



# Melbourne Enterprises Limited



ANNUAL REPORT 2014

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# GROUP STRUCTURE

At 30 September 2014

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## PARENT COMPANY

Melbourne Enterprises Limited

## SUBSIDIARY

Iau On Company Limited

	<b>Equity Holding</b>	<b>Principal Activities</b>
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Iau On Company Limited	100%	Property investment
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## ASSOCIATES

Chuen King Enterprises Limited

Chuen King Enterprises Limited	50%	Property investment
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Manlo Holdings Limited

Manlo Holdings Limited	33 $\frac{1}{3}$ %	Investment holding
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Littlejohn Company Limited

Littlejohn Company Limited	20%	Investment holding
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# CORPORATE INFORMATION

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## BOARD OF DIRECTORS

### Executive Directors

Dato' Dr. Cheng Yu Tung (*Chairman*)

Mr. Chung Ming Fai

Mr. Chung Yin Shu, Frederick

### Non-executive Director

Mr. Chung Wai Shu, Robert

### Independent Non-executive Directors

Mr. Yuen Pak Yiu, Philip

Dr. Fong Yun Wah, S.B.S., J.P.

Mr. Lo Pak Shiu

Mr. Yuen Sik Ming, Patrick

## COMPANY SECRETARY

Mr. Chung Yin Shu, Frederick

## AUDIT COMMITTEE AND REMUNERATION COMMITTEE

Mr. Yuen Pak Yiu, Philip (*Chairman*)

Mr. Chung Yin Shu, Frederick (*Secretary*)

Mr. Chung Wai Shu, Robert

Mr. Lo Pak Shiu

Mr. Yuen Sik Ming, Patrick

## NOMINATION COMMITTEE

Mr. Yuen Sik Ming, Patrick (*Chairman*)

Mr. Chung Yin Shu, Frederick (*Secretary*)

Mr. Chung Wai Shu, Robert

Mr. Yuen Pak Yiu, Philip

Mr. Lo Pak Shiu

## AUDITOR

PricewaterhouseCoopers

## SOLICITORS

Woo, Kwan, Lee & Lo

## BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Hang Seng Bank Limited

## SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17/F., Hopewell Centre  
183 Queen's Road East  
Hong Kong

## REGISTERED OFFICE

Rooms 2102-4, Melbourne Plaza  
33 Queen's Road Central  
Hong Kong

## STOCK CODE

Hong Kong Stock Exchange 00158

## WEBSITE

[www.irasia.com/listco/hk/melbourneweb](http://www.irasia.com/listco/hk/melbourneweb)

# MANAGEMENT PROFILE

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## EXECUTIVE DIRECTORS

Dato' Dr. Cheng Yu Tung, aged 89, is the Chairman of the Company and has been Executive Director of the Company since December 1967. He is the Chairman Emeritus of New World Development Company Limited and the Chairman of Chow Tai Fook Enterprises Limited.

Mr. Chung Ming Fai, aged 94, is one of the founders of the Company and has been Executive Director of the Company since December 1967. He is a director of Aik San Realty Limited, Fu Hop Investment Company Limited and Good Earning Investment Company Limited. He is the father of Mr. Chung Yin Shu, Frederick and Mr. Chung Wai Shu, Robert.

Mr. Chung Yin Shu, Frederick, aged 70, was appointed Executive Director of the Company in December 1967. He is a director of Aik San Realty Limited, Fu Hop Investment Company Limited and Good Earning Investment Company Limited. He is the son of Mr. Chung Ming Fai and brother of Mr. Chung Wai Shu, Robert. He is also the Company Secretary.

## NON-EXECUTIVE DIRECTOR

Mr. Chung Wai Shu, Robert, aged 66, was appointed Executive Director of the Company in December 1975 and became a Non-executive Director in June 1999. He is a director of Aik San Realty Limited, Fu Hop Investment Company Limited and Good Earning Investment Company Limited. He is the son of Mr. Chung Ming Fai and brother of Mr. Chung Yin Shu, Frederick.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yuen Pak Yiu, Philip, aged 79, is a Solicitor. He was the senior partner of Yung, Yu, Yuen & Co., Solicitors until 1 April 2008 when he retired from the partnership and remains a consultant of the firm. He has been appointed Non-executive Director of the Company since December 1993.

