



Melbourne
Enterprises Limited

2015 / 2016 Interim Report



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Condensed Consolidated Statement of Comprehensive Income

		Unaudited Six months ended 31 March	
	Note	2016 HK\$'000	2015 HK\$'000
Revenue	3	116,240	110,217
Operating costs		<u>(15,657)</u>	<u>(18,804)</u>
Gross profit		100,583	91,413
Other income		331	207
Administrative expenses		(6,061)	(6,211)
(Decrease)/increase in fair values of investment properties		<u>(83,000)</u>	<u>289,000</u>
Operating profit	4	11,853	374,409
Share of results of associates		<u>(50)</u>	<u>(2)</u>
Profit before taxation		11,803	374,407
Income tax expenses	5	<u>(15,601)</u>	<u>(14,022)</u>
(Loss)/profit for the period attributable to equity holders		<u>(3,798)</u>	<u>360,385</u>
Other comprehensive income			
<i>Item that may be reclassified to profit or loss</i>			
Fair value gain on available-for-sale investment		<u>—</u>	<u>11,706</u>
Total comprehensive (loss)/ income attributable to equity holders		<u>(3,798)</u>	<u>372,091</u>
(Loss)/earnings per share			
Basic and diluted	7	<u>(HK\$0.15)</u>	<u>HK\$14.42</u>

Condensed Consolidated Balance Sheet

		Unaudited 31 March 2016 HK\$'000	Audited 30 September 2015 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	8	3,353	3,677
Investment properties	8	5,817,000	5,900,000
Investment in associates		858	905
Available-for-sale investment	9	4,940	4,940
Advances to an investee company	9	29,605	29,605
		<u>5,855,756</u>	<u>5,939,127</u>
		-----	-----
Current assets			
Debtors, deposits and prepayments	10	5,586	5,517
Cash and bank balances		183,940	175,775
		<u>189,526</u>	<u>181,292</u>
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Current liabilities			
Creditors, accruals and deposits	11	46,880	47,171
Current tax payable		19,945	28,888
		<u>66,825</u>	<u>76,059</u>
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Net current assets		<u>122,701</u>	<u>105,233</u>
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Total assets less current liabilities		<u>5,978,457</u>	<u>6,044,360</u>
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		Unaudited	Audited
		31 March	30 September
		2016	2015
	Note	HK\$'000	HK\$'000
Non-current liabilities			
Provision for long service payments		11,848	11,453
Deferred tax liabilities		<u>1,778</u>	<u>1,778</u>
		<u>13,626</u>	<u>13,231</u>
Net assets		<u>5,964,831</u>	<u>6,031,129</u>
Equity			
Share capital		125,000	125,000
Investment revaluation reserve		4,939	4,939
Retained profits		5,779,892	5,838,690
Interim dividend declared	6	<u>55,000</u>	<u>62,500</u>
Total equity		<u>5,964,831</u>	<u>6,031,129</u>

Condensed Consolidated Statement of Changes in Equity

	Unaudited Six months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Total equity at beginning of the period	6,031,129	5,580,546
(Loss)/profit for the period	(3,798)	360,385
Fair value gain on available-for-sale investment	—	11,706
Total comprehensive (loss)/income for the period	(3,798)	372,091
Dividend paid	(62,500)	(60,000)
Total equity at end of the period	<u>5,964,831</u>	<u>5,892,637</u>

Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 31 March	
	2016 HK\$'000	2015 HK\$'000
Net cash generated from operating activities	70,505	57,907
Net cash generated from investing activities	160	100
Net cash used in financing activities	<u>(62,500)</u>	<u>(60,000)</u>
Net increase/(decrease) in cash and bank balances	8,165	(1,993)
Cash and bank balances at beginning of the period	<u>175,775</u>	<u>139,662</u>
Cash and bank balances at end of the period	<u><u>183,940</u></u>	<u><u>137,669</u></u>

Notes to the Interim Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

The Unaudited Condensed Consolidated Interim Financial Information (the “interim financial information”) for the six months ended 31 March 2016 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 financial information should be read in conjunction with the annual financial statements for the year ended 30 September 2015.

The accounting policies and methods of computation used in the preparation of the Unaudited Condensed Consolidated Interim Financial Information are consistent with those set out in the annual financial statements for the year ended 30 September 2015. There are no standard, amendment to standard or interpretation that are effective for the first time for the period.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

The following new or revised standards and amendments are mandatory for accounting periods beginning on or after 1 October 2016 or later periods:

HKAS 1 Amendment	Disclosure Initiative
HKAS 16 and HKAS 38 Amendment	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 Amendment	Agriculture: Bearer Plants
HKAS 27 Amendment	Equity Method in Separate Financial Statements
HKFRS 9 (2014)	Financial Instruments
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKFRS 10, HKFRS 12 and HKAS 28 (2011) Amendment	Investment Entities: Applying the Consolidation Exception
HKFRS 15	Revenue from Contracts with Customers
Annual Improvement Project	Annual Improvements 2012-2014 Cycle

The Group has not early adopted any other new or revised HKFRS that have been issued but are not yet mandatory for the current accounting year. The Group has already commenced an assessment of the impact of these new or revised HKFRS but is not yet in a position to state whether these new or revised HKFRS would have a significant impact on its results of operations and financial position.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is property investment in Hong Kong. The principal activity of the subsidiary company is property investment in Hong Kong.

3. SEGMENT INFORMATION

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

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

	Six months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
(a) Revenue		
Property investment	<u>116,240</u>	<u>110,217</u>
(b) Contribution to profit before taxation		
Property investment - Rental operations	94,853	85,409
(Decrease)/increase in fair values of investment properties	<u>(83,000)</u>	<u>289,000</u>
	11,853	374,409
Share of results of associates	<u>(50)</u>	<u>(2)</u>
Profit before taxation	<u>11,803</u>	<u>374,407</u>

Revenue (representing turnover) represents gross rental and service income from investment properties.

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Crediting:		
Interest income	<u>167</u>	<u>115</u>
Charging:		
Depreciation	<u>328</u>	<u>329</u>

5. INCOME TAX EXPENSES

	Six months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	15,601	14,007
– Over provision in prior years	—	15
	<u>15,601</u>	<u>14,022</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the period.

6. INTERIM DIVIDEND

	Six months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Interim dividend, declared, of HK\$2.20 (2015: HK\$2.20) per share	55,000	55,000

At a meeting held on 16 May 2016, the Directors recommended an interim dividend of HK\$2.20 per share. This proposed interim dividend will be accounted for as an appropriation of retained profits for the year ending 30 September 2016.

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss for the period attributable to equity holders of HK\$3,798,000 (2015: profit for the period attributable to equity holders of HK\$360,385,000) and the 25,000,000 shares (2015: 25,000,000 shares) in issue throughout the six months ended 31 March 2016.

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

8. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

	Investment properties HK\$'000	Property, plant and equipment HK\$'000	Total HK\$'000
Net book value at			
1 October 2014	5,487,000	4,319	5,491,319
Increase in fair value	289,000	—	289,000
Additions	—	15	15
Depreciation	—	(329)	(329)
	<hr/>	<hr/>	<hr/>
Net book value at			
31 March 2015	5,776,000	4,005	5,780,005
Increase in fair value	124,000	—	124,000
Depreciation	—	(328)	(328)
	<hr/>	<hr/>	<hr/>
Net book value at			
30 September 2015	5,900,000	3,677	5,903,677
Decrease in fair value	(83,000)	—	(83,000)
Additions	—	4	4
Depreciation	—	(328)	(328)
	<hr/>	<hr/>	<hr/>
Net book value at			
31 March 2016	<u>5,817,000</u>	<u>3,353</u>	<u>5,820,353</u>

The investment properties as at 31 March 2016 were revalued on an open market value basis by CS Surveyors Limited, independent professional valuer who hold a recognised professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

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

Fair values of the investment properties are derived using the direct comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot. The higher the price per square foot, the higher the fair value.

