70 per share (2008: HK\$3.40 per share).

The Group's investment properties at Melbourne Plaza, 33 Queen's Road Central reached an occupancy rate of 89% while Kimley Commercial Building at 142-146 Queen's Road Central was 86% leased.

During the year, the Group's rental income grew satisfactorily to HK\$132 million, up 5% as compared with 2008. 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. Tender drawings for the club house and driving range are almost 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, 18 December 2009

Management Discussion and Analysis

GROUP RESULTS

Profit attributable to equity holders for the year amounted to HK\$293.5 million (2008: HK\$360.6 million). The decrease in profit was mainly resulted from current year's moderate uplift in fair value of investment properties of HK\$252.7 million compared with HK\$310.6 million in 2008. Turnover for the year amounted to HK\$132.3 million, up 5% year-on-year. Rental operation contributed HK\$98.9 million (2008: HK\$93.6 million) to the operating profit, representing an increase of 6% as compared to last year.

SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 89% and 86% let respectively.

LIQUIDITY AND FINANCIAL RESOURCES

Basically, the Group's working capital requirement was financed by its rental income. As at 30 September 2009, the Group had cash and bank balances totalling HK\$93.5 million (2008: HK\$99.0 million). During the year, the Group did not require any borrowings or overdraft facilities.

EMPLOYEES AND REMUNERATION POLICIES

The Group employs a total of 15 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

**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 19 to 47, which comprise the consolidated and company balance sheets as at 30 September 2009, 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

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 2009 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

ROBERT GARFIELD WATT

Practising Certificate No. P3436

Hong Kong, 18 December 2009

PRICEWATERHOUSECOOPERS

Certified Public Accountants

Consolidated Income Statement

Year Ended 30 September

		2009	2008
	Note	HK\$'000	HK\$'000
Revenue	6	132,289	125,807
Operating costs		(26,423)	(25,723)
Gross profit		105,866	100,084
Other income	7	1,089	2,091
Administrative expenses		(8,029)	(8,528)
Changes in fair value of investment properties	14	<u>252,700</u>	<u>310,550</u>
Operating profit	8	351,626	404,197
Share of results of associated companies		(182)	(15)
Profit before taxation		351,444	404,182
Taxation	10	(57,910)	(43,610)
Profit attributable to equity holders		<u>293,534</u>	<u>360,572</u>
Dividends	11	<u>92,500</u>	<u>85,000</u>
Earnings per share			
Basic and diluted	12	<u>HK\$11.74</u>	<u>HK\$14.42</u>

Consolidated Balance Sheet

At 30 September

	Note	2009 HK\$'000	2008 HK\$'000
Non-current assets			
Property, plant and equipment	13	722	168
Investment properties	14	2,966,900	2,714,200
Associated companies	16	841	1,002
Available-for-sale investment	17	1	1
Advances to an investee company	17	29,605	29,605
		<u>2,998,069</u>	<u>2,744,976</u>
Current assets			
Debtors, deposits and prepayments	18	4,866	6,412
Cash and bank balances	19	93,481	98,981
		<u>98,347</u>	<u>105,393</u>
Current liabilities			
Creditors, accruals and deposits	20	32,348	30,052
Amount due to an associated company	16	225	225
Taxation		19,172	17,933
		<u>51,745</u>	<u>48,210</u>
Net current assets		<u>46,602</u>	<u>57,183</u>
Total assets less current liabilities		<u>3,044,671</u>	<u>2,802,159</u>
Non-current liabilities			
Provision for long service payments		7,215	7,618
Deferred tax liabilities	21	469,385	427,504
		<u>476,600</u>	<u>435,122</u>
Net assets		<u>2,568,071</u>	<u>2,367,037</u>
Equity			
Share capital	22	125,000	125,000
Retained profits		2,388,071	2,187,037
Proposed final dividend		55,000	55,000
Total equity		<u>2,568,071</u>	<u>2,367,037</u>

