Notes to the Financial Statements

1. GENERAL INFORMATION

Melbourne Enterprises Limited (the "Company") and its subsidiary (together the "Group") are engaged in property investment and investment holding in Hong Kong.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Rooms 2102-4, Melbourne Plaza, 33 Queen's Road Central, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These financial statements have been approved for issue by the Board of Directors on 20 December 2006.

2. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with all applicable Hong Kong Financial Reporting Standards, ("HKFRSs"), which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out in Note 3.

The HKICPA has issued a number of new and revised HKFRSs that are effective for accounting periods beginning on or after 1 January 2005. The following is a summary of the material changes to the Group's principal accounting policies or presentation of accounts as a result of the adoption of the new or revised HKFRSs. Certain comparative figures have been reclassified or restated to conform with the current year's presentation.

(a) HKAS 1 Presentation of financial statements

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

(b) HKAS 40 Investment property

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

2 BASIS OF PREPARATION (Cont'd)

The adoption of HKAS 40 has resulted in:

	Group HK$'000	Company HK$'000
The balance sheet of the Group and the Company as at 30 September 2006		
Increase in opening retained profits	1,565,157	1,419,374
Decrease in opening investment property revaluation reserve	(1,565,157)	(1,419,374)
The profit and loss account of the Group and the Company for the year ended 30 September 2006		
Increase in profit before taxation	268,200	245,000
Increase in basic and diluted earnings per share	HK$ 10.73	

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

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

The adoption of HK(SIC)-Int 21 has resulted in a decrease in the Group's and the Company's opening reserves at 1 October 2004 of HK$209,082,000 and HK$189,766,000 respectively.

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
The balance sheet of the Group and the Company as at 30 September 2006 and 2005				
Increase in deferred tax liabilities	320,837	273,902	291,266	248,391
Decrease in investment property revaluation reserve	–	(273,902)	–	(248,391)
Decrease in retained profits	(320,837)	–	(291,266)	–
The profit and loss account of the Group and the Company for the year ended 30 September 2006 and 2005				
Increase in deferred tax expense	46,935	–	42,875	–
Decrease in profit attributable to shareholders	(46,935)	–	(42,875)	–
Decrease in basic and diluted earnings per share	(HK$ 1.88)	–		

2. BASIS OF PREPARATION (Cont'd)

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

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

(e) Standards, amendments and interpretations to published standards which are not yet effective

Certain new standards, amendments and interpretations to published standards that are mandatory for accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not yet adopted, are as follows:

Effective for the year ending 30 September 2007

HKAS 19 Amendment	Employee benefits – Actuarial gains and losses, group plans and disclosures
HKAS 39 Amendment	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 Amendment	The fair value option
HKAS 39 and HKFRS 4 Amendments	Financial instruments: Recognition and measurement and insurance contracts – Financial guarantee contracts
HKFRS 1 and 6 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards and exploration for and evaluation of mineral resources
HKFRS 6	Exploration for and evaluation of mineral resources
HKFRS - Int 4	Determining whether an arrangement contains a lease
HKFRS - Int 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
HK(IFRIC) - Int 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment
HK(IFRIC) - Int 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of embedded derivatives

Effective for the year ending 30 September 2008

HKAS 1 Amendment	Capital disclosures
HKFRS 7	Financial instruments: Disclosures

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated accounts incorporate the accounts of the Company and its subsidiary company made up to 30 September and include the Group's share of the results for the year and undistributed post-acquisition reserves of associated companies.

All material intra-group transactions and balances have been eliminated on consolidation.

(b) Subsidiary company

A company is a subsidiary company if the Group, directly or indirectly, holds more than half of the issued equity capital, controls more than half of the voting power or controls the composition of the board of directors.

The Company's investment in the subsidiary company is carried at cost less provision for impairment losses. Provision for impairment is made when, in the opinion of the Directors, the carrying amount exceeds the recoverable amount. The results of the subsidiary company are accounted for by the Company on the basis of dividend income.