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

	31 March 2016 HK\$'000	30 September 2015 HK\$'000
Available-for-sale investment	<u>4,940</u>	<u>4,940</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 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 co-operative joint venture has commenced sale of certain of the development properties. Following the issue of the property development completion certificate for the sold units and the completion of the sale and purchase agreements by the buyers, revenue was first recognised since the first quarter of 2015.

As at 31 March 2016 and 30 September 2015, the fair value of unlisted available-for-sale investment is determined by reference to market value assessed by an independent professional valuer, using direct market comparison and depreciated replacement cost method. The directors consider that this valuation technique is more relevant given that certain of the development properties have been realised. This available-for-sale investment is included in level 3 of the fair value measurement hierarchy.

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

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	31 March 2016 HK\$'000	30 September 2015 HK\$'000
Trade debtors		
Within 30 days past due	2,828	2,825
31 to 60 days past due	619	361
61 to 90 days past due	285	92
Over 90 days past due	185	345
	<u>3,917</u>	<u>3,623</u>
Amount past due but not impaired	<u><u>3,917</u></u>	<u><u>3,623</u></u>

Trade debtors mainly represent rentals receivable. The Group normally does not grant credit to trade debtors. The other classes within debtors, deposits and prepayments do not contain impaired assets.

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

The carrying amounts of debtors and deposits approximate their fair values.

11. CREDITORS, ACCRUALS AND DEPOSITS

	31 March 2016 HK\$'000	30 September 2015 HK\$'000
Trade creditors within 30 days	<u>725</u>	<u>1,091</u>

The carrying amounts of creditors, accruals and deposits approximate their fair values.

12. RELATED PARTY TRANSACTIONS

During the period, certain investment properties of the Group were leased to related companies, which are controlled by certain Directors of the Company and/or their close family members, at prices and terms mutually agreed between the parties. Rental and related income from these related companies during the period was HK\$4,661,760 (2014: HK\$4,620,430).

No significant transactions have been entered into with the Directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation) as follows:

	Six months ended 31 March	
	2016	2015
	HK\$'000	HK\$'000
Short-term employee benefits (Fees, salaries and other emoluments)	945	853
Post-employment benefits	108	184
	<u>1,053</u>	<u>1,037</u>

At 31 March 2016, an amount due from an associate of HK\$5,460,000 (30 September 2015: HK\$5,457,000) is unsecured, interest free and not repayable within 12 months, among which HK\$5,417,000 (30 September 2015: HK\$5,417,000) was impaired. Whereas amounts due to associates of HK\$583,000 (30 September 2015: HK\$560,000) are unsecured, interest free and repayable on demand.

13. COMMITMENT

During the year ended 30 September 2015, the Group had engaged an engineer to undertake building inspection works for Kimley Commercial Building. The contract sum for the works is HK\$130,000. Payment in progress under the contract amounted to HK\$20,000 as at 31 March 2016.

And during the period, the Group had engaged a sub-contractor to undertake the external wall refurbishment and maintenance works for Kimley Commercial Building. The estimated contract sum for the works is approximately HK\$11.3 million. No payment has been made as at 31 March 2016.

Interim Dividend

The Board declares an interim dividend of HK\$2.20 per share (2015: HK\$2.20 per share) for the year ending 30 September 2016. The Register of Members will be closed from Tuesday, 31 May to Thursday, 2 June 2016, both days inclusive, during which period no transfer of shares will be registered. To ensure their entitlement to the interim dividend, shareholders are reminded to lodge their transfers not later than 4:30 p.m. on Monday, 30 May 2016 with Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Dividend warrants will be posted to shareholders by Tuesday, 14 June 2016.

