



Melbourne
Enterprises Limited

2013 / 2014 Interim Report



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Condensed Consolidated Statement of Comprehensive Income

		Unaudited	
		Six months ended	
		31 March	
		2014	2013
	Note	HK\$'000	HK\$'000
Revenue	3	105,091	99,377
Operating costs		<u>(24,603)</u>	<u>(16,981)</u>
Gross profit		80,488	82,396
Other income		178	188
Administrative expenses		<u>(5,725)</u>	<u>(5,267)</u>
(Decrease)/increase in fair values of investment properties		<u>(114,000)</u>	<u>289,000</u>
Operating (loss)/profit	4	<u>(39,059)</u>	366,317
Share of results of associated companies		<u>(2)</u>	<u>1</u>
(Loss)/profit before taxation		(39,061)	366,318
Taxation	5	<u>(12,321)</u>	<u>(12,672)</u>
(Loss)/profit for the period and total comprehensive (loss)/income for the period attributable to equity holders		<u>(51,382)</u>	<u>353,646</u>
(Loss)/earnings per share			
Basic and diluted	7	<u>(HK\$2.06)</u>	<u>HK\$14.15</u>

Condensed Consolidated Balance Sheet

		Unaudited 31 March 2014 HK\$'000	Audited 30 September 2013 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	8	4,647	4,975
Investment properties	8	5,487,000	5,601,000
Associated companies		1,035	1,038
Available-for-sale investment	9	1	1
Advances to an investee company	9	29,605	29,605
		<u>5,522,288</u>	<u>5,636,619</u>
		-----	-----
Current assets			
Debtors, deposits and prepayments	10	6,390	6,095
Cash and bank balances		113,672	124,574
		<u>120,062</u>	<u>130,669</u>
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Current liabilities			
Creditors, accruals and deposits	11	44,545	43,710
Current tax payable		13,087	28,191
		<u>57,632</u>	<u>71,901</u>
		-----	-----
Net current assets		<u>62,430</u>	<u>58,768</u>
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Total assets less current liabilities		<u>5,584,718</u>	<u>5,695,387</u>
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	Unaudited 31 March 2014 HK\$'000	Audited 30 September 2013 HK\$'000
Non-current liabilities		
Provision for long service payments	10,500	9,787
Deferred tax liabilities	<u>1,778</u>	<u>1,778</u>
	<u>12,278</u>	<u>11,565</u>
Net assets	<u><u>5,572,440</u></u>	<u><u>5,683,822</u></u>
Equity		
Share capital	125,000	125,000
Retained profits	5,392,440	5,498,822
Proposed dividend	<u>55,000</u>	<u>60,000</u>
Total equity	<u><u>5,572,440</u></u>	<u><u>5,683,822</u></u>

Condensed Consolidated Statement of Changes in Equity

	Unaudited Six months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Total equity at beginning of the period	5,683,822	5,223,309
(Loss)/profit for the period and total comprehensive (loss)/income for the period	(51,382)	353,646
Dividend paid	(60,000)	(60,000)
Total equity at end of the period	<u>5,572,440</u>	<u>5,516,955</u>

Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 31 March	
	2014 HK\$'000	2013 HK\$'000
Net cash generated from operating activities	49,015	54,913
Net cash generated from investing activities	83	79
Net cash used in financing activities	(60,000)	(60,000)
Net decrease in cash and bank balances	(10,902)	(5,008)
Cash and bank balances at beginning of the period	<u>124,574</u>	<u>107,570</u>
Cash and bank balances at end of the period	<u><u>113,672</u></u>	<u><u>102,562</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 2014 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 statements should be read in conjunction with the 30 September 2013 annual financial statements.

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those set out in the annual financial statements for the year ended 30 September 2013, except for the adoption of the following new standards and amendments to existing standards issued by the HKICPA:

HKFRS 10	Consolidated Financial Statements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement

HKFRS 10 “Consolidated Financial Statements” replaces all of the guidance on control and consolidation in HKAS 27, ‘Consolidated and separate financial statements’, and HK(SIC)-12, ‘Consolidation – special purpose entities’. The revised definition of control under HKFRS 10 focuses on the need to have both power and variable returns before control is present.

HKFRS 12 “Disclosure of Interests in Other Entities” includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

HKFRS 13 “Fair Value Measurement” defines fair value and provides a single source of fair value measurement and disclosure requirements for use across HKFRS. The requirements do not extend the use of fair value accounting.

For the six months ended 31 March 2014, the Group has adopted all the new or revised standards, amendments and interpretations that are currently in issue and are mandatory for the financial year ending 30 September 2014.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

Except for the adoption of HKFRS 13 which affects the Group's presentation and requires additional disclosures, the Group has assessed the impact of the adoption of these new standards and amendments to existing standards and there was no significant impact on the Group's reported results and financial position.

The following new or revised standards and amendments are relevant to the Group's operations and are mandatory for accounting periods beginning on or after 1 October 2014 or later periods but have not been early adopted by the Group:

Effective for the year ending 30 September 2015

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011)	Investment Entities
Amendments to HKAS 19 (Revised 2011)	Defined Benefit Plans: Employee Contributions
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC)-Int 21	Levies
Annual Improvements Project	Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements Project	Annual Improvements to HKFRSs 2011-2013 Cycle

Effective for the year ending 30 September 2016 or after

HKFRS 9	Financial Instruments
HKFRS 14	Regulatory Deferral Accounts

The Group has already commenced an assessment of the impact of these new or revised standards and amendments but is not yet in a position to state whether they would have a significant impact on its reported 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	
	2014	2013
	HK\$'000	HK\$'000
(a) Revenue		
Property investment	105,091	99,377
(b) Contribution to (loss)/profit before taxation		
Property investment - Rental operations	74,941	77,317
(Decrease)/increase in fair values of investment properties	(114,000)	289,000
	(39,059)	366,317
Share of results of associated companies	(2)	1
(Loss)/profit before taxation	(39,061)	366,318

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

4. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after crediting and charging the following:

	Six months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Crediting:		
Interest income	<u>83</u>	<u>95</u>
Charging:		
Depreciation	<u>328</u>	<u>330</u>

5. TAXATION

	Six months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Hong Kong profits tax		
Current taxation	12,321	12,664
Deferred taxation -		
Origination and reversal of temporary differences	<u>—</u>	<u>8</u>
	<u>12,321</u>	<u>12,672</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period.