(c) Associated companies

An associated company is a company other than a subsidiary company and a jointly controlled entity, in which the Group's interest is held for the long term and substantial and significant influence is exercised through representatives on the board of directors.

Investments in associated companies are accounted for in the consolidated accounts by the equity method of accounting and are initially recognised at cost. Investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition. Investments in associated companies are carried at cost less provision for impairment losses in the Company's accounts. The results of associated companies are accounted for by the Company on the basis of dividend income.

(d) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are included in the profit and loss account in the period in which they arise. Unrealised gains and losses from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account – is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the carrying amount of the assets or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repair and maintenance costs are expensed in the profit and loss account during the period in which they are incurred. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying value of an asset is greater than its estimated recoverable amount.

Depreciation of property, plant and equipment is calculated to write off their cost or carrying values less accumulated impairment losses to their estimated residual values over their estimated useful lives using the straight-line method at the rate of 10% per annum.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(f) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation conducted as at the balance sheet date. Changes in fair value are recognised in the profit and loss account.

Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the profit and loss account during the financial period in which they are incurred.

(g) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(h) Revenue recognition

Rental and service income from investment properties is recognised on a straight-line basis over the periods of the leases. Interest income is recognised on a time proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(i) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(j) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(k) Employee benefits

(i) Employee long service payments

Employee entitlement to long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for long service payments as a result of services rendered by employees up to the balance sheet date.

(ii) Mandatory Provident Fund Scheme

The Company contributes to a Mandatory Provident Fund ("MPF") scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The scheme is a defined contribution scheme managed by an independent trustee and is available to all employees. The MPF is funded by payments from employees and by the Company, and provide benefits linked to contributions and investment returns on the scheme. Contributions to the scheme are recognised as an expense in the profit and loss account in the year to which the contributions relate.

Notes to the Financial Statements (Cont'd)

3. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(l) Foreign currencies

The functional and presentation currencies of all the Group's entities are Hong Kong dollars. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

(a) The credit risk of the Group mainly arises from rental and service receivables. The exposures to these credit risks are closely monitored on an ongoing basis by established credit policies. The Group has no significant exposure to other financial risks, such as interest rate risk and liquidity risk.

(b) The carrying amounts of financial assets and liabilities with a maturity of less than one year, including debtors, deposits, prepayments, staff loans, creditors and accruals, are assumed to approximate their fair values as at the balance sheet date.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

(a) Valuation of investment properties

The fair value of each investment property is individually determined at each balance sheet date by independent valuers on an open market value and existing use basis. The valuers have relied on the discounted cash flow analysis and the capitalisation of income approach as their primary methods, supported by the direct comparison method. These methodologies are based upon estimates of future results and a set of assumptions specific to each property to reflect its tenancy and cashflow profile. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

(b) Impairment of assets

The Group determines whether an asset is impaired by evaluating the duration and extent to which the fair value of an asset is less than its cost. This evaluation is subject to changes in factors such as operational and financing cash flow.

The Group assesses whether there is objective evidence that deposits, loans and receivables are impaired. It recognises impairment loss based on estimates of the extent and timing of future cash flows using applicable discount rates. The final outcome of the recoverability and cash flows of these assets will impact the amount of impairment loss required.

Notes to the Financial Statements (Cont'd)

6. SEGMENT INFORMATION

	2006 HK$'000	2005 HK$'000
(a) Turnover		
Property investment	87,922	72,800
(b) Contribution to operating profit		
Property investment	326,292	46,041
Unallocated item - write back of provision against advances to an investee company	24,000	–
	350,292	46,041

Turnover represents gross rental and service income from investment properties.