Business Review

The Group's shops and offices at Melbourne Plaza, 33 Queen's Road Central reached an occupancy rate of 93.6% while shops and offices at Kimley Commercial Building at 142-146 Queen's Road Central was 83.4% leased. Both properties attained high occupancy rates in the first six months of the financial year.

The Group's rental income during the period benefited from the continuing inflation in leasing rates. Revenue surged to HK\$116.2 million, representing a growth of 5.4% over the same period of last year. The results remained satisfactory.

The Foshan Golf Club project forms part of the Group's investment. The golf club is in its full operation with sale of development properties. Ongoing development of properties is undertaken at different areas of the golf course.

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

Management Discussion and Analysis

GROUP RESULTS

Net loss for the six months ended 31 March 2016 amounted to HK\$3.8 million (2015: net profit of HK\$360.4 million). Loss resulted in the current period is related to the decrease in fair value of investment properties amounted to HK\$83.0 million (2015: fair value surplus of HK\$289.0 million). After allowing for the effect of fair value changes of the investment properties, the underlying operating profit from rental operations increased 11.1% from HK\$85.4 million to HK\$94.9 million compared with the corresponding period of 2015, while revenue for the period increased by 5.4% to HK\$116.2 million (2015: HK\$110.2 million).

SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 93.6% and 83.4% let respectively as at 31 March 2016 (2015: approximately 94.5% and 89.3% let).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's working capital requirement was financed by its rental income. As at 31 March 2016, the Group had cash and bank balances totalling HK\$183.9 million (30 September 2015: HK\$175.8 million). During the period, the Group did not require any borrowings or overdraft facilities.

EMPLOYEES AND REMUNERATION POLICIES

The Group employs 16 employees. The Group recognises the importance of the strength of its human resources for its success. Remuneration for employees is maintained at market 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 period. There are no other plans for material capital investments or future developments.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 March 2016, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:-

	Number of shares held		Approximate percentage of shareholding
	Personal interests	Corporate interests	
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.

Substantial Shareholders' Interests in Securities

As at 31 March 2016, the interests or short positions of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

LONG POSITIONS IN SHARES

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

Notes:

- (1) CYTF and CYTF II hold 48.98% and 46.65% interests in CTFC, respectively. CTFC in turn owns 74.07% interest in CTFH which holds the entire interests in CTF. Therefore, CYTF, CYTF II, CTFC and CTFH are deemed to have interests in the shares in which CTF is deemed to be interested by virtue of its interests in NWD as mentioned in note 2 below.
- (2) CTF and its subsidiaries have interests in more than one-third of the issued shares of NWD and accordingly CTF is deemed to have an interest in the shares in which NWD is interested or deemed to be interested.
- (3) NWD holds 100% direct interest in KK and is accordingly deemed to have an interest in the shares deemed to be interested by KK.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 31 March 2016.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the six months ended 31 March 2016. 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. The external auditor conducted a review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information" issued by the HKICPA. On 10 May 2016, the Committee met with the management and the external auditor to review the unaudited interim financial statements and to 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 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 2016.

Requirement in Connection with Publication of "Non-Statutory Accounts" under Section 436 of The Hong Kong Companies Ordinance Cap. 622

The financial information relating to the year ended 30 September 2015 included in this announcement of interim results 2015/2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- (a) The Company had delivered the financial statements for the year ended 30 September 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- (b) The Company's auditor had reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Chung Yin Shu, Frederick
Secretary

Hong Kong, 16 May 2016

As at the date of this report, the Board of the Company comprises (a) three executive directors, namely Mr. Chung Ming Fai, Mr. Chung Yin Shu, Frederick and Mr. Tsang On Yip, Patrick; (b) one non-executive director, namely Mr. Chung Wai Shu, Robert; and (c) four independent non-executive directors, namely Mr. Yuen Pak Yiu, Philip, Dr. Fong Yun Wah, Mr. Lo Pak Shiu and Mr. Yuen Sik Ming, Patrick.