Dr. Fong Yun Wah, S.B.S., J.P., aged 90, is the Chairman of Hip Shing Hong Development Company Limited and Kam Wah Investment Company Limited. He has been appointed Non-executive Director of the Company since November 1994.

Mr. Lo Pak Shiu, aged 60, was appointed Executive Director of the Company in March 1989. He is presently an Independent Non-executive Director of the Company. He is also a director of Foo Hang Jewellery Limited.

Mr. Yuen Sik Ming, Patrick, aged 57, is a Certified Public Accountant (Practising) and a fellow of Association of Chartered Certified Accountants. Mr. Yuen has extensive experience in accounting and corporate finance and is currently a practising director of Kingston CPA Limited. He was appointed Independent Non-executive Director of the Company in September 2004.

## SENIOR MANAGEMENT

Various businesses and functions of the Company are respectively under the direct responsibilities of the Executive Directors who are regarded as senior management of the Company.

# DIRECTORS' REPORT

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The Directors present their annual report together with the audited financial statements for the financial year ended 30 September 2014.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are property investment and investment holding in Hong Kong. The principal activities of the subsidiary and associates are set out in notes 15 and 16 to the financial statements respectively.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2014 are set out in the consolidated statement of comprehensive income on page 22. A commentary on annual results is included in the Directors' business review on page 18.

An interim dividend of HK\$2.20 per share was paid in June 2014, totalling HK\$55,000,000. The Directors propose the payment of a final dividend of HK\$2.40 per share, totalling HK\$60,000,000, and recommend that the retained profits of the Company, amounting to HK\$4,822,443,000 at 30 September 2014, be carried forward.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 13 to the financial statements.

# DIRECTORS' REPORT

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## RESERVES

Details of the movements in reserves of the Group and the Company are set out in the consolidated statement of changes in equity and note 24 to the financial statements respectively.

Distributable reserves of the Company at 30 September 2014 amounted to HK\$98,031,734 (2013: HK\$85,844,000).

## DIRECTORS

The Directors during the financial year and at the date of this report were:

Dato' Dr. Cheng Yu Tung

Mr. Chung Ming Fai

Mr. Yuen Pak Yiu, Philip

Dr. Fong Yun Wah

Mr. Chung Yin Shu, Frederick

Mr. Chung Wai Shu, Robert

Mr. Lo Pak Shiu

Mr. Yuen Sik Ming, Patrick

In accordance with Article 103(A) of the Company's Articles of Association, Dato' Dr. Cheng Yu Tung, Mr. Chung Wai Shu, Robert, and Mr. Yuen Pak Yiu, Philip retire by rotation and, being eligible, offer themselves for re-election.

## DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 26 of the consolidated financial statements, no other contract of significance in relation to the Group's business to which the Company or its subsidiary was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

No loan was made during the financial year to the Company's Directors or officers or body corporate controlled by them either by the Company or by its subsidiary or by a third party on the security or guarantee of the Company or its subsidiary.



# DIRECTORS' REPORT

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## CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions during the year and up to the date of this report are set out below:

- (1) On 26 July 2012, the Company as lessor and Promising Realty Limited ("PR") as lessee renewed a lease agreement, pursuant to which the lessee leased Rooms 2401-2411 on 24th floor of Melbourne Plaza, 33 Queen's Road Central, Hong Kong (the "PR Premises") from the lessor for a fixed term of two years from 1 August 2012 to 31 July 2014 at a monthly rental of HK\$250,866 with monthly air-conditioning charges and management fees of HK\$39,134 which were adjusted upward to HK\$42,920 commencing on 1 June 2014.

The lease agreement was renewed on 30 July 2014 for a fixed term of two years from 1 August 2014 to 31 July 2016 at a monthly rental of HK\$284,040 with monthly air-conditioning charges and management fees of HK\$42,920.

