Notes to the Financial Statements

1. GENERAL INFORMATION

Melbourne Enterprises Limited (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.

The Company and its subsidiary company (together the "Group") are principally engaged in property investment and investment holding in Hong Kong.

These financial statements have been approved for issue by the Board of Directors on 19 December 2007.

2. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale investment, and in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 below.

(a) Adoption of new or revised standards

The Group has adopted the following new standards, amendments and interpretations that are effective for the accounting periods beginning on or after 1 January 2006.

HKAS 19 Amendment	Employee benefits - Actuarial gains and losses, group plans and disclosures
HKAS 21 Amendment	The effect of changes in foreign exchange rates - Net investment in a foreign operation
HKAS 39 Amendment	The fair value option
HKAS 39 & HKFRS 4 Amendments	Financial instruments: recognition and measurement and insurance contracts - Financial guarantee contracts
HK(IFRIC)-Int 4	Determining whether an arrangement contains a lease

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

(b) Standards, amendments and interpretations which are not yet effective

The following new standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2007 or later periods but which the Group has not early adopted:

Effective for the year ending 30 September 2008

HKAS 1 Amendment	Presentation of financial statements – capital disclosures
HKFRS 7	Financial instruments: disclosures
HK(IFRIC)-Int 10	Interim financial reporting and impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and treasury share transactions

Effective for the year ending 30 September 2009

HK(IFRIC)-Int 12	Service concession arrangements
HK(IFRIC)-Int 13	Customer loyalty programmes
HK(IFRIC)-Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

2. BASIS OF PREPARATION (Continued)

(b) Standards, amendments and interpretations which are not yet effective (Continued)

Effective for the year ending 30 September 2010

HKFRS 8	Operating segments
HKAS 23 (Revised)	Borrowing costs

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 whather they would have a significant impact on its results of operation and financial position.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements 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.

(b) Subsidiary company

Subsidiaries are all entities (including special entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intra group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting polices of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the share of net assets attributable to the Group together with any goodwill carried in the balance sheet.

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.

3. **PRINCIPAL ACCOUNTING POLICIES (Continued)**

(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 financial statements 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 financial statements. The results of associated companies are accounted for by the Company on the basis of dividend income.

(d) Investments

The Group classifies its investments as loans and receivables 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) 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.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in the other category. 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 the 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 are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. 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 income statement as gains or losses from investments.

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.

3. **PRINCIPAL ACCOUNTING POLICIES (Continued)**

(d) Investments (Continued)

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 securities 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 income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(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 income statement 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 assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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 income statement.

(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 income statement.

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 income statement during the financial period in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Impairment of assets

Assets that have an indefinite useful life and are not subject to depreciation/amortisation 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 depreciation/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) Cash and cash equivalents

Cash and bank balances are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts. Bank overdrafts are shown within borrowings under current liabilities in the balance sheet.

(i) 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.

(j) 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.

(k) 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 financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Deferred taxation (Continued)

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 subsidiary companies 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.

(l) 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 income statement in the year to which the contributions relate.

(iii) Bonus plan

Provision for bonus plan is recognised when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(m) 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 income statement.

(n) Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the financial statements in the financial period when the dividends become legal and constructive obligations of the Company.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

(a) The credit risk of the Group mainly arises from rental and service fee 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, 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 a market value assessment, on an 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 recoverable amount of an asset. 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 receivables will impact the amount of impairment required.

6. SEGMENT INFORMATION

	2007 HK$'000	2006 HK$'000
(a) Revenue		
Property investment	104,494	87,922
(b) Contribution to operating profit		
Property investment	517,784	326,292
Unallocated item - write back of provision against advances to an investee company	5,605	24,000
	523,389	350,292

Revenue (representing 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 revenue and profit by business and geographical segments has not been presented.