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

7. OTHER INCOME

	2006 HK$'000	2005 HK$'000
Bank deposit and other interest income	1,609	336
Sundry income	242	347
	1,851	683

Notes to the Financial Statements (Cont'd)

8. OPERATING PROFIT

	2006 HK$'000	2005 HK$'000
Operating profit is stated after charging:		
Directors' emoluments (Note 9(a))	891	878
Auditors' remuneration	518	470
Depreciation	33	50
Staff costs (excluding Directors' emoluments)		
Salaries and other emoluments	3,541	3,654
Long service payments	242	162
Contributions to mandatory provident fund scheme	135	139

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

	2006 HK$'000	2005 HK$'000
Fees	160	160
Salaries and other emoluments	681	668
Long service payments	38	38
Contributions to mandatory provident fund scheme	12	12
	891	878

Each Non-executive Director receives a fixed fee of HK$ 20,000 per annum and fees paid to Non-executive Directors for the year amounted to HK$100,000 (2005: HK$100,000). None of the Directors has waived the right to receive their emoluments.

Notes to the Financial Statements (Cont'd)

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Cont'd)

(a) Directors' emoluments (Cont'd)

Details of the emoluments paid to the Directors are as follows:

For the year ended 30 September 2006

Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Bonus HK$'000	Long service payments HK$'000	Mandatory provident fund contributions HK$'000	Total HK$'000
Dato' Dr. Cheng Yu Tung	20	–	–	–	–	20
Mr. Chung Ming Fai	20	–	–	–	–	20
Mr. Yuen Pak Yiu, Philip	20	–	–	–	–	20
Dr. Fong Yun Wah	20	–	–	–	–	20
Mr. Chung Yin Shu, Frederick	20	605	76	38	12	751
Mr. Chung Wai Shu, Robert	20	–	–	–	–	20
Mr. Lo Pak Shiu	20	–	–	–	–	20
Mr. Yuen Sik Ming, Patrick	20	–	–	–	–	20
	160	605	76	38	12	891

For the year ended 30 September 2005

Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Bonus HK$'000	Long service payments HK$'000	Mandatory provident fund contributions HK$'000	Total HK$'000
Dato' Dr. Cheng Yu Tung	20	–	–	–	–	20
Mr. Chung Ming Fai	20	–	–	–	–	20
Mr. Yuen Pak Yiu, Philip	20	–	–	–	–	20
Dr. Fong Yun Wah	20	–	–	–	–	20
Mr. Chung Yin Shu, Frederick	20	605	63	38	12	738
Mr. Chung Wai Shu, Robert	20	–	–	–	–	20
Mr. Lo Pak Shiu	20	–	–	–	–	20
Mr. Yuen Sik Ming, Patrick	20	–	–	–	–	20
	160	605	63	38	12	878

9. DIRECTORS’ AND SENIOR EXECUTIVES’ EMOLUMENTS (Cont'd)

(b) Senior executives’ emoluments

The five individuals whose emoluments were the highest in the Group for the year include one Director (2005: one Director) whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining four (2005: four) individuals during the year are as follows:

	2006 HK$’000	2005 HK$’000
Salaries and other emoluments	1,409	1,383
Long service payments	57	56
Contributions to mandatory provident fund scheme	48	48
	1,514	1,487

The emoluments of each of the individuals are below HK$1,000,000.

10. TAXATION

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

The amount of taxation charged to the consolidated profit and loss account represents:

	2006 HK$'000	2005 HK$'000 (Restated)
Hong Kong profits tax	9,724	7,838
Deferred taxation relating to changes in fair value of investment properties	46,935	–
Deferred taxation relating to the origination and reversal of temporary differences	168	174
Taxation charge	56,827	8,012

Share of taxation of associated companies for the year ended 30 September 2006 of HK$ nil (2005: HK$1,000) is included in the profit and loss account as share of results of associated companies.

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

	2006 HK$'000	2005 HK$'000 (Restated)
Profit before taxation and share of results of associated companies	350,292	46,041
Calculated at a taxation rate of 17.5% (2005: 17.5%)	61,301	8,057
Income not subject to taxation	(4,474)	(45)
Taxation charge	56,827	8,012

Notes to the Financial Statements (Cont'd)

11. DIVIDENDS

	2006 **HK$'000**	**2005** **HK$'000**
Interim dividend paid of HK$0.70 (2005: HK$0.50) per share	17,500	12,500
Final dividend proposed of HK$1.30 (2005: HK$1.10) per share	32,500	27,500
	50,000	40,000

At a meeting held on 20 December 2006, the Board of Directors proposed a final dividend of HK$1.30 per share. This proposed dividend will be accounted for as an appropriation of retained profits in the year ending 30 September 2007.

12. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK$292,952,000 (2005: HK$38,021,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2006 and 2005.

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

13. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and equipment	
	Group	Company
	HK$'000	HK$'000
Cost		
At 1 October 2004	1,587	1,558
Additions	17	17
At 30 September 2005 and 30 September 2006	1,604	1,575
Accumulated depreciation		
At 1 October 2004	1,414	1,385
Charge for the year	50	50
At 30 September 2005	1,464	1,435
Charge for the year	33	33
At 30 September 2006	1,497	1,468
Net book value		
At 30 September 2006	107	107
At 30 September 2005	140	140

14. INVESTMENT PROPERTIES

	Group HK$'000	Company HK$'000
Valuation at 1 October 2004	1,322,600	1,200,000
Fair value changes recognised in equity	370,400	335,000
Valuation at 30 September 2005	1,693,000	1,535,000
Fair value changes recognised in profit and loss account	268,200	245,000
Valuation at 30 September 2006	1,961,200	1,780,000

Principal investment properties	Type	Floor area (Sq m)	Group interest
Melbourne Plaza	Commercial	24,074	100%
Kimley Commercial Building	Commercial	4,554	100%

The investment properties are held under long leases (over 50 years) in Hong Kong and were revalued on 30 September 2006 on an open market value basis by independent, professionally qualified valuers, CS Surveyors Limited.

15. SUBSIDIARY COMPANY

	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	10,000	10,000
Amount receivable	279	868
	10,279	10,868

The amount receivable is unsecured, interest free and has no fixed terms of repayment. Its carrying amount is not materially different from its fair value.

Private company incorporated in Hong Kong and directly owned by the Company	Paid up ordinary share capital	Equity holding
Iau On Company Limited	100,000 shares of HK$100 each	100%

The subsidiary company is engaged in the business of property investment in Hong Kong.

16. ASSOCIATED COMPANIES

	Group		Company	
	2006 HK$'000	2005 HK$'000	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	70	70	70	70
Share of undistributed post-acquisition profits less losses	(4,459)	(3,946)	–	–
Group's share of net (liabilities)/assets	(4,389)	(3,876)	70	70
Amount receivable	5,454	5,430	5,454	5,430
Less: Provision	–	–	(5,135)	(5,135)
	5,454	5,430	319	295
Less: Amount payable	(225)	(225)	(225)	(225)
	5,229	5,205	94	70
	840	1,329	164	140

The amounts receivable and payable are unsecured, interest free and have no fixed terms of repayment. Their carrying amounts are not materially different from their fair values.

The Group's share of revenues, results, assets and liabilities of associated companies are as follows:

	2006 HK$'000	2005 HK$'000
Revenues	3	17
Loss for the year	(513)	(8)
Non-current assets	84	84
Current assets	1,358	1,510
Current liabilities	(5,831)	(5,470)
Net liabilities	(4,389)	(3,876)

Private companies incorporated in Hong Kong and directly owned by the Company	Paid up ordinary share capital	Equity holding	Principal activities (in Hong Kong)
Chuen King Enterprises Limited	1,000 shares of HK$100 each	50%	Property trading
Manlo Holdings Limited	6 shares of HK$10 each	33⅓%	Investment holding
Littlejohn Company Limited	100,000 shares of HK$1 each	20%	Investment holding

17. AVAILABLE-FOR-SALE INVESTMENT, UNLISTED INVESTMENT AND ADVANCES TO AN INVESTEE COMPANY

	Group and Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost	–	143
Advances	–	29,605
Less: Provision	–	(29,747)
Unlisted investment	–	1
Reclassified on adoption of HKAS 39	1	(1)
Available-for-sale investment	1	–
Advances to an investee company	29,605	–
Less: Impairment	(5,605)	–
	24,000	–

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 International Country Club Company Limited, a co-operative joint venture formed in the People's Republic of China and 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 have no specific repayment terms.

18. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Trade debtors				
Below 60 days	3,979	2,456	3,511	2,031
61 to 90 days	336	242	232	140
Over 90 days	320	272	228	144
	4,635	2,970	3,971	2,315
Deposits and prepayments	1,875	2,721	1,722	2,571
	6,510	5,691	5,693	4,886

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

19. CASH AND BANK BALANCES

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Cash at banks and on hand	8,158	13,289	7,972	13,201
Short-term bank deposits	53,644	40,171	53,644	40,171
	61,802	53,460	61,616	53,372

The effective interest rates on short-term bank deposits ranged from 3.4% to 3.7% (2005: 3.0%) per annum and the deposits had an average maturity ranging from 2 months to 6 months (2005: 1 month).

The carrying amounts of the cash and bank balances were denominated in Hong Kong dollars.

20. CREDITORS, ACCRUALS AND DEPOSITS

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Trade creditors				
Below 60 days	620	908	590	813
Accruals and deposits	19,143	15,745	17,778	14,568
	19,763	16,653	18,368	15,381

21. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2005: 17.5%).

The movements on the deferred tax liabilities account are as follows:

	Group		Company	
	2006	2005	2006	2005
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000 (Restated)
Accelerated tax depreciation				
At beginning of the year	300	126	300	126
Charged to profit and loss account	168	174	167	174
At end of the year	468	300	467	300
Fair value gain on investment properties				
At beginning of the year	273,902	209,082	248,391	189,766
Charged to investment property revaluation reserve	–	64,820	–	58,625
Charged to profit and loss account	46,935	–	42,875	–
At end of the year	320,837	273,902	291,266	248,391
	321,305	274,202	291,733	248,691

22. SHARE CAPITAL

	2006	2005
	HK$'000	HK$'000
Authorised		
30,000,000 shares of HK$5 each	150,000	150,000
Issued and fully paid		
25,000,000 shares of HK$5 each	125,000	125,000

Notes to the Financial Statements (Cont'd)

23. RESERVES

The movement of the Group's reserves for the years ended 30 September 2005 and 2006 are presented in the consolidated statement of changes in equity on page 18 of this annual report.

	Investment property revaluation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000
Company			
Balance at 1 October 2004,			
as previously reported	1,084,374	7,118	20,000
Effect of adoption of HK(SIC)-Int 21	(189,766)	–	–
Balance at 1 October 2004, as restated	894,608	7,118	20,000
Surplus on revaluation of			
investment properties	335,000	–	–
Deferred tax charged for the year	(58,625)	–	–
Net income recognised directly in equity	276,375	–	–
Profit for the year	–	37,866	–
Total recognised income for the year	276,375	37,866	–
2004 final dividend paid	–	–	(20,000)
2005 interim dividend paid	–	(12,500)	–
2005 final dividend proposed	–	(27,500)	27,500
	276,375	(2,134)	7,500
Balance at 30 September 2005, as restated	1,170,983	4,984	27,500
Effect of adoption of HKAS 40	(1,170,983)	1,170,983	–
Balance at 1 October 2005, as adjusted	–	1,175,967	27,500
Profit for the year	–	274,133	–
2005 final dividend paid	–	–	(27,500)
2006 interim dividend paid	–	(17,500)	–
2006 final dividend proposed	–	(32,500)	32,500
Balance at 30 September 2006	–	1,400,100	32,500

24. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

The future minimum rental payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
In the first year	54,572	51,932	51,124	47,547
In the second to fifth year inclusive	25,529	18,731	23,940	17,522
	80,101	70,663	75,064	65,069

The Group's and the Company's operating leases are generally for terms of two years.

25. RELATED PARTY TRANSACTIONS

In the normal course of business activities, certain investment properties of the Group are leased to related companies, which are controlled by certain Directors of the Company, at prices and terms no less than those contracted with other third party tenants of the Group. Rental and related income from these related companies during the year were HK$2,976,000 (2005: HK$2,946,000).

No significant transactions have been entered with the Directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 9(a).

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 20 December 2006.