Chung Ming Fai
Director

Cheng Yu Tung
Director

Balance Sheet

At 30 September

	Note	2009 HK\$'000	2008 HK\$'000
Non-current assets			
Property, plant and equipment	13	722	168
Investment properties	14	2,640,000	2,400,000
Subsidiary company	15	10,000	10,000
Associated companies	16	387	366
Available-for-sale investment	17	1	1
Advances to an investee company	17	29,605	29,605
		<u>2,680,715</u>	<u>2,440,140</u>
Current assets			
Debtors, deposits and prepayments	18	4,467	5,841
Cash and bank balances	19	92,886	98,670
		<u>97,353</u>	<u>104,511</u>
Current liabilities			
Creditors, accruals and deposits	20	30,521	28,277
Amount due to a subsidiary company	15	1,632	1,290
Amount due to an associated company	16	225	225
Taxation		17,940	16,637
		<u>50,318</u>	<u>46,429</u>
Net current assets		<u>47,035</u>	<u>58,082</u>
Total assets less current liabilities		<u>2,727,750</u>	<u>2,498,222</u>
Non-current liabilities			
Provision for long service payments		7,215	7,618
Deferred tax liabilities	21	417,462	377,676
		<u>424,677</u>	<u>385,294</u>
Net assets		<u>2,303,073</u>	<u>2,112,928</u>
Equity			
Share capital	22	125,000	125,000
Retained profits	23	2,123,073	1,932,928
Proposed final dividend	23	55,000	55,000
Total equity		<u>2,303,073</u>	<u>2,112,928</u>

Chung Ming Fai
Director

Cheng Yu Tung
Director

Consolidated Statement of Changes in Equity

Year Ended 30 September

	Share capital HK\$'000	Retained profits HK\$'000	Proposed final dividend HK\$'000	Total HK\$'000
Balance at 1 October 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	125,000	2,187,037	55,000	2,367,037
Profit for the year	–	293,534	–	293,534
2008 final dividend paid	–	–	(55,000)	(55,000)
2009 interim dividend paid	–	(37,500)	–	(37,500)
2009 final dividend proposed	–	(55,000)	55,000	–
Balance at 30 September 2009	<u>125,000</u>	<u>2,388,071</u>	<u>55,000</u>	<u>2,568,071</u>

Consolidated Cash Flow Statement

Year Ended 30 September

	2009 HK\$'000	2008 HK\$'000
Cash flows from operating activities		
Operating profit	351,626	404,197
Adjustments for :		
Depreciation	103	37
Changes in fair value of investment properties	(252,700)	(310,550)
Operating profit before working capital changes	99,029	93,684
Decrease in debtors, deposits and prepayments	1,546	610
Decrease in staff loans	–	112
Increase in creditors, accruals and deposits	2,296	3,406
(Decrease) / increase in provision for long service payments	(403)	827
Net cash generated from operations	102,468	98,639
Hong Kong profits tax paid	(14,790)	(11,610)
Net cash from operating activities	<u>87,678</u>	<u>87,029</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(657)	(27)
Advances to an associated company	(21)	(18)
Net cash used in investing activities	<u>(678)</u>	<u>(45)</u>
Cash flows from financing activities		
Dividends paid	(92,500)	(72,500)
Net cash used in financing activities	<u>(92,500)</u>	<u>(72,500)</u>
Net (decrease) / increase in cash and bank balances	(5,500)	14,484
Cash and bank balances at beginning of the year	<u>98,981</u>	<u>84,497</u>
Cash and bank balances at end of the year	<u>93,481</u>	<u>98,981</u>

Notes to the Financial Statements

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 18 December 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 4 below.

(a) Adoption of new or revised HKFRS

For the year ended 30 September 2009, the Group has adopted the following amendments to standard which are relevant to the Group's operations and are mandatory for the financial year ended 30 September 2009:

HKAS 39 and HKFRS 7 Amendments	Reclassification of Financial Assets
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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.

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

Notes to the Financial Statements

2. BASIS OF PREPARATION (Continued)

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

The following new or revised standards, amendments and interpretations which are relevant to the Group's operation and are mandatory for accounting periods beginning on or after 1 October 2009 or later periods but which the Group has not early adopted:

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. The segments will be 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.