Notes to the Financial Statements

7. OTHER INCOME

	2007 HK$'000	2006 HK$'000
Bank deposit and other interest income	2,118	1,609
Sundry income	265	242
	2,383	1,851

8. OPERATING PROFIT

	2007 HK$'000	2006 HK$'000
Operating profit is stated after charging:		
Directors' emoluments (note 9(a))	1,251	891
Auditors' remuneration	558	518
Depreciation	38	33
Staff costs (excluding Directors' emoluments)		
Salaries and other emoluments	3,647	3,541
Long service payments	512	242
Contributions to mandatory provident fund scheme	137	135

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

	2007 HK$'000	2006 HK$'000
Fees	400	160
Salaries and other emoluments	701	681
Long service payments	138	38
Contributions to mandatory provident fund scheme	12	12
	1,251	891

Each Non-executive Director receives a fixed fee of HK$ 50,000 (2006: HK$20,000) per annum and fees paid to Non-executive Directors for the year amounted to HK$250,000 (2006: HK$100,000). During the year, the Group did not pay the Directors any inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors has waived the right to receive their emoluments.

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

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

For the year ended 30 September 2007

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	50	–	–	–	–	50
Mr. Chung Ming Fai	50	–	–	–	–	50
Mr. Yuen Pak Yiu, Philip	50	–	–	–	–	50
Dr. Fong Yun Wah	50	–	–	–	–	50
Mr. Chung Yin Shu, Frederick	50	625	76	138	12	901
Mr. Chung Wai Shu, Robert	50	–	–	–	–	50
Mr. Lo Pak Shiu	50	–	–	–	–	50
Mr. Yuen Sik Ming, Patrick	50	–	–	–	–	50
	400	625	76	138	12	1,251

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

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

(b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one Director (2006: one Director) whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining four (2006: four) individuals during the year are as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other emoluments	1,451	1,409
Long service payments	202	57
Contributions to mandatory provident fund scheme	48	48
	1,701	1,514

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% (2006: 17.5%) on the estimated assessable profit for the year.

The amount of taxation charged to the consolidated income statement represents:

	2007 HK$'000	2006 HK$'000
Hong Kong profits tax		
Current taxation charge	12,644	9,724
Deferred taxation relating to changes in fair value on investment properties	77,429	46,935
Deferred taxation relating to the origination and reversal of temporary differences	173	168
Taxation charge	90,246	56,827

Share of taxation of associated companies for the year ended 30 September 2007 of HK$ nil (2006: HK$ nil) is included in the income statement 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:

	2007 HK$'000	2006 HK$'000
Profit before taxation and share of results of associated companies	523,389	350,292
Calculated at a taxation rate of 17.5% (2006: 17.5%)	91,593	61,301
Income not subject to taxation	(1,347)	(4,474)
Taxation charge	90,246	56,827

11. DIVIDENDS

	2007 HK$'000	2006 HK$'000
Interim dividend paid of HK$0.80 (2006: HK$0.70) per share	20,000	17,500
Final dividend proposed of HK$1.70 (2006: HK$1.30) per share	42,500	32,500
	62,500	50,000

At a meeting held on 19 December 2007, the Directors recommended a final dividend of HK$1.70 per share. This proposed dividend will be accounted for as an appropriation of retained profits for the year ending 30 September 2008.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to equity holders of HK$433,119,000 (2006: HK$292,952,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2007 and 2006.

Diluted earnings per share equal 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 2005 and 30 September 2006	1,604	1,575
Additions	109	109
At 30 September 2007	1,713	1,684
Accumulated depreciation		
At 1 October 2005	1,464	1,435
Charge for the year	33	33
At 30 September 2006	1,497	1,468
Charge for the year	38	38
At 30 September 2007	1,535	1,506
Net book value		
At 30 September 2007	178	178
At 30 September 2006	107	107

14. INVESTMENT PROPERTIES

	Group HK$'000	Company HK$'000
Valuation at 1 October 2005	1,693,000	1,535,000
Fair value changes	268,200	245,000
Valuation at 30 September 2006	1,961,200	1,780,000
Fair value changes	442,450	340,000
Valuation at 30 September 2007	2,403,650	2,120,000

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 2007 on an open market value basis by independent professionally qualified valuers, CS Surveyors Limited.

