



Melbourne
Enterprises Limited

2011 / 2012 Interim Report



Melbourne
Enterprises Limited

2011 / 2012 Interim Report

Consolidated Statement of Comprehensive Income

		Unaudited	
		Six months ended	
		31 March	
		2012	2011
	Note	HK\$'000	HK\$'000
			(Restated)
Revenue	3	90,252	78,093
Operating costs		<u>(14,301)</u>	<u>(12,002)</u>
Gross profit		75,951	66,091
Other income		118	164
Administrative expenses		<u>(5,641)</u>	<u>(4,542)</u>
Changes in fair value of investment properties		<u>171,500</u>	<u>672,000</u>
Operating profit	4	241,928	733,713
Share of results of associated companies		<u>(2)</u>	<u>(6)</u>
Profit before taxation		241,926	733,707
Taxation	5	<u>(11,617)</u>	<u>(10,179)</u>
Profit for the period and total comprehensive income for the period attributable to equity holders		<u>230,309</u>	<u>723,528</u>
Earnings per share			
Basic and diluted	7	<u>HK\$9.21</u>	<u>HK\$28.94</u>

Consolidated Balance Sheet

		Unaudited 31 March 2012 HK\$'000	Audited 30 September 2011 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment	8	5,076	861
Investment properties	8	4,911,000	4,739,500
Associated companies		1,048	1,036
Available-for-sale investment	9	1	1
Advances to an investee company	9	29,605	29,605
		<u>4,946,730</u>	<u>4,771,003</u>
Current assets			
Debtors, deposits and prepayments	10	6,040	7,009
Cash and bank balances		81,287	92,336
		<u>87,327</u>	<u>99,345</u>
Current liabilities			
Creditors, accruals and deposits	11	39,339	36,852
Current tax payable		13,486	23,397
		<u>52,825</u>	<u>60,249</u>
Net current assets		<u>34,502</u>	<u>39,096</u>
Total assets less current liabilities		<u>4,981,232</u>	<u>4,810,099</u>
Non-current liabilities			
Provision for long service payments		8,893	8,346
Deferred tax liabilities		1,525	1,248
		<u>10,418</u>	<u>9,594</u>
Net assets		<u>4,970,814</u>	<u>4,800,505</u>
Equity			
Share capital		125,000	125,000
Retained profits		4,790,814	4,615,505
Proposed dividend		55,000	60,000
Total equity		<u>4,970,814</u>	<u>4,800,505</u>

Condensed Consolidated Statement of Changes in Equity

	Unaudited	
	Six months ended	
	31 March	
	2012	2011
	HK\$'000	HK\$'000
Total equity at beginning of the period, as previously reported	4,039,581	3,168,804
Effect of adoption of HKAS 12 (Amendment) (note 1)	760,924	587,096
Total equity at beginning of the period, as restated	4,800,505	3,755,900
Profit for the period and total comprehensive income for the period, as restated	230,309	723,528
Dividend paid	(60,000)	(65,000)
Total equity at end of the period	<u>4,970,814</u>	<u>4,414,428</u>

Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended	
	31 March	
	2012	2011
	HK\$'000	HK\$'000
Net cash generated from operating activities	53,440	44,968
Net cash used in investing activities	(4,489)	—
Net cash used in financing activities	(60,000)	(65,000)
Net decrease in cash and bank balances	(11,049)	(20,032)
Cash and bank balances at beginning of the period	<u>92,336</u>	<u>95,705</u>
Cash and bank balances at end of the period	<u>81,287</u>	<u>75,673</u>

Notes to the Interim Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

The unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 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 interim financial statements should be read in conjunction with the 2011 annual financial statements.

For the six months ended 31 March 2012, the Group has adopted the following revised standards and amendments which are relevant to the Group’s operations and are mandatory for the financial year ending 30 September 2012:

HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Transfer of Financial Assets
HKAS 24 (Revised)	Related Party Disclosures
HKFRSs (Amendments)	Improvements to HKFRSs 2010

The Group has assessed the impact of the adoption of these revised standards and amendments and considered that there were neither any significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies and presentation of the financial statements.