HKAS 24 (Revised), "Related Party Disclosure" clarifies the definition of a related party.

HKFRS 9 "Financial Instruments" uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in HKAS 39. The approach in this standard is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets.

Notes to the Financial Statements

2. BASIS OF PREPARATION (Continued)

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

HKICPA's improvements to HKFRS published in October 2008 and May 2009:

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.

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.

HKFRS 7 (Amendment), "Financial Instruments: Disclosures" increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirement for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk.

HKFRS 8 (Amendment), "Operating Segments" requires disclosure of information about total assets and liabilities for each reportable segment only if such amounts are regularly provided to the chief operating decision maker.

HKAS 7 (Amendment), "Statement of Cash Flows" clarifies that only expenditures that result in a recognised asset are eligible for classification as investing activities.

The Group has already commenced an assessment of the impact of these new or revised 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.

Notes to the Financial Statements

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 subsidiary companies 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 company 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 subsidiary companies 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 company 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.

(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.

Notes to the Financial Statements

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Associated companies (Continued)

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. Management determines the classification of its investments at initial recognition depending on the purpose for which the investments are acquired.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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

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

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.

Notes to the Financial Statements

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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 company and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

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.

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 company 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.

Notes to the Financial Statements

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(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.

(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.

Notes to the Financial Statements

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

(b) Interest rate risk

The Group is exposed to interest rate risk through the impact at rate changes on interest bearing bank deposits. Interest income from bank deposits contributed approximately 0.1% of the Group's profit for the year ended 30 September 2009.

The Group has no significant interest bearing assets other than bank deposits. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management considers the Group's exposure to the interest rate risk is not significant.

(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.

(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 2009 and 2008. The Group uses equity to finance its operation.

(e) Fair value estimation

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

Notes to the Financial Statements

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 2009, 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\$296.7 million (2008: HK\$271.4 million) higher/lower and the Group's profit before tax would have been increased/decreased HK\$296.7 million (2008: HK\$271.4 million).

Notes to the Financial Statements

6. SEGMENT INFORMATION

	2009 HK\$'000	2008 HK\$'000
(a) Revenue		
Property investment	<u>132,289</u>	<u>125,807</u>
(b) Contribution to operating profit		
Property investment - Rental operation	98,926	93,647
Changes in fair value of investment properties	<u>252,700</u>	<u>310,550</u>
	<u>351,626</u>	<u>404,197</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

	2009 HK\$'000	2008 HK\$'000
Bank deposit and other interest income	656	1,744
Sundry income	<u>433</u>	<u>347</u>
	<u>1,089</u>	<u>2,091</u>

8. OPERATING PROFIT

	2009 HK\$'000	2008 HK\$'000
Operating profit is stated after charging:		
Directors' emoluments (note 9(a))	1,229	1,374
Auditors' remuneration	592	558
Depreciation	103	37
Impairment loss on trade debtors	1,487	107
Staff costs (excluding Directors' emoluments)		
Salaries and other emoluments	3,789	3,934
Long service payments	129	978
Contributions to mandatory provident fund scheme	<u>137</u>	<u>142</u>

Notes to the Financial Statements

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

	2009 HK\$'000	2008 HK\$'000
(a) Directors' emoluments		
Fees	400	400
Salaries and other emoluments	772	748
Long service payments	45	214
Contributions to mandatory provident fund scheme	<u>12</u>	<u>12</u>
	<u>1,229</u>	<u>1,374</u>

Each Non-executive Director receives a fixed fee of HK\$ 50,000 (2008: HK\$50,000) per annum and fees paid to Non-executive Directors for the year amounted to HK\$250,000 (2008: 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 2009

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	686	86	45	12	879
Mr. Chung Wai Shu, Robert	50	–	–	–	–	50
Mr. Lo Pak Shiu	50	–	–	–	–	50
Mr. Yuen Sik Ming, Patrick	<u>50</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>50</u>
	<u>400</u>	<u>686</u>	<u>86</u>	<u>45</u>	<u>12</u>	<u>1,229</u>