The PR Premises, the subject of the lease agreement, is owned by the Company. PR is a company whose shares are ultimately owned by two executive Directors, namely Mr. Chung Ming Fai and Mr. Chung Yin Shu, Frederick, and a non-executive Director, namely Mr. Chung Wai Shu, Robert, and their associates and is, accordingly, a connected person of the Company and the renewal of the lease agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

As set out in the announcement of the Company dated 30 July 2014, the annual cap under the previous and the new lease agreement for the year ended 30 September 2014 and the annual cap under the new lease agreement for each of the two years ending 30 September 2015 and 2016 were HK\$3,600,000, HK\$4,000,000 and HK\$3,400,000 respectively.

The total amount received from PR during the year ended 30 September 2014 under the lease agreements amounted to HK\$3,561,492 which is within the annual cap of HK\$3,600,000.



# DIRECTORS' REPORT

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## CONTINUING CONNECTED TRANSACTIONS (cont'd)

- (2) On 23 February 2012, the Company as lessor and Foo Hang Jewellery, Limited ("FH") as lessee renewed a lease agreement, pursuant to which the lessee would lease Rooms 1801-1814 on 18th floor of Melbourne Plaza, 33 Queen's Road Central, Hong Kong (the "FH Premises") for a fixed term of two years from 1 March 2012 to 28 February 2014 at a monthly rental of HK\$336,954 with monthly air-conditioning charges and management fees of HK\$53,046.

The lease agreement was renewed on 24 February 2014 for a fixed term of one year from 1 March 2014 to 28 February 2015 at a monthly rental of HK\$384,954 with monthly air-conditioning charges and management fees of HK\$53,046, which were adjusted upward to HK\$58,180 commencing on 1 June 2014.

The FH Premises, the subject of the lease agreement, is owned by the Company. FH is a company whose shares are owned by associates of Mr. Lo Pak Shiu, an Independent Non-executive Director and is, accordingly, a connected person of the Company and the renewal of the lease agreement and all the transactions contemplated thereunder constitute continuing connected transactions for the Company under the Listing Rules.

As set out in the announcement of the Company dated 24 February 2014, the annual cap under the previous and the new lease agreement for the year ended 30 September 2014 and under the new lease agreement for the year ending 30 September 2015 were HK\$5,020,000 and HK\$2,200,000 respectively.

The total amount received from FH during the year ended 30 September 2014 under the lease agreement amounted to HK\$5,020,000 which does not exceed the annual cap of HK\$5,020,000.

# DIRECTORS' REPORT

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## CONTINUING CONNECTED TRANSACTIONS (cont'd)

The continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors of the Company who have confirmed that the transactions have been entered into:

- (a) in the ordinary and usual course of business of the Company;
- (b) on normal commercial terms; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's independent auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor has issued an unqualified letter containing the findings and conclusions in respect of the abovementioned continuing connected transactions disclosed by the Group in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

# DIRECTORS' REPORT

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year and up to the date of this report, the following Directors are considered to have interests in the following businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group other than those businesses where the Directors of the Company were appointed as directors to represent the interests of the Company and/or the Group pursuant to the Listing Rules as set out below:

<b>Name of Director</b>	<b>Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group</b>	<b>Description of businesses of the entity which are considered to compete or likely to compete with the Group</b>	<b>Nature of interest of the Director in the entity</b>
Dato' Dr. Cheng Yu Tung	Chow Tai Fook Enterprises Limited group of companies	Property investment	Director
	Shun Tak Holdings Limited group of companies	Property investment	Director
Mr. Chung Ming Fai	Aik San Realty Limited group of companies	Property investment	Director
	Fu Hop Investment Company Limited	Property investment	Director
	Good Earning Investment Company Limited	Property investment	Director
Mr. Chung Yin Shu, Frederick	Aik San Realty Limited group of companies	Property investment	Director
	Fu Hop Investment Company Limited	Property investment	Director
	Good Earning Investment Company Limited	Property investment	Director
Mr. Chung Wai Shu, Robert	Aik San Realty Limited group of companies	Property investment	Director
	Fu Hop Investment Company Limited	Property investment	Director
	Good Earning Investment Company Limited	Property investment	Director
Dr. Fong Yun Wah	Hip Shing Hong Development Company Limited	Property investment	Director
	Kam Wah Investment Company Limited	Property investment	Director

As the Board of Directors of the Company is independent of the boards of these entities, the Group is therefore capable of carrying on such business independently of, and at arm's length from the businesses of these entities.

