



Melbourne
Enterprises Limited

2007 / 2008 Interim Report



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Consolidated Income Statement

| | | Unaudited | |
|--|-------------|-------------------------|------------------|
| | | Six months ended | |
| | | 31 March | |
| | | 2008 | 2007 |
| | Note | HK\$'000 | HK\$'000 |
| Revenue | 3 | 60,732 | 49,150 |
| Operating costs | | <u>(10,779)</u> | <u>(12,184)</u> |
| Gross profit | | 49,953 | 36,966 |
| Other income | | 1,489 | 1,063 |
| Administrative expenses | | <u>(5,033)</u> | <u>(4,613)</u> |
| Changes in fair value of investment properties | | <u>385,150</u> | <u>184,100</u> |
| Operating profit | 4 | 431,559 | 217,516 |
| Share of results of associated companies | | <u>(6)</u> | <u>(7)</u> |
| Profit before taxation | | 431,553 | 217,509 |
| Taxation | 5 | <u>(75,321)</u> | <u>(37,908)</u> |
| Profit attributable to equity holders | | <u>356,232</u> | <u>179,601</u> |
| Interim dividend | 6 | <u>30,000</u> | <u>20,000</u> |
| Earnings per share | 7 | | |
| Basic and diluted | | <u>HK\$14.25</u> | <u>HK\$7.18</u> |

Consolidated Balance Sheet

| | | Unaudited 31 March 2008 HK\$'000 | Audited 30 September 2007 HK\$'000 |
|--|------|---|---|
| | Note | | |
| Non-current assets | | | |
| Property, plant and equipment | 8 | 160 | 178 |
| Investment properties | 8 | 2,788,800 | 2,403,650 |
| Associated companies | | 783 | 774 |
| Available-for-sale investment | 9 | 1 | 1 |
| Advances to an investee company | 9 | 29,605 | 29,605 |
| | | <u>2,819,349</u> | <u>2,434,208</u> |
| Current assets | | | |
| Debtors, deposits and prepayments | 10 | 6,533 | 7,022 |
| Staff loans, secured | | – | 112 |
| Cash and bank balances | | 78,642 | 84,497 |
| | | <u>85,175</u> | <u>91,631</u> |
| Current liabilities | | | |
| Creditors, accruals and deposits | 11 | 27,022 | 26,646 |
| Taxation | | 10,761 | 14,530 |
| | | <u>37,783</u> | <u>41,176</u> |
| Net current assets | | <u>47,392</u> | <u>50,455</u> |
| Total assets less current liabilities | | <u>2,866,741</u> | <u>2,484,663</u> |
| Non-current liabilities | | | |
| Provision for long service payments | | 7,657 | 6,791 |
| Deferred tax liabilities | | 466,387 | 398,907 |
| | | <u>474,044</u> | <u>405,698</u> |
| Net assets | | <u>2,392,697</u> | <u>2,078,965</u> |
| Equity | | | |
| Share capital | | 125,000 | 125,000 |
| Retained profits | | 2,237,697 | 1,911,465 |
| Proposed dividend | | 30,000 | 42,500 |
| Total equity | | <u>2,392,697</u> | <u>2,078,965</u> |

Consolidated Statement of Changes in Equity

| | Unaudited Six months ended 31 March | |
|---|---|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| Total equity at the beginning of the period | 2,078,965 | 1,698,346 |
| Profit for the period | 356,232 | 179,601 |
| Dividend paid | (42,500) | (32,500) |
| Total equity at the end of the period | <u>2,392,697</u> | <u>1,845,447</u> |

Condensed Consolidated Cash Flow Statement

Unaudited
Six months ended
31 March

2008 2007
HK\$'000 HK\$'000

| | | |
|--|----------------------|----------------------|
| Net cash generated from operating activities | 36,660 | 29,795 |
| Net cash used in investing activities | (15) | (52) |
| Net cash used in financing activities | (42,500) | (32,500) |
| Net decrease in cash and bank balances | (5,855) | (2,757) |
| Cash and bank balances at the beginning of the period | <u>84,497</u> | <u>61,802</u> |
| Cash and bank balances at the end of the period | <u><u>78,642</u></u> | <u><u>59,045</u></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 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 2007 annual financial statements.

The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the 2007 annual financial statements.