The principal accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements for the year ended 30 September 2011, except for the early adoption of HKAS 12 (Amendment) “Income Taxes - Deferred Tax: Recovery of Underlying Assets”.

1. PRINCIPAL ACCOUNTING POLICIES (cont'd)

HKAS 12 (Amendment) provides an exception to the principles in the existing standard for measuring deferred tax assets or liabilities when an investment property is measured at fair value. The amendment introduces a presumption that an investment property measured at fair value will be recovered entirely through sale rather than over time through operations. The implication is that deferred tax liabilities are not provided in regard of the surplus of valuations over historical cost as capital gains upon sale are not taxed in Hong Kong. The amendment is mandatory for annual periods beginning on or after 1 January 2012 and full retrospective application is required upon its adoption.

Taking into account the tax consequence of presuming to recover the value of investment properties through sale, deferred tax liabilities previously recognised in respect of valuation surplus will be reversed upon adoption of HKAS 12 (Amendment). The effects are summarised as follows:

Effects on Consolidated Statement of Comprehensive Income

	Six months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
Decrease in taxation	28,297	110,880
Increase in profit for the period and total comprehensive income for the period attributable to equity holders	28,297	110,880
Increase in basic and diluted earnings per share	HK\$1.13	HK\$4.43

Effects on Consolidated Balance Sheet

	31 March 2012	30 September 2011
	HK\$'000	HK\$'000
Decrease in deferred tax liabilities	789,221	760,924
Increase in retained profits	789,221	760,924

1. PRINCIPAL ACCOUNTING POLICIES (cont'd)

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 2012 or later periods but have not been early adopted by the Group:

Effective for the year ending 30 September 2013

HKAS 1 (Amendments)	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
---------------------	--

Effective for the year ending 30 September 2014 or after

HKFRS 9	Financial Instruments
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 32 (Amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

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 results of operations and financial position.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are property investment and investment holding 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. Management has determined the operating segments based on these reports.

The Board considers property investment and investment holding as the sole operating segment of the Group.

	Six months ended 31 March	
	2012 HK\$'000	2011 HK\$'000
(a) Revenue		
Property investment	90,252	78,093
	<u> </u>	<u> </u>
(b) Contribution to profit before taxation		
Property investment - Rental operations	70,428	61,713
Changes in fair value of investment properties	171,500	672,000
	<u> </u>	<u> </u>
	241,928	733,713
Share of results of associated companies	(2)	(6)
	<u> </u>	<u> </u>
Profit before taxation	241,926	733,707
	<u> </u>	<u> </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	
	2012	2011
	HK\$'000	HK\$'000
Crediting:		
Interest income	<u>25</u>	<u>25</u>
Charging:		
Depreciation	<u>285</u>	<u>44</u>

5. TAXATION

	Six months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
		(Restated)
Hong Kong profits tax		
Current taxation	11,340	10,110
Deferred taxation -		
Origination and reversal of temporary differences	<u>277</u>	<u>69</u>
	<u>11,617</u>	<u>10,179</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the period.

6. INTERIM DIVIDEND

	Six months ended 31 March	
	2012	2011
	HK\$'000	HK\$'000
Interim dividend of HK\$2.20 (2011: HK\$2.00) per share	55,000	50,000

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit for the period attributable to equity holders of HK\$230,309,000 (2011, as restated: HK\$723,528,000) and the 25,000,000 shares (2011: 25,000,000 shares) in issue throughout the six months ended 31 March 2012.

Diluted earnings per share equals basic 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 2010	3,686,000	631	3,686,631
Changes in fair value	672,000	—	672,000
Additions	—	10	10
Depreciation	—	(44)	(44)
	<u> </u>	<u> </u>	<u> </u>
Net book value at			
31 March 2011	4,358,000	597	4,358,597
Changes in fair value	381,500	—	381,500
Additions	—	343	343
Depreciation	—	(79)	(79)
	<u> </u>	<u> </u>	<u> </u>
Net book value at			
30 September 2011	4,739,500	861	4,740,361
Changes in fair value	171,500	—	171,500
Additions	—	4,500	4,500
Depreciation	—	(285)	(285)
	<u> </u>	<u> </u>	<u> </u>
Net book value at			
31 March 2012	<u>4,911,000</u>	<u>5,076</u>	<u>4,916,076</u>

The investment properties are held under long leases (over 50 years) in Hong Kong and were revalued on 31 March 2012 on an open market value basis by an independent professionally qualified valuer, C S Surveyors Limited.

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

	31 March 2012 HK\$'000	30 September 2011 HK\$'000
Available-for-sale investment	<u><u>1</u></u>	<u><u>1</u></u>
Advances to an investee company	<u><u>29,605</u></u>	<u><u>29,605</u></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 2012 HK\$'000	30 September 2011 HK\$'000
Trade debtors		
Within 30 days past due	2,679	2,593
31 to 60 days past due	885	659
61 to 90 days past due	189	251
Over 90 days past due	562	271
	<u> </u>	<u> </u>
Amount past due but not impaired	4,315	3,774
	<u> </u>	<u> </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 amounts of debtors and deposits approximate their fair values.

11. CREDITORS, ACCRUALS AND DEPOSITS

	31 March 2012 HK\$'000	30 September 2011 HK\$'000
Trade creditors within 30 days	390	—
	<u> </u>	<u> </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 were HK\$3,584,000 (2011: HK\$3,484,000).

No significant transactions have been entered 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	
	2012	2011
	HK\$'000	HK\$'000
Short-term employee benefits		
(Fees, salaries and other emoluments)	662	646
Post-employment benefits	152	118
	<hr/>	<hr/>
	814	764
	<hr/> <hr/>	<hr/> <hr/>

At 31 March 2012, amount due from an associated company of HK\$5,501,000 (30 September 2011: HK\$5,487,000) is unsecured, interest free and not repayable within 12 months, and amounts due to associated companies of HK\$785,000 (30 September 2011: HK\$785,000) are unsecured, interest free and repayable on demand.

Interim Dividend

The Board declares an interim dividend of HK\$2.20 per share (2011: HK\$2.00 per share) for the year ending 30 September 2012. The Register of Members will be closed from Monday, 4 June to Wednesday, 6 June 2012, 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, 1 June 2012 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, 12 June 2012.

Chairman's Business Review

The Group's investment properties at Melbourne Plaza, 33 Queen's Road Central reached an occupancy rate of 96% while Kimley Commercial Building at 142-146 Queen's Road Central was 88% leased. Both properties attained high occupancy rates in the first six months of the financial year.

The Group's rental income during the period was benefited from the strong demand for office premises. Revenue surged to HK\$90 million, representing a growth of 16% over the same period of last year. The results remained satisfactory.

The Foshan Golf Club project forms part of the Group's investment. The work on golf courses, club houses and staff quarters have been completed. Auxiliary work and residential projects are still under construction.

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 2012 amounted to HK\$230.3 million (2011, as restated: HK\$723.5 million). The decrease in profit in the current period was mainly resulted from current period's moderate uplift in fair value of investment properties of HK\$171.5 million compared with HK\$672.0 million for the same period last year. Operating profit from rental operations increased 14% from HK\$61.7 million to HK\$70.4 million in the current period. Revenue for the period also increased by 16% to HK\$90.3 million (2011: HK\$78.1 million).

SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 96% and 88% let respectively.

LIQUIDITY AND FINANCIAL RESOURCES

Basically, the Group's working capital requirement was financed by its rental income. As at 31 March 2012, the Group had cash and bank balances totalling HK\$81.3 million (30 September 2011: HK\$92.3 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 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 2012, 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 2012, 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 2012.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the six months ended 31 March 2012. 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 joint auditors conducted a review in accordance with Hong Kong Standard on Review Engagements 2410 issued by the HKICPA. On 16 May 2012, the Committee met with the management and the auditors to review the unaudited interim financial statements 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 2012.

Dato' Dr. Cheng Yu Tung
Chairman

Hong Kong, 18 May 2012

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.