# DIRECTORS' REPORT

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## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the financial year was the Company or its subsidiary a party to any arrangements to enable the Directors (including their spouses or children under 18 years of age) to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SERVICE CONTRACTS OF DIRECTORS

None of the Directors has a service contract with the Company or its subsidiary not terminable within one year without the payment of compensation (other than statutory compensation).

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2014, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

	Number of shares held		Approximate percentage of shareholding
	Personal interests	Corporate interests	
<b>Directors</b>			
Mr. Chung Ming Fai	12,000,500	1,000 <sup>(Note)</sup>	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.

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 2014, the interests or short positions of substantial shareholders (as defined in the Listing Rules) 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	Number of shares held			Approximate percentage of shareholding
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited ("CYTF") <sup>(1)</sup>	—	6,731,250	6,731,250	26.93
Cheng Yu Tung Family (Holdings II) Limited ("CYTF II") <sup>(1)</sup>	—	6,731,250	6,731,250	26.93
Chow Tai Fook Capital Limited ("CTFC") <sup>(1)</sup>	—	6,731,250	6,731,250	26.93
Chow Tai Fook (Holding) Limited (formerly known as Centennial Success Limited) ("CTFH") <sup>(1)</sup>	—	6,731,250	6,731,250	26.93
Chow Tai Fook Enterprises Limited ("CTF") <sup>(2)</sup>	2,981,250	3,750,000	6,731,250	26.93
New World Development Company Limited ("NWD") <sup>(3)</sup>	—	3,750,000	3,750,000	15.00
Kin Kiu Enterprises, Limited ("KK") <sup>(3)</sup>	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 30 September 2014.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor its subsidiary has purchased or sold any of the Company's shares during the year.

# DIRECTORS' REPORT

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## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the financial year.

## SUFFICIENCY OF PUBLIC FLOAT

According to information that is available to the Company, the percentage of the Company's shares which are in the hands of the public exceeds 25% of the Company's total number of issued shares.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue during the year attributable to the Group's five largest customers was 39%, of which 15% was derived from the Group's largest customer.

The aggregate purchases of revenue items during the year attributable to the Group's five largest suppliers was 59%, of which 22%, was made from the Group's largest supplier.

None of the Directors, their associates, or shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the share capital of the customers or suppliers noted above.

## AUDIT COMMITTEE

An Audit Committee has been established for the purpose of reviewing and providing supervision on the Company's financial reporting process and internal controls. The results for the year have been reviewed by the Audit Committee. The composition of the Audit Committee is shown on page 3.

## AUDITORS

The financial statements have been audited by Messrs PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board  
**Chung Yin Shu, Frederick**  
*Company Secretary*

Hong Kong, 12 December 2014

# CORPORATE GOVERNANCE REPORT

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## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance practices and procedures to safeguard the interests of the shareholders and enhance the performance of the Group. The Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules (the “CG Code”) throughout the year ended 30 September 2014, except for the deviations as disclosed in this report.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions. Having made specific enquiry of all Directors, the Directors of the Company confirmed that they had complied with the required standard set out in the Model Code during the year ended 30 September 2014.

## BOARD OF DIRECTORS

The Board is responsible for overseeing the management, businesses, strategic directions and financial performance of the Group. The Board holds regular meetings to discuss the Group’s businesses and operations. All important issues are discussed in a timely manner.

The Board comprises 8 Directors, with 3 Executive Directors, 1 Non-executive Director and 4 Independent Non-executive Directors. The biographies of the Directors are set out in Management Profile on page 4 of this annual report. The Company has received annual confirmation of independence from all the Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

## DIRECTORS’ TRAINING

All Directors are provided with timely updates on the Company’s performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills.