15. SUBSIDIARY COMPANY

	Company	
	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	10,000	10,000
Amount receivable	–	279
Amount payable	(735)	–
	9,265	10,279

The amounts receivable and payable are unsecured, interest free and repayable on demand. Their carrying amounts are not materially different from their 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	
	2007 HK$'000	2006 HK$'000	2007 HK$'000	2006 HK$'000
Unlisted shares, at cost	70	70	70	70
Share of undistributed post-acquisition profits less losses	(4,483)	(4,459)	–	–
Group's share of net (liabilities)/assets	(4,413)	(4,389)	70	70
Amount receivable	5,412	5,454	5,412	5,454
Less: Provision	–	–	(5,134)	(5,135)
	5,412	5,454	278	319
Less: Amount payable	(225)	(225)	(225)	(225)
	5,187	5,229	53	94
	774	840	123	164

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:

	2007 HK$'000	2006 HK$'000
Revenues	3	3
Loss for the year	(24)	(513)
Non-current assets	84	84
Current assets	1,353	1,358
Current liabilities	(5,850)	(5,831)
Net liabilities	(4,413)	(4,389)

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 AND ADVANCES TO AN INVESTEE COMPANY

	Group and Company	
	2007	2006
	HK$'000	HK$'000
Available-for-sale investment	1	1
Advances to an investee company	29,605	29,605
Less: Impairment	–	(5,605)
	29,605	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 fixed terms of repayment.

18. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
Trade debtors				
Within 30 days	3,054	2,697	2,692	2,361
31 to 60 days	748	1,282	677	1,150
61 to 90 days	236	336	181	232
Over 90 days	318	320	318	228
	4,356	4,635	3,868	3,971
Deposits and prepayments	2,666	1,875	2,513	1,722
	7,022	6,510	6,381	5,693

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

19. CASH AND BANK BALANCES

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Cash at banks and on hand	4,497	8,158	4,167	7,972
Short-term bank deposits	80,000	53,644	80,000	53,644
	84,497	61,802	84,167	61,616

The effective interest rate on short-term bank deposit was 4.4% (2006: 3.4% to 3.7%) per annum and the deposit had maturity of 1 month (2006: 2 months to 6 months).

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

20. CREDITORS, ACCRUALS AND DEPOSITS

	Group		Company	
	2007	**2006**	**2007**	**2006**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Trade creditors				
Within 30 days	615	620	584	590
Accruals and deposits	26,031	19,143	24,450	17,778
	26,646	19,763	25,034	18,368

Notes to the Financial Statements

21. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 17.5% (2006: 17.5%).

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

	Group		Company	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
Accelerated tax depreciation				
At the beginning of the year	468	300	467	300
Charged to the income statement	173	168	174	167
At the end of the year	641	468	641	467
Fair value gain on investment properties				
At the beginning of the year	320,837	273,902	291,266	248,391
Charged to the income statement	77,429	46,935	59,500	42,875
At the end of the year	398,266	320,837	350,766	291,266
	398,907	321,305	351,407	291,733

22. SHARE CAPITAL

	2007	2006
	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

23. RESERVES

The movement of the Group's reserves for the years ended 30 September 2006 and 2007 are presented in the consolidated statement of changes in equity on page 19 of this annual report.

The movement of the Company's reserves is as follows:

	Retained profits HK$'000	Proposed final dividend HK$'000
Company		
Balance at 1 October 2005	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
Profit for the year	348,140	–
2006 final dividend paid	–	(32,500)
2007 interim dividend paid	(20,000)	–
2007 final dividend proposed	(42,500)	42,500
Balance at 30 September 2007	1,685,740	42,500

24. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

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

	Group		Company	
	2007	2006	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000
In the first year	87,031	54,572	81,083	51,124
In the second to fifth year inclusive	48,619	25,529	47,035	23,940
	135,650	80,101	128,118	75,064

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 mutually agreed with other third party tenants of the Group. Rental and related income from these related companies during the year were HK$ 3,498,000 (2006: HK$2,976,000).

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. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.