For the six months ended 31 March 2008, the Group has adopted the following new standard, amendment to standards and interpretations which are relevant to the Group's operations and are mandatory for the financial 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 |

The adoption of these new standard, amendment and interpretations does not have any significant impact on the results and financial position or changes in the accounting policies of the Group. However, the adoption of HKAS 1 Amendment and HKFRS 7 requires additional disclosures in the annual financial statements.

The following new or revised standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2008 or later periods but which the Group has not early adopted:

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 |

Effective for the year ending 30 September 2010

| | |
|-------------------|--------------------------------------|
| HKAS 1 (Revised) | Presentation of Financial Statements |
| HKAS 23 (Revised) | Borrowing Costs |
| HKFRS 2 Amendment | Vesting Conditions and Cancellations |
| HKFRS 8 | Operating Segments |

The Group has already commenced an assessment of the impact of these new or revised standards, amendment 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.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property investment in Hong Kong. The principal activity of the subsidiary is property investment in Hong Kong.

3. SEGMENT INFORMATION

| | Six months ended 31 March | |
|---|------------------------------|------------------|
| | 2008 HK\$'000 | 2007 HK\$'000 |
| (a) Revenue | | |
| Property investment | <u>60,732</u> | <u>49,150</u> |
| (b) Contribution to operating profit | | |
| Property investment | <u>431,559</u> | <u>217,516</u> |

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.

4. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

| | Six months ended 31 March | |
|-----------------|--------------------------------------|-----------------|
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Crediting: | | |
| Interest income | <u>1,154</u> | <u>938</u> |
| Charging: | | |
| Depreciation | <u>18</u> | <u>19</u> |

5. TAXATION

| | Six months ended 31 March | |
|---|--------------------------------------|-----------------|
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Hong Kong profits tax | | |
| Current taxation charge | 7,842 | 5,603 |
| Deferred taxation relating to changes in fair value of investment properties | 67,401 | 32,218 |
| Deferred taxation relating to the origination and reversal of temporary differences | <u>78</u> | <u>87</u> |
| Taxation charge | <u>75,321</u> | <u>37,908</u> |

Hong Kong profits tax has been provided at the rate of 17.5% (2007: 17.5%) on the estimated assessable profits for the period.

6. INTERIM DIVIDEND

| | Six months ended 31 March | |
|--|--------------------------------------|-----------------|
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Interim dividend of HK\$1.20 (2007: HK\$0.80) per share | <u>30,000</u> | <u>20,000</u> |

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to equity holders of HK\$356,232,000 (2007: HK\$179,601,000) and the 25,000,000 shares in issue throughout the six months ended 31 March 2008 and 2007.

Diluted earnings per share equal 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 | | | |
| 30 September 2006 | 1,961,200 | 107 | 1,961,307 |
| Changes in fair value | 184,100 | – | 184,100 |
| Additions | – | 112 | 112 |
| Depreciation | <u>–</u> | <u>(19)</u> | <u>(19)</u> |
| Net book value at | | | |
| 31 March 2007 | 2,145,300 | 200 | 2,145,500 |
| Changes in fair value | 258,350 | – | 258,350 |
| Disposals | – | (3) | (3) |
| Depreciation | <u>–</u> | <u>(19)</u> | <u>(19)</u> |
| Net book value at | | | |
| 30 September 2007 | 2,403,650 | 178 | 2,403,828 |
| Changes in fair value | 385,150 | – | 385,150 |
| Depreciation | <u>–</u> | <u>(18)</u> | <u>(18)</u> |
| Net book value at | | | |
| 31 March 2008 | <u>2,788,800</u> | <u>160</u> | <u>2,788,960</u> |

The investment properties are held under long leases (over 50 years) in Hong Kong and were revalued on 31 March 2008 on an open market value basis by an independent professionally qualified valuer, CS Surveyors Limited.

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

| | 31 March 2008 HK\$'000 | 30 September 2007 HK\$'000 |
|---------------------------------|---------------------------------------|---|
| Available-for-sale investment | <u>1</u> | <u>1</u> |
| Advances to an investee company | <u>29,605</u> | <u>29,605</u> |

Available-for-sale investment represents 14.29% equity interest in Billion Park Investment Limited (“Billion Park”), a private company incorporated in Hong Kong. The principal activity of Billion Park is to participate in Foshan 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.