## NON-EXECUTIVE DIRECTORS

Non-executive Directors (including the Independent Non-executive Directors) serve the relevant function of bringing independent judgement on the development, performance and risk management of the Group. The Non-executive Directors are not appointed for a specific term as is stipulated in Code provision A.4.1, but are subject to retirement by rotation in accordance with the articles of association of the Company. Article 103(A) of the articles of association of the Company provides that at each annual general meeting, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.



# CORPORATE GOVERNANCE REPORT

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## AUDIT COMMITTEE

The Audit Committee, established with specific written terms of reference, consists of three Independent Non-executive Directors, one Non-executive Director and one Executive Director serving as secretary, and is responsible for the review and supervision of the Group's financial reporting process and internal controls.

During the year, the Audit Committee reviewed the audited financial statements for the year ended 30 September 2014 and the unaudited interim financial statements for the six months ended 31 March 2014 with recommendations to the Board for approval, reviewed reports on internal control system of the Group, and discussed with the management and the external auditors the accounting policies and practices which may affect the Group and financial reporting matters.

Members of the Audit Committee are Mr. Yuen Pak Yiu, Philip (Chairman), Mr. Chung Yin Shu, Frederick (Secretary), Mr. Chung Wai Shu, Robert, Mr. Lo Pak Shiu and Mr. Yuen Sik Ming, Patrick.

## REMUNERATION COMMITTEE

The Remuneration Committee, established with specific written terms of reference, is responsible for making recommendations on the Company's policy and structure for the remuneration of all the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy for approval by the Board. The Remuneration Committee met once during the year to review the remuneration policy for Directors and senior management of the Company.

The remuneration for the Directors and senior management comprises basic salary, retirement benefits and discretionary bonus. Details of the amount of emoluments of Directors paid for the financial year ended 30 September 2014 are set out in note 9 to the financial statements.

Members of the Remuneration Committee are Mr. Yuen Pak Yiu, Philip (Chairman), Mr. Chung Yin Shu, Frederick (Secretary), Mr. Chung Wai Shu, Robert, Mr. Lo Pak Shiu and Mr. Yuen Sik Ming, Patrick.

## NOMINATION COMMITTEE

The Nomination Committee, established in March 2012 with specific written terms of reference, is responsible for considering the suitability of a candidate to act as a Director on the basis of the candidate's qualification, experience, integrity and potential contribution to the Company, and approving and terminating the appointment of a Director. A candidate to be appointed as Independent Non-executive Director must also meet the independence requirement sets out in Rule 3.13 of the Listing Rules. During the year under review, one meeting was held by the Nomination Committee.

Members of the Nomination Committee are Mr. Yuen Sik Ming, Patrick (Chairman), Mr. Chung Yin Shu, Frederick (Secretary), Mr. Chung Wai Shu, Robert, Mr. Yuen Pak Yiu, Philip and Mr. Lo Pak Shiu.

# CORPORATE GOVERNANCE REPORT

## Attendance at Meetings of the Board and Board Committees

Name of Director	Number of meetings attended/ eligible to attend for the year ended 30 September 2014			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
<b>Executive Directors</b>				
Dato' Dr. Cheng Yu Tung ( <i>Chairman</i> )	0/4			
Mr. Chung Ming Fai	4/4			
Mr. Chung Yin Shu, Frederick	4/4	2/2	1/1	1/1
<b>Non-executive Director</b>				
Mr. Chung Wai Shu, Robert	4/4	2/2	1/1	1/1
<b>Independent Non-executive Directors</b>				
Mr. Yuen Pak Yiu, Philip	2/4	2/2	1/1	1/1
Dr. Fong Yun Wah, S.B.S., J.P.	4/4			
Mr. Lo Pak Shiu	4/4	2/2	1/1	1/1
Mr. Yuen Sik Ming, Patrick	3/4	2/2	1/1	1/1

## AUDITORS' REMUNERATION

During the year ended 30 September 2014, the total fees paid/payable in respect of services provided by the Group's external auditors are set out below:

	2014 HK\$'000	2013 HK\$'000
Audit and audit related services	664	632
Non-audit services	175	179
	<b>839</b>	<b>811</b>

# CORPORATE GOVERNANCE REPORT

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## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Board, supported by the finance and accounts department, is responsible for the preparation of the financial statements of the Company and the Group. In preparing the financial statements, the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants have been adopted. Appropriate accounting policies have also been used and applied consistently. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is included in the Report of the Independent Auditor on pages 20 and 21 of this annual report.