6. INTERIM DIVIDEND

	Six months ended 31 March	
	2014	2013
	HK\$'000	HK\$'000
Interim dividend of HK\$2.20 (2013: HK\$2.20) per share	<u>55,000</u>	<u>55,000</u>

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\$51,382,000 (2013: profit for the period attributable to equity holders of HK\$353,646,000) and the 25,000,000 shares (2013: 25,000,000 shares) in issue throughout the six months ended 31 March 2014.

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 2012	5,152,500	4,793	5,157,293
Increase in fair value	289,000	—	289,000
Additions	—	842	842
Depreciation	—	(330)	(330)
	<hr/>	<hr/>	<hr/>
Net book value			
at 31 March 2013	5,441,500	5,305	5,446,805
Increase in fair value	159,500	—	159,500
Depreciation	—	(330)	(330)
	<hr/>	<hr/>	<hr/>
Net book value at			
30 September 2013	5,601,000	4,975	5,605,979
Decrease in fair value	(114,000)	—	(114,000)
Depreciation	—	(328)	(328)
	<hr/>	<hr/>	<hr/>
Net book value at			
31 March 2014	<u>5,487,000</u>	<u>4,647</u>	<u>5,491,647</u>

The investment properties as at 31 March 2014 were revalued on an open market value basis by CS Surveyors Limited, independent professionally 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.

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

	31 March 2014 HK\$'000	30 September 2013 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 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.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

	31 March 2014 HK\$'000	30 September 2013 HK\$'000
Trade debtors		
Within 30 days past due	2,762	2,640
31 to 60 days past due	979	797
61 to 90 days past due	318	215
Over 90 days past due	<u>654</u>	<u>724</u>
Amount past due but not impaired	<u>4,713</u>	<u>4,376</u>

The other classes within debtors, deposits and prepayments do not contain impaired assets.

10. DEBTORS, DEPOSITS AND PREPAYMENTS (Cont'd)

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	30 September
	2014	2013
	HK\$'000	HK\$'000
Trade creditors within 30 days	<u>307</u>	<u>491</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\$4,128,000 (2013: HK\$4,080,000).

12. RELATED PARTY TRANSACTIONS (Cont'd)

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	
	2014	2013
	HK\$'000	HK\$'000
Short-term employee benefits (Fees, salaries and other emoluments)	828	804
Post-employment benefits	188	176
	<u>1,016</u>	<u>980</u>

At 31 March 2014, an amount due from an associated company of HK\$5,518,000 (30 September 2013: HK\$5,520,000) is unsecured, interest free and not repayable within 12 months, and amounts due to associated companies of HK\$785,000 (30 September 2013: HK\$785,000) are unsecured, interest free and repayable on demand.

13. COMMITMENT

During the year ended 30 September 2013, the Group had engaged a sub-contractor to undertake the external wall refurbishment and maintenance works for Melbourne Plaza. The estimated contract sum for the works is approximately HK\$33 million. Payment in progress under the contract amounted to approximately HK\$19.5 million as at 31 March 2014.

Interim Dividend

The Board declares an interim dividend of HK\$2.20 per share (2013: HK\$2.20 per share) for the year ending 30 September 2014. The Register of Members will be closed from Tuesday, 3 June to Thursday, 5 June 2014, 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 Friday, 30 May 2014 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 Wednesday, 11 June 2014.

Business Review

The Group's shops and offices at Melbourne Plaza, 33 Queen's Road Central and at Kimley Commercial Building at 142-146 Queen's Road Central both reached an occupancy rate of 92%. 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 increasing demand for office leases. Revenue surged to HK\$105.1 million, representing a growth of 5.7% 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 house is under official operation and has completed its first sale of residential properties.

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 2014 amounted to HK\$51.4 million (2013: net profit of HK\$353.6 million). The loss incurred in the current period is related to the decrease in fair value of investment properties amounted to HK\$114.0 million (2013: 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 decreased 3.1% from HK\$77.3 million to HK\$74.9 million in the current period, while revenue for the period increased by 5.7% to HK\$105.1 million (2013: HK\$99.4 million).

SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were both approximately 92% let as at 31 March 2014.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's working capital requirement was financed by its rental income. As at 31 March 2014, the Group had cash and bank balances totalling HK\$113.7 million (30 September 2013: HK\$124.6 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. The Group is likely to be required to contribute additional shareholder's loan to Billion Park Investment Limited, its available-for-sale investee company, for the development of golf courses and related commercial and residential facilities in Foshan. There are no other plans for material capital investments or future developments.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 March 2014, 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 2014, 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 2014.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the six months ended 31 March 2014. 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 14 May 2013, 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 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 2014.

Chung Yin Shu, Frederick
Secretary

Hong Kong, 16 May 2014

As at the date of this report, the Board of the Company comprises (a) three executive directors, namely Dato' Dr. Cheng Yu Tung, Mr. Chung Ming Fai and Mr. Chung Yin Shu, Frederick; (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.