10. DEBTORS, DEPOSITS AND PREPAYMENTS

| | 31 March 2008 HK\$'000 | 30 September 2007 HK\$'000 |
|--------------------------|---------------------------------------|---|
| Trade debtors | | |
| Within 30 days | 2,466 | 3,054 |
| 31 to 60 days | 801 | 748 |
| 61 to 90 days | 185 | 236 |
| Over 90 days | <u>651</u> | <u>318</u> |
| | 4,103 | 4,356 |
| Deposits and prepayments | <u>2,430</u> | <u>2,666</u> |
| | <u><u>6,533</u></u> | <u><u>7,022</u></u> |

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

11. CREDITORS, ACCRUALS AND DEPOSITS

| | 31 March 2008 HK\$'000 | 30 September 2007 HK\$'000 |
|-----------------------|---------------------------------------|---|
| Trade creditors | | |
| Within 30 days | 747 | 615 |
| Accruals and deposits | <u>26,275</u> | <u>26,031</u> |
| | <u><u>27,022</u></u> | <u><u>26,646</u></u> |

Interim Dividend

The Board declares an interim dividend of HK\$1.20 per share (2007: HK\$0.80 per share) for the year ending 30 September 2008. The Register of Members will be closed from Monday, 14 July to Wednesday, 16 July 2008, 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, 11 July 2008 with Computershare Hong Kong Investor Services Limited, Rooms 1712-6, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong. Dividend warrants will be posted to shareholders by 22 July 2008.

Chairman's Business Review

The Group's investment properties, Melbourne Plaza at 33 Queen's Road Central and Kimley Commercial Building at 142-146 Queen's Road Central, continued to generate steady rental income. Melbourne Plaza attained an occupancy rate of 95% while Kimley Commercial Building was 92% leased. Rental rates continued to surge on the back of resilient economic growth. Stable increase in revenue can be expected for the full year.

The Group's unlisted investment represents property development and golf club operation in Foshan, China. Planning and design for the project redevelopment are reaching their final stages. All parties concerned are coordinated for the commencement of construction works.

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 2008 amounted to HK\$356.2 million (2007: HK\$179.6 million), an increase of 98%. The increase in net profit in the current period as a result of the fair value uplift of investment properties amounted to HK\$385.2 million, which was partially offset by its related deferred tax effect of HK\$67.4 million. Revenue for the period amounted to HK\$60.7 million, representing an increase of 24% as compared to last period.

SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 95% and 92% let respectively.

LIQUIDITY AND FINANCIAL RESOURCES

Basically, the Group's working capital requirement was financed by its rental income. As at 31 March 2008, the Group had cash and bank balances totalling HK\$78.6 million. During the period, the Group did not require any borrowing or overdraft facilities.

EMPLOYEES AND REMUNERATION POLICIES

The Group employs a total of 18 employees. The Group recognises the importance of the strength of its human resources for its success. Remuneration for employees are 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 subsidiaries and associated companies during the period. Currently, there are no plans for material capital investments or future developments.

Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 March 2008, the interests or short positions of the Directors and Chief Executive 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% |
| Chief Executive | | | |
| Mr. Ho Tak Him | 1,000 | – | – |

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 Shares

As at 31 March 2008, the register of interests in shares or short positions kept under section 336 of the SFO showed that, other than the interests of directors as set out above, Chow Tai Fook Enterprises Limited ("CTF") had interest in 5% or more of the issued share capital of the Company. CTF, together with its associated companies, has a beneficial interest in 6,731,250 shares of the Company, representing 26.93% of the Company's issued share capital.

Save for the interests in shares referred to above, no other person is recorded in the register kept pursuant to Section 336 of the SFO as having an interest in 5% or more of the issued share capital of the Company as at 31 March 2008.

Purchase, Sale or Redemption of Shares

The Company has not redeemed any of its shares during the six months ended 31 March 2008. Neither the Company nor its subsidiary 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 auditors conducted their review in accordance with Hong Kong Standard on Review Engagements 2410 issued by the HKICPA. On 18 June 2008, the Committee met with the management 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 2008.

Dato' Dr. Cheng Yu Tung
Chairman

Hong Kong, 20 June 2008

As at the date of this report, the board comprises Dato' Dr. CHENG Yu Tung, Mr. CHUNG Ming Fai, Mr. CHUNG Yin Shu, Frederick who are Executive Directors; Mr. CHUNG Wai Shu, Robert who is a Non-executive Director; and Mr. YUEN Pak Yiu, Philip, Dr. FONG Yun Wah, SBS, JP, Mr. LO Pak Shiu and Mr. YUEN Sik Ming, Patrick who are Independent Non-executive Directors.