## **INTERNAL CONTROL**

The Group conducts an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, it was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance with applicable laws, rules and regulations. The procedures provide reasonable but not absolute assurance against material errors, losses or fraud.

## **COMMUNICATION WITH SHAREHOLDERS**

The Board and senior management maintain a continuing dialogue with the Company's shareholders and investors through various channels including the Company's annual general meeting. The Chairman and other members of the Board attend the annual general meeting. The Directors will answer questions raised by the shareholders on the performance of the Group. The Company also holds press and analysts' conferences at least once a year following the release of full year results announcements at which the Executive Directors and senior management of the Group are available to answer questions regarding the performance of the Group.

## DIRECTORS' BUSINESS REVIEW

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I would report to shareholders that the Group's profit after taxation for the financial year ended 30 September 2014 amounted to HK\$12 million (2013: HK\$576 million). The Board of Directors recommend a final dividend of HK\$2.40 per share payable to the shareholders registered on 4 February 2015. In addition to the interim dividend of HK\$2.20 per share paid in June 2014, the total dividend for the year amounted to HK\$4.60 per share (2013: HK\$4.60 per share).

The Group's investment properties at Melbourne Plaza, 33 Queen's Road Central and Kimley Commercial Building at 142-146 Queen's Road Central were 93% and 84% leased as at 30 September 2014 respectively (2013: both 92% leased).

Leasing demand for office space remained strong during the year. The Group's rental income also grew correspondingly to HK\$212 million (2013: HK\$201 million), up 5% as compared with last year, which is satisfactory. Without any debt or commitment, the Group is in a healthy financial position.

For the Group's investment in Foshan Golf Club project, part of the residential properties have attained sales conditions and sold accordingly. There are other project items ongoing and under development.

Facing future challenges, the Group will continue with its prudent business approach. Through close liaison with tenants, the Group will keep on bringing optimal return to all shareholders.

Taking this opportunity, I would like to thank my fellow directors and staff members for their loyal services and continuing efforts.

**Chung Yin Shu, Frederick**  
*Executive Director*

Hong Kong, 12 December 2014

# MANAGEMENT DISCUSSION AND ANALYSIS

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## GROUP RESULTS

Profit attributable to equity holders for the year amounted to HK\$12 million (2013: HK\$576 million). The decrease in profit mainly resulted from the current year's decrease in fair value of investment properties of HK\$114.0 million compared with the HK\$448.5 million fair value uplift in 2013. Revenue for the year amounted to HK\$211.9 million, up 5.2% year-on-year. Rental operation contributed HK\$150.4 million (2013: HK\$151.9 million) to the operating profit, representing a decrease of 1.0% as compared to last year.

## SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 93% and 84% let as at 30 September 2014 (2013: both approximately 92% leased).

## LIQUIDITY AND FINANCIAL RESOURCES

Basically, the Group's working capital requirement was financed by its rental income. As at 30 September 2014, the Group had cash and bank balances totalling HK\$139.7 million (2013: HK\$124.6 million). During the year, the Group did not take up any borrowings or overdraft facilities.

## EMPLOYEES AND REMUNERATION POLICIES

The Group employs a total of 16 employees. The Group recognises the importance of the strength of its human resources for its success. Remuneration of 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 subsidiaries and associates during the year. There are no other plans for material capital investments or future developments.

