



Melbourne
Enterprises Limited

2016 / 2017 Interim Report



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Condensed Consolidated Statement of Comprehensive Income

		Unaudited Six months ended 31 March	
	Note	2017 HK\$'000	2016 HK\$'000
Revenue	3	116,260	116,240
Operating costs		<u>(19,980)</u>	<u>(15,657)</u>
Gross profit		96,280	100,583
Other income		620	331
Administrative expenses		<u>(6,160)</u>	<u>(6,061)</u>
Increase/(decrease) in fair values of investment properties		<u>440,000</u>	<u>(83,000)</u>
Operating profit	4	530,740	11,853
Share of results of associates		<u>—</u>	<u>(50)</u>
Profit before taxation		530,740	11,803
Income tax expenses	5	<u>(14,921)</u>	<u>(15,601)</u>
Profit/(loss) for the period and total comprehensive income for the period attributable to equity holders		<u>515,819</u>	<u>(3,798)</u>
Earnings/(loss) per share			
Basic and diluted	7	<u>HK\$20.63</u>	<u>(HK\$0.15)</u>

Condensed Consolidated Balance Sheet

		Unaudited 31 March 2017 HK\$'000	Audited 30 September 2016 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	8	2,703	3,025
Investment properties	8	6,467,000	6,027,000
Investment in associates		471	853
Available-for-sale investment	9	58,102	58,102
Advances to an investee company	9	29,605	29,605
		<u>6,557,881</u>	<u>6,118,585</u>
Current assets			
Debtors, deposits and prepayments	10	5,764	6,324
Cash and bank balances		212,678	219,981
Prepaid income tax		438	—
		<u>218,880</u>	<u>226,305</u>
Current liabilities			
Creditors, accruals and deposits	11	47,003	48,143
Current tax payable		16,690	34,711
		<u>63,693</u>	<u>82,854</u>
Net current assets		<u>155,187</u>	<u>143,451</u>
Total assets less current liabilities		<u>6,713,068</u>	<u>6,262,036</u>

		Unaudited	Audited
		31 March	30 September
		2017	2016
	Note	HK\$'000	HK\$'000
Non-current liabilities			
Provision for long service payments		12,535	11,981
Deferred tax liabilities		1,778	1,778
		<u>14,313</u>	<u>13,759</u>
		<u>14,313</u>	<u>13,759</u>
Net assets		<u>6,698,755</u>	<u>6,248,277</u>
Equity			
Share capital		125,000	125,000
Investment revaluation reserve		58,101	58,101
Retained profits		6,458,154	6,000,176
Interim dividend declared	6	57,500	65,000
Total equity		<u>6,698,755</u>	<u>6,248,277</u>

Condensed Consolidated Statement of Changes in Equity

	Unaudited	
	Six months ended	
	31 March	
	2017	2016
	HK\$'000	HK\$'000
Total equity at beginning of the period	6,248,277	6,031,129
Profit/(loss) for the period and total comprehensive income for the period	515,819	(3,798)
Others	(341)	—
Dividend paid	(65,000)	(62,500)
Total equity at end of the period	<u>6,698,755</u>	<u>5,964,831</u>

Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 31 March	
	2017 HK\$'000	2016 HK\$'000
Net cash generated from operating activities	57,466	70,505
Net cash generated from investing activities	231	160
Net cash used in financing activities	(65,000)	(62,500)
Net (decrease)/increase in cash and bank balances	(7,303)	8,165
Cash and bank balances at beginning of the period	<u>219,981</u>	<u>175,775</u>
Cash and bank balances at end of the period	<u><u>212,678</u></u>	<u><u>183,940</u></u>

Notes to the Interim Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements (the “interim financial statements”) for the six months ended 31 March 2017 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 “Hong Kong Stock Exchange”) (the “Listing Rules”). The interim financial information should be read in conjunction with the 30 September 2016 annual financial statements.

The accounting policies used in the preparation of these interim financial statements are consistent with those set out in the annual report for the year ended 30 September 2016 except for the adoption of the new standards and amendments to standards which is further explained below.

(a) Adoption of new standards and amendments to standards

The Group has adopted the following new standards and amendments to standards which are mandatory for the financial year ending 30 September 2017:

HKFRS 14	Regulatory Deferral Accounts
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Annual Improvement Project	Annual Improvements 2012–2014 Cycle

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

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Standards and amendments to standards which are not yet effective

The following new standards and amendments to standards are mandatory for accounting periods beginning on or after 1 Oct 2017 or later periods but which the Group has not early adopted:

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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 standards and amendments to standards, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements. The Group is not yet in a position to ascertain their 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	
	2017	2016
	HK\$'000	HK\$'000
(a) Revenue		
Property investment	<u>116,260</u>	<u>116,240</u>
(b) Contribution to profit before taxation		
Property investment - Rental operations	90,740	94,853
Increase/(decrease) in fair values of investment properties	<u>440,000</u>	<u>(83,000)</u>
	530,740	11,853
Share of results of associates	<u>—</u>	<u>(50)</u>
Profit before taxation	<u>530,740</u>	<u>11,803</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	
	2017	2016
	HK\$'000	HK\$'000
Crediting:		
Interest income	<u>189</u>	<u>167</u>
Charging:		
Depreciation	<u>322</u>	<u>328</u>

5. INCOME TAX EXPENSES

	Six months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	<u>14,921</u>	<u>15,601</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits for the period.

6. INTERIM DIVIDEND

	Six months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
Interim dividend, declared, of HK\$2.30 (2016: HK\$2.20) per share	<u>57,500</u>	<u>55,000</u>

At a meeting held on 19 May 2017, the Directors recommended an interim dividend of HK\$2.30 per share. This proposed interim dividend will be accounted for as an appropriation of retained profits for the year ending 30 September 2017.

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit for the period attributable to equity holders of HK\$515,819,000 (2016: loss for the period attributable to equity holders of HK\$3,798,000) and the 25,000,000 shares (2016: 25,000,000 shares) in issue throughout the six months ended 31 March 2017.

Diluted earnings/(loss) per share equals basic earnings/(loss) 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 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	5,817,000	3,353	5,820,353
Increase in fair value	210,000	—	210,000
Depreciation	— (328) (328)
	<hr/>	<hr/>	<hr/>
Net book value at			
30 September 2016	6,027,000	3,025	6,030,025
Increase in fair value	440,000	—	440,000
Depreciation	— (322) (322)
	<hr/>	<hr/>	<hr/>
Net book value at			
31 March 2017	<u>6,467,000</u>	<u>2,703</u>	<u>6,469,703</u>

The investment properties as at 31 March 2017 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 2017 HK\$'000	30 September 2016 HK\$'000
Available-for-sale investment	<u>58,102</u>	<u>58,102</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.

As at 31 March 2017 and 30 September 2016, 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 through sale. 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 2017 HK\$'000	30 September 2016 HK\$'000
Trade debtors		
Within 30 days past due	2,709	3,114
31 to 60 days past due	764	683
61 to 90 days past due	343	403
Over 90 days past due	241	205
	<hr/>	<hr/>
Amount past due but not impaired	<u>4,057</u>	<u>4,405</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 2017 HK\$'000	30 September 2016 HK\$'000
Trade creditors within 30 days	<u>276</u>	<u>1,152</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\$5,061,120 (2016: HK\$4,661,760).

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	
	2017	2016
	HK\$'000	HK\$'000
Short-term employee benefits (Fees, salaries and other emoluments)	966	945
Post-employment benefits	148	108
	<u>1,114</u>	<u>1,053</u>

At 31 March 2017, an amount due from an associate of HK\$5,420,000 (30 September 2016: HK\$5,459,000) is unsecured, interest free and not repayable within 12 months, among which HK\$5,420,000 (30 September 2016: HK\$5,417,000) was impaired. Whereas amounts due to associates of HK\$512,000 (30 September 2016: HK\$785,000) are unsecured, interest free and repayable on demand.

13. COMMITMENT

During the year ended 30 September 2016, the Group engaged an engineer to undertake building inspection works and a subcontractor to undertake the external wall refurbishment and maintenance works for Kimley Commercial Building. The contract sum for the inspection work is HK\$130,000 and the estimated contract sum for refurbishment work is HK\$11,300,000. Payment in progress under the contracts amounted to HK\$20,000 and HK\$8,190,000 as at 31 March 2017 respectively.

Interim Dividend

The Board has declared an interim dividend of HK\$2.30 per share (2016: HK\$2.20 per share) for the financial year ending 30 September 2017. The Register of Members will be closed from Wednesday, 7 June to Friday, 9 June 2017, 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 Tuesday, 6 June 2017 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 Thursday, 15 June 2017.

Business Review

The Group's shops and offices at Melbourne Plaza, 33 Queen's Road Central reached an occupancy rate of 95.1% while shops and offices at Kimley Commercial Building at 142-146 Queen's Road Central was 83.0% leased. Both properties attained high occupancy rates in the first six months of the financial year.

The Group's rental income during the period remained steady with a minimal growth of 0.1% to HK\$116.3 million over the same period of last year.

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 profit for the six months ended 31 March 2017 amounted to HK\$515.8 million (2016: net loss of HK\$3.8 million). Profit resulted in the current period is related to the increase in fair value of investment properties amounted to HK\$440.0 million (2016: fair value decrease of HK\$83.0 million). After allowing for the effect of fair value changes of the investment properties, the underlying operating profit from rental operations decreased 4.3% from HK\$94.9 million to HK\$90.7 million compared with the corresponding period of 2016, while revenue for the period increased by 0.1% to HK\$116.3 million (2016: HK\$116.2 million).

SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 95.1% and 83.0% let respectively as at 31 March 2017 (2016: approximately 93.6% and 83.4% let).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's working capital requirement was financed by its rental income. As at 31 March 2017, the Group had cash and bank balances totalling HK\$212.7 million (30 September 2016: HK\$220.0 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 2017, 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 2017, 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 81.03% 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 2017.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its listed securities during the six months ended 31 March 2017. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 31 March 2017.

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 18 May 2017, the Committee met with the management and the external auditor to review the unaudited interim financial statements.

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 2017.

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 2016 included in the Interim Report 2016/2017 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 2016 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 407(3) of the Hong Kong Companies Ordinance.

Chung Yin Shu, Frederick
Secretary

Hong Kong, 19 May 2017

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) three independent non-executive directors, namely Dr. Fong Yun Wah, Mr. Lo Pak Shiu and Mr. Yuen Sik Ming, Patrick.