Notes to the Financial Statements

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

(a) Directors' emoluments (Continued)

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
	<u>400</u>	<u>669</u>	<u>79</u>	<u>214</u>	<u>12</u>	<u>1,374</u>

(b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one Director (2008: one Director) whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining four (2008: four) individuals during the year are as follows:

	2009 HK\$'000	2008 HK\$'000
Salaries and other emoluments	1,598	1,557
Long service payments	70	512
Contributions to mandatory provident fund scheme	<u>48</u>	<u>36</u>
	<u>1,716</u>	<u>2,105</u>

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

Notes to the Financial Statements

10. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profits for the year.

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

	2009 HK\$'000	2008 HK\$'000
Hong Kong profits tax		
Current taxation charge	16,029	15,013
Deferred taxation -		
Changes in fair value of investment properties	41,695	51,241
Origination and reversal of temporary differences	186	150
Effect of change in tax rate	-	(22,794)
Taxation charge	<u>57,910</u>	<u>43,610</u>

Share of taxation of associated companies for the year ended 30 September 2009 of HK\$ nil (2008: 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:

	2009 HK\$'000	2008 HK\$'000
Profit before taxation and share of results of associated companies	<u>351,626</u>	<u>404,197</u>
Calculated at a taxation rate of 16.5% (2008: 16.5%)	58,018	66,692
Income not subject to taxation	(108)	(288)
Expenses not deductible for taxation purposes	-	25
Effect of change in tax rate	-	(22,794)
Others	-	(25)
Taxation charge	<u>57,910</u>	<u>43,610</u>

Notes to the Financial Statements

11. DIVIDENDS

	2009 HK\$'000	2008 HK\$'000
Interim dividend paid of HK\$1.50 (2008: HK\$1.20) per share	37,500	30,000
Final dividend proposed of HK\$2.20 (2008: HK\$2.20) per share	<u>55,000</u>	<u>55,000</u>
	<u>92,500</u>	<u>85,000</u>

At a meeting held on 18 December 2009, 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 2010.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to equity holders of HK\$293,534,000 (2008: HK\$360,572,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2009 and 2008.

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	Company
	HK\$'000	HK\$'000
Cost		
At 1 October 2007	1,713	1,684
Additions	<u>27</u>	<u>27</u>
At 30 September 2008	1,740	1711
Additions	<u>657</u>	<u>657</u>
At 30 September 2009	<u>2,397</u>	<u>2,368</u>
Accumulated depreciation		
At 1 October 2007	1,535	1,506
Charge for the year	<u>37</u>	<u>37</u>
At 30 September 2008	1,572	1,543
Charge for the year	<u>103</u>	<u>103</u>
At 30 September 2009	<u>1,675</u>	<u>1,646</u>
Net book value		
At 30 September 2009	<u>722</u>	<u>722</u>
At 30 September 2008	<u>168</u>	<u>168</u>

Notes to the Financial Statements

14. INVESTMENT PROPERTIES

	Group HK\$'000	Company HK\$'000
Valuation at 1 October 2007	2,403,650	2,120,000
Fair value changes	<u>310,550</u>	<u>280,000</u>
Valuation at 30 September 2008	2,714,200	2,400,000
Fair value changes	<u>252,700</u>	<u>240,000</u>
Valuation at 30 September 2009	<u>2,966,900</u>	<u>2,640,000</u>

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

The investment properties are held under long leases (over 50 years) in Hong Kong and were revalued on 30 September 2009 and 2008 on an open market value basis by independent professionally qualified valuers, CS Surveyors Limited.

15. SUBSIDIARY COMPANY

	Company	
	2009 HK\$'000	2008 HK\$'000
Unlisted shares, at cost	<u>10,000</u>	<u>10,000</u>
Amount due to a subsidiary company	<u>1,632</u>	<u>1,290</u>

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

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

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

Notes to the Financial Statements

16. ASSOCIATED COMPANIES

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
Unlisted shares, at cost	70	70	70	70
Share of undistributed post-acquisition profits less losses	(4,680)	(4,498)		
Group's share of net liabilities	(4,610)	(4,428)		
Amount due from an associated company	5,451	5,430	5,451	5,430
Less: Provision	—	—	(5,134)	(5,134)
	<u>5,451</u>	<u>5,430</u>	<u>317</u>	<u>296</u>
	<u>841</u>	<u>1,002</u>	<u>387</u>	<u>366</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:

	2009 HK\$'000	2008 HK\$'000
Revenues	<u>—</u>	<u>1</u>
Loss for the year	<u>(182)</u>	<u>(15)</u>
Non-current assets	84	84
Current assets	1,338	1,347
Current liabilities	<u>(6,032)</u>	<u>(5,859)</u>
Net liabilities	<u>(4,610)</u>	<u>(4,428)</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	
	2009	2008
	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 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. Their carrying amounts are not materially different from their fair values.

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 2009, trade receivables of the Group and the Company of HK\$2,931,000 (2008: HK\$4,114,000) and HK\$2,688,000 (2008: HK\$3,698,000) 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	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 30 days past due	2,384	2,478	2,202	2,212
31 to 60 days past due	418	708	383	584
61 to 90 days past due	129	313	103	297
Over 90 days past due	<u>-</u>	<u>615</u>	<u>-</u>	<u>605</u>
Amount past due but not impaired	<u>2,931</u>	<u>4,114</u>	<u>2,688</u>	<u>3,698</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 and deposits approximate their fair values.

Notes to the Financial Statements

19. CASH AND BANK BALANCES

	Group		Company	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at banks and on hand	93,481	12,981	92,886	12,670
Short-term bank deposit	<u>—</u>	<u>86,000</u>	<u>—</u>	<u>86,000</u>
	<u>93,481</u>	<u>98,981</u>	<u>92,886</u>	<u>98,670</u>

At 30 September 2008, the effective interest rate on short-term bank deposit was 1.6% per annum and the deposit had maturity of 1 month.

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

20. CREDITORS, ACCRUALS AND DEPOSITS

	Group		Company	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade creditors				
Within 30 days	967	985	883	897
Accruals and deposits	<u>31,381</u>	<u>29,067</u>	<u>29,638</u>	<u>27,380</u>
	<u>32,348</u>	<u>30,052</u>	<u>30,521</u>	<u>28,277</u>

Notes to the Financial Statements

21. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2008: 16.5%).

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

	Group		Company	
	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accelerated tax depreciation				
At beginning of the year	754	641	754	641
Charged to income statement	186	150	186	150
Effect of change in tax rate	<u>-</u>	<u>(37)</u>	<u>-</u>	<u>(37)</u>
At end of the year	<u>940</u>	<u>754</u>	<u>940</u>	<u>754</u>
Fair value gain on investment properties				
At beginning of the year	426,750	398,266	376,922	350,766
Charged to income statement	41,695	51,241	39,600	46,200
Effect of change in tax rate	<u>-</u>	<u>(22,757)</u>	<u>-</u>	<u>(20,044)</u>
At end of the year	<u>468,445</u>	<u>426,750</u>	<u>416,522</u>	<u>376,922</u>
	<u>469,385</u>	<u>427,504</u>	<u>417,462</u>	<u>377,676</u>

22. SHARE CAPITAL

	2009	2008
	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

23. RESERVES

The movement of the Group's reserves for the years ended 30 September 2008 and 2009 are presented in the consolidated statement of changes in equity on page 22 of this annual report.

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

	Retained profits HK\$'000	Proposed final dividend HK\$'000
Company		
Balance at 1 October 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)	<u>55,000</u>
Balance at 30 September 2008	1,932,928	55,000
Profit for the year	282,645	–
2008 final dividend paid	–	(55,000)
2009 interim dividend paid	(37,500)	–
2009 final dividend proposed	(55,000)	<u>55,000</u>
Balance at 30 September 2009	<u>2,123,073</u>	<u>55,000</u>

Notes to the Financial Statements

24. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

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

	Group		Company	
	2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 HK\$'000
In the first year	87,979	92,501	80,591	87,630
In the second to fifth year inclusive	<u>36,232</u>	<u>31,892</u>	<u>34,150</u>	<u>30,178</u>
	<u>124,211</u>	<u>124,393</u>	<u>114,741</u>	<u>117,808</u>

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

25. RELATED PARTY TRANSACTIONS

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).

Five-Year Financial Summary

	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000
Investment properties, property, plant and equipment	2,967,622	2,714,368	2,403,828	1,961,307	1,693,140
Associated companies	841	1,002	999	840	1,329
Investment	29,606	29,606	29,606	24,001	1
Current assets	<u>98,347</u>	<u>105,393</u>	<u>91,631</u>	<u>69,821</u>	<u>60,940</u>
Total assets	3,096,416	2,850,369	2,526,064	2,055,969	1,755,410
Current liabilities	(51,745)	(48,210)	(41,401)	(30,040)	(24,682)
Non-current liabilities	(476,600)	(435,122)	(405,698)	(327,583)	(280,334)
Net assets	<u>2,568,071</u>	<u>2,367,037</u>	<u>2,078,965</u>	<u>1,698,346</u>	<u>1,450,394</u>
Share capital	125,000	125,000	125,000	125,000	125,000
Reserves	2,388,071	2,187,037	1,911,465	1,540,846	1,297,894
Proposed final dividend	<u>55,000</u>	<u>55,000</u>	<u>42,500</u>	<u>32,500</u>	<u>27,500</u>
Shareholders' funds	<u>2,568,071</u>	<u>2,367,037</u>	<u>2,078,965</u>	<u>1,698,346</u>	<u>1,450,394</u>
Revenue	<u>132,289</u>	<u>125,807</u>	<u>104,494</u>	<u>87,922</u>	<u>72,800</u>
Operating profit	351,626	404,197	523,389	350,292	46,041
Share of results of associated companies	(182)	(15)	(24)	(513)	(8)
Profit before taxation	351,444	404,182	523,365	349,779	46,033
Taxation	(57,910)	(43,610)	(90,246)	(56,827)	(8,012)
Profit attributable to equity holders	<u>293,534</u>	<u>360,572</u>	<u>433,119</u>	<u>292,952</u>	<u>38,021</u>
	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share					
Basic and diluted	<u>11.74</u>	<u>14.42</u>	<u>17.32</u>	<u>11.72</u>	<u>1.52</u>
Dividends per share					
Interim	1.50	1.20	0.80	0.70	0.50
Final	<u>2.20</u>	<u>2.20</u>	<u>1.70</u>	<u>1.30</u>	<u>1.10</u>
	<u>3.70</u>	<u>3.40</u>	<u>2.50</u>	<u>2.00</u>	<u>1.60</u>

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Melbourne Enterprises Limited (the "Company") will be held at Tsui Hang Village Restaurant, 2/F., New World Tower, 18 Queen's Road Central, Hong Kong on Friday, 5 February 2010 at 3:00 p.m. for the following purposes:

1. To consider and adopt the audited financial statements and the Reports of Directors and Independent Auditors for the year ended 30 September 2009.
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

(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, 18 December 2009

Notice of Annual General Meeting

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, 2 February 2010 to Friday, 5 February 2010, 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, 1 February 2010.
4. Pursuant to Rule 13.39(4) of the Listing Rules, at any general meeting, a resolution put to the vote of the meeting must be taken by poll.
5. In accordance with Article 103(A) of the Company's Articles of Association, Mr. Chung Yin Shu, Frederick, Mr. Chung Wai Shu, Robert and Mr. Yuen Pak Yiu, Philip retire by rotation and, being eligible, offer themselves for re-election.
6. Details of all retiring Directors, their interests in the shares of the Company and their remuneration are set out under the headings "Management Profile" on page 4, "Directors' Interests in Shares, Underlying Shares and Debentures" on page 10 and "Directors' Emoluments" on pages 36 to 37 respectively in this annual report.