# REPORT OF THE INDEPENDENT AUDITOR

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## **TO THE SHAREHOLDERS OF MELBOURNE ENTERPRISES LIMITED**

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Melbourne Enterprises Limited (the “Company”) and its subsidiary (together, the “Group”) set out on pages 22 to 56, which comprise the consolidated and company balance sheets as at 30 September 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Directors’ Responsibility for the Consolidated Financial Statements**

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 80 of Schedule 11 to the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# REPORT OF THE INDEPENDENT AUDITOR

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## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

## **PRICEWATERHOUSECOOPERS**

*Certified Public Accountants*

Hong Kong, 12 December 2014



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 September

	Note	2014 HK\$'000	2013 HK\$'000
<b>Revenue</b>	6	<b>211,874</b>	201,436
Operating costs		<b>(51,383)</b>	(40,332)
Gross profit		<b>160,491</b>	161,104
Other income	7	<b>386</b>	405
Impairment loss on advance to an associate		<b>(1)</b>	(1)
Administrative expenses		<b>(10,450)</b>	(9,620)
Changes in fair values of investment properties	14	<b>(114,000)</b>	448,500
Operating profit	8	<b>36,426</b>	600,388
Share of results of associates		<b>(8)</b>	(14)
<b>Profit before taxation</b>		<b>36,418</b>	600,374
Income tax expenses	10	<b>(24,694)</b>	(24,861)
<b>Profit and total comprehensive income for the year attributable to equity holders</b>		<b>11,724</b>	575,513
<b>Earnings per share</b>			
Basic and diluted	12	<b>HK\$0.47</b>	HK\$23.02

The notes on pages 29 to 56 form part of the financial statements. Details of dividends to equity holders of the Company are set out in note 11.

# CONSOLIDATED BALANCE SHEET

		<b>30 September</b>	30 September
		<b>2014</b>	2013
	Note	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>4,319</b>	4,975
Investment properties	14	<b>5,487,000</b>	5,601,000
Investments in associates	16	<b>1,030</b>	1,038
Available-for-sale investment	18	<b>1</b>	1
Advances to an investee company	18	<b>29,605</b>	29,605
		<b>5,521,955</b>	5,636,619
<b>Current assets</b>			
Debtors, deposits and prepayments	19	<b>5,990</b>	6,095
Cash and bank balances	20	<b>139,662</b>	124,574
		<b>145,652</b>	130,669
<b>Current liabilities</b>			
Creditors, accruals and deposits	21	<b>49,200</b>	43,710
Current tax payable		<b>25,459</b>	28,191
		<b>74,659</b>	71,901
<b>Net current assets</b>			
		<b>70,993</b>	58,768
<b>Total assets less current liabilities</b>			
		<b>5,592,948</b>	5,695,387
<b>Non-current liabilities</b>			
Provision for long service payments		<b>10,624</b>	9,787
Deferred tax liabilities	22	<b>1,778</b>	1,778
		<b>12,402</b>	11,565
<b>Net assets</b>			
		<b>5,580,546</b>	5,683,822

## CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	30 September 2014 HK\$'000	30 September 2013 HK\$'000
<b>Equity</b>			
Share capital	23	125,000	125,000
Retained profits		5,395,546	5,498,822
Proposed final dividend		60,000	60,000
<b>Total equity</b>		<b>5,580,546</b>	<b>5,683,822</b>

**Chung Ming Fai**  
*Director*

**Chung Yin Shu, Frederick**  
*Director*

# BALANCE SHEET

		<b>30 September</b>	30 September
		<b>2014</b>	2013
	Note	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	13	<b>4,319</b>	4,975
Investment properties	14	<b>4,900,000</b>	5,000,000
Investment in a subsidiary	15	<b>10,000</b>	10,000
Investments in associates	16	<b>176</b>	176
Available-for-sale investment	18	<b>1</b>	1
Advances to an investee company	18	<b>29,605</b>	29,605
		<b>4,944,101</b>	5,044,757
<b>Current assets</b>			
Debtors, deposits and prepayments	19	<b>5,586</b>	5,630
Amount due from a subsidiary	15	<b>2,136</b>	340
Cash and bank balances	20	<b>137,984</b>	123,521
		<b>145,706</b>	129,491
<b>Current liabilities</b>			
Creditors, accruals and deposits	21	<b>46,333</b>	40,805
Current tax payable		<b>23,629</b>	26,622
		<b>69,962</b>	67,427
<b>Net current assets</b>			
		<b>75,744</b>	62,064
<b>Total assets less current liabilities</b>			
		<b>5,019,845</b>	5,106,821
<b>Non-current liabilities</b>			
Provision for long service payments		<b>10,624</b>	9,787
Deferred tax liabilities	22	<b>1,778</b>	1,778
		<b>12,402</b>	11,565
<b>Net assets</b>			
		<b>5,007,443</b>	5,095,256

## BALANCE SHEET (CONTINUED)

		<b>30 September 2014</b>	30 September 2013
	Note	<b>HK\$'000</b>	HK\$'000
<b>Equity</b>			
Share capital	23	<b>125,000</b>	125,000
Retained profits	24	<b>4,822,443</b>	4,910,256
Proposed final dividend		<b>60,000</b>	60,000
<b>Total equity</b>		<b>5,007,443</b>	5,095,256

**Chung Ming Fai**  
*Director*

**Chung Yin Shu, Frederick**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 September

	<b>Share capital</b>	<b>Retained profits</b>	<b>Proposed final dividend</b>	<b>Total</b>
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
Balance at 1 October 2012	125,000	5,038,309	60,000	5,223,309
Profit and total comprehensive income for the year	—	575,513	—	575,513
2012 final dividend paid	—	—	(60,000)	(60,000)
2013 interim dividend paid	—	(55,000)	—	(55,000)
2013 final dividend proposed	—	(60,000)	60,000	—
Balance at 30 September 2013	125,000	5,498,822	60,000	5,683,822
Profit and total comprehensive income for the year	—	11,724	—	11,724
2013 final dividend paid	—	—	(60,000)	(60,000)
2014 interim dividend paid	—	(55,000)	—	(55,000)
2014 final dividend proposed	—	(60,000)	60,000	—
Balance at 30 September 2014	125,000	5,395,546	60,000	5,580,546

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 September

	2014 HK\$'000	2013 HK\$'000
<b>Cash flows from operating activities</b>		
Operating profit	36,426	600,388
Adjustments for:		
Interest income	(201)	(175)
Depreciation	656	660
Impairment loss on advance to an associate	1	1
Changes in fair values of investment properties	114,000	(448,500)
Operating profit before working capital changes	150,882	152,374
Decrease in debtors, deposits and prepayments	105	462
Increase in creditors, accruals and deposits	5,490	1,984
Increase in provision for long service payments	837	774
Net cash generated from operations	157,314	155,594
Interest received	201	175
Hong Kong profits tax paid	(27,426)	(22,907)
Net cash generated from operating activities	130,089	132,862
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	—	(842)
Advances to an associate	(1)	(16)
Net cash used in investing activities	(1)	(858)
<b>Cash flows from financing activities</b>		
Dividends paid	(115,000)	(115,000)
Net cash used in financing activities	(115,000)	(115,000)
Net increase in cash and bank balances	15,088	17,004
Cash and bank balances at beginning of the year	124,574	107,570
Cash and bank balances at end of the year	139,662	124,574



# NOTES TO THE FINANCIAL STATEMENTS

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## 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 (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 12 December 2014.

## 2. BASIS OF PREPARATION

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

The preparation of consolidated 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 HKFRS

For the year ended 30 September 2014, the Group has adopted the following new or revised HKFRS, that are mandatory and relevant to the Group’s operation for the financial year ended 30 September 2014:

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

HKFRS 10, “Consolidated financial statements”. Under HKFRS 10, subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 2. BASIS OF PREPARATION (cont'd)

### (a) Adoption of new or revised HKFRSs (cont'd)

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

Except for the adoption of HKFRS 13 which requires additional disclosures, the adoption of these new and revised standards did not impact the Group’s reported results and financial position.

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

The following new or revised standards, amendments to standards and interpretation which are mandatory for the Group’s accounting periods beginning on 1 October 2014 or later periods and have not been early adopted by the Group:

#### *Effective for the year ending 30 September 2015*

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

#### *Effective for the year ending 30 September 2016 or after*

HKFRS 9	Financial Instruments
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
Annual Improvements Project	Annual Improvements to HKFRS 2012 – 2014 Cycle

The Group has already commenced an assessment of the impact of these new or revised HKFRSs but is not yet in a position to state whether these new or revised HKFRSs would have a significant impact on its reported results of operations and financial position.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. PRINCIPAL ACCOUