



Melbourne
Enterprises Limited

2005/ 2006 Interim Report

Consolidated Profit and Loss Account

		Unaudited	
		Six months ended	
		31 March	
	Note	2006	2005
		HK\$'000	HK\$'000
Turnover	3	40,740	35,512
Operating costs		(10,925)	(9,729)
Gross profit		29,815	25,783
Other income		887	221
Administrative expenses		(4,098)	(4,418)
Operating profit	4	26,604	21,586
Fair value changes on investment properties		180,000	–
Share of results of associated companies		(5)	4
Profit before taxation		206,599	21,590
Taxation	5	(36,034)	(3,789)
Profit attributable to shareholders		<u>170,565</u>	<u>17,801</u>
Interim dividend	6	<u>17,500</u>	<u>12,500</u>
Earnings per share	7		
Basic		<u>HK\$6.82</u>	<u>HK\$0.71</u>
Diluted		<u>HK\$6.82</u>	<u>HK\$0.71</u>

Consolidated Balance Sheet

		Unaudited 31 March 2006 HK\$'000	Unaudited 30 September 2005 HK\$'000 (Restated)
	Note		
Assets			
Non-current assets			
Property, plant and equipment	8	123	140
Investment properties	8	1,873,000	1,693,000
Associated companies		1,340	1,329
Unlisted investment	9	–	1
Available-for-sale investment	9	1	–
		<u>1,874,464</u>	<u>1,694,470</u>
Current assets			
Advances to an investee company	9	–	–
Staff loans, secured		1,650	1,789
Debtors, deposits and prepayments	10	5,855	5,691
Cash and bank balances		46,896	53,460
		<u>54,401</u>	<u>60,940</u>
Current liabilities			
Creditors, accruals and deposits	11	18,415	16,653
Taxation		5,003	8,029
		<u>23,418</u>	<u>24,682</u>
Net current assets		<u>30,983</u>	<u>36,258</u>
Total assets less current liabilities		<u>1,905,447</u>	<u>1,730,728</u>
Non-current liabilities			
Provision for long service payments		6,202	6,132
Deferred tax liabilities		305,786	274,202
		<u>311,988</u>	<u>280,334</u>
Net assets		<u>1,593,459</u>	<u>1,450,394</u>
Equity			
Share capital		125,000	125,000
Investment properties revaluation reserve		–	1,291,255
Retained profits		1,450,959	6,639
Proposed dividend		17,500	27,500
Total equity		<u>1,593,459</u>	<u>1,450,394</u>

Consolidated Statement of Changes in Equity

	Unaudited Six months ended 31 March	
	2006 HK\$'000	2005 HK\$'000 (Restated)
Total equity at beginning of the period, as previously reported	1,724,296	1,348,375
Effect on adoption of HK(SIC) - Int 21	(273,902)	(209,082)
Total equity at beginning of the period, as restated	<u>1,450,394</u>	<u>1,139,293</u>
Gain not recognised in the consolidated profit and loss account:		
Investment properties revaluation surplus	–	220,100
Profit for the period	170,565	17,801
Dividend paid	(27,500)	(20,000)
Total equity at end of the period	<u><u>1,593,459</u></u>	<u><u>1,357,194</u></u>

Consolidated Cash Flow Statement

	Unaudited	
	Six months ended 31 March	
	2006 HK\$'000	2005 HK\$'000
Net cash generated from operating activities	20,951	14,605
Net cash used in investing activities	(15)	(34)
Net cash used in financing activities	(27,500)	(20,000)
Net decrease in cash and bank balances	(6,564)	(5,429)
Cash and bank balances at beginning of the period	<u>53,460</u>	<u>42,091</u>
Cash and bank balances at end of the period	<u><u>46,896</u></u>	<u><u>36,662</u></u>

Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited interim accounts have been prepared in accordance with Hong Kong Accounting Standard 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The interim accounts should be read in conjunction with the 2005 annual accounts.

The principal accounting policies and methods of computation used in the preparation of the interim accounts are consistent with those used in the annual accounts for the year ended 30 September 2005 except that the Group has changed certain of its accounting policies following its adoption of new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations (collectively "HKFRSs").

The following is a summary of the material changes in the principal accounting policies or presentation of accounts as a result of the adoption of those new or revised HKFRSs. Certain comparative figures have been reclassified to conform with the current period's presentation.

(a) HKAS 1 Presentation of financial statements

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

(b) HKAS 40 Investment property

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

(b) HKAS 40 Investment property (Cont'd)

The adoption of HKAS 40 has resulted in:

	2006
	HK\$'000
At at 31 March 2006	
Increase in retained profits	1,471,255
Decrease in investment properties revaluation reserve	(1,471,255)
For the six months ended 31 March 2006	
Increase in profit before taxation	180,000
Increase in basic and diluted earnings per share	HK\$ 7.20

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

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

The adoption of HK (SIC)-Int 21 has resulted in a decrease in opening reserves at 1 October 2004 of HK\$209,082,000.

	2006	2005
	HK\$'000	HK\$'000
As at 31 March 2006 and 30 September 2005		
Increase in deferred tax liabilities	305,402	273,902
Decrease in investment properties revaluation reserve	–	(273,902)
Decrease in retained profits	(305,402)	–
For the six months ended 31 March 2006 and 2005		
Increase in deferred tax expense	31,500	–
Decrease in profit attributable to shareholders	(31,500)	–
Decrease in basic and diluted earnings per share	(HK\$ 1.26)	–

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

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

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property investment in Hong Kong. The activity of the subsidiary company is property investment in Hong Kong.

3. SEGMENT INFORMATION

	2006 HK\$'000	2005 HK\$'000
(a) Turnover		
Property investment	40,740	35,512
	<u>40,740</u>	<u>35,512</u>
(b) Contribution to operating profit		
Property investment	26,604	21,586
	<u>26,604</u>	<u>21,586</u>

Turnover represents gross rental and service income from investment properties.

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

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	2006 HK\$'000	2005 HK\$'000
Crediting:		
Interest income	761	44
Charging:		
Depreciation	17	27

5. TAXATION

	2006 HK\$'000	2005 HK\$'000
Company and subsidiary company		
Hong Kong profits tax	4,450	3,702
Deferred taxation	31,584	87
	36,034	3,789

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

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

	2006 HK\$'000	2005 HK\$'000
Profit before taxation	206,599	21,590
Calculated at a tax rate of 17.5%	36,155	3,778
Tax effect on net income that is not taxable in determining taxable profit	(132)	(8)
Others	11	19
Taxation charge	36,034	3,789

6. INTERIM DIVIDEND

	2006 HK\$'000	2005 HK\$'000
Interim dividend of HK\$0.70 (2005: HK\$0.50) per share	<u>17,500</u>	<u>12,500</u>

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$170,565,000 (2005: HK\$17,801,000) and the 25,000,000 shares in issue throughout the period.

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

8. INVESTMENT PROPERTIES, PROPERTY, PLANT AND EQUIPMENT

	Investment properties HK\$'000	Property, plant and equipment HK\$'000	Total HK\$'000
Net book value at 30 September 2004	1,322,600	173	1,322,773
Additions	–	17	17
Revaluation surplus	220,100	–	220,100
Depreciation	<u>–</u>	<u>(27)</u>	<u>(27)</u>
Net book value at 31 March 2005	<u>1,542,700</u>	<u>163</u>	<u>1,542,863</u>
Net book value at 30 September 2005	1,693,000	140	1,693,140
Changes in fair value	180,000	–	180,000
Depreciation	<u>–</u>	<u>(17)</u>	<u>(17)</u>
Net book value at 31 March 2006	<u>1,873,000</u>	<u>123</u>	<u>1,873,123</u>

The investment properties are held under long leases (over 50 years) in Hong Kong and were revalued on 31 March 2006 on an open market value basis by CS Surveyors Limited.

9. INVESTMENT IN AND ADVANCES TO AN INVESTEE COMPANY

	31 March 2006 HK\$'000	30 September 2005 HK\$'000
Unlisted shares, at cost	–	143
Advances	–	29,605
Less: Provision	–	(29,747)
Unlisted investment	<u>–</u>	<u>1</u>
Reclassified on adoption of HKAS 39	<u>1</u>	<u>(1)</u>
Available-for-sale investment	<u><u>1</u></u>	<u><u>–</u></u>
Advances to an investee company	29,605	–
Less: Impairment	(29,605)	–
	<u><u>–</u></u>	<u><u>–</u></u>

The advances to an investee company are unsecured, interest free and have no specific repayment terms.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	31 March 2006 HK\$'000	30 September 2005 HK\$'000
Trade debtors		
Below 60 days	2,587	2,456
61 to 90 days	342	242
Over 90 days	<u>344</u>	<u>272</u>
	3,273	2,970
Deposits and prepayments	<u>2,582</u>	<u>2,721</u>
	<u><u>5,855</u></u>	<u><u>5,691</u></u>

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

11. CREDITORS, ACCRUALS AND DEPOSITS

	31 March 2006 HK\$'000	30 September 2005 HK\$'000
Trade creditors		
Below 60 days	705	908
Accruals and deposits	17,710	15,745
	<u>18,415</u>	<u>16,653</u>

Interim Dividend

The Board declares an interim dividend of HK\$0.70 per share (2005: HK\$0.50 per share) for the year ending 30 September 2006. The register of members will be closed from 17 July to 19 July 2006, both days inclusive, during which period no transfer of shares will be registered. Dividend warrants will be posted to shareholders by 24 July 2006.

Chairman's Business Review

The Group's investment properties, Melbourne Plaza at 33 Queen's Road Central and Kimley Commercial Building at 142-146 Queen's Road Central, continued to generate steady rental income. Melbourne Plaza attained 87% occupancy while Kimley Commercial Building was 89% leased. Rents have moved upwards compared with last corresponding period. Occupancy rates have surged despite stiff competition in Central's rental market. While stable earnings are maintained, moderate growth can be expected for the whole year.

The project involving property development and golf club operations in Foshan China of which the Group has an equity interest continues to operate without any immediate plan for property development.

Management Discussion and Analysis

GROUP RESULTS

Operating profit for the six months ended 31 March 2006 amounted to HK\$26.6 million (2005: HK\$21.6 million), an increase of 23%. Turnover for the period amounted to HK\$40.7 million, representing an increase of 15% as compared to last period.

SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 87% and 89% let respectively.

LIQUIDITY AND FINANCIAL RESOURCES

Basically, the Group's working capital requirement was financed by its rental income. As at 31 March 2006, the Group had cash and bank balances totalling HK\$46.9 million. During the period, the Group did not need any borrowings or overdraft facilities.

EMPLOYEES AND REMUNERATION POLICIES

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 March 2006, the interests or short positions of the Directors and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:-

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

Note:

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

Substantial Shareholders' Interests in Shares

As at 31 March 2006, the register of interests in shares or short positions kept under section 336 of the SFO showed that, other than the interests of directors as set out above, Chow Tai Fook Enterprises Limited ("CTF") was interested in 5% or more of the issued share capital of the Company. CTF, together with its associated companies, has a beneficial interest in 6,762,750 shares of the Company, representing 27.05% 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 31 March 2006.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the six months ended 31 March 2006. Neither the Company nor its subsidiary company has purchased or sold any of the Company's shares in the same period.

Audit Committee

The Audit Committee has reviewed the unaudited interim financial report in conjunction with the auditors. The auditors conducted their review in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. The review consisted of management enquiries and analytical procedures, but excluded audit procedures. On 12 June 2006, the Committee met with the management and the auditors to review the interim report and consider the significant accounting policies.

Code on Corporate Governance Practices

During the financial period, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except that independent non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules. Based on specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards of the said code during the six months ended 31 March 2006.

Dato' Dr. Cheng Yu Tung
Chairman

Hong Kong, 21 June 2006

As at the date of this report, the board comprises Dato' Dr. CHENG Yu Tung, Mr. CHUNG Ming Fai, Mr. CHUNG Yin Shu, Frederick who are executive Directors; Mr. CHUNG Wai Shu, Robert who is a non-executive Director; and Mr. Yuen Pak Yiu, Philip, Dr. FONG Yun Wah, SBS, JP, Mr. LO Pak Shiu and Mr. YUEN Sik Ming, Patrick who are independent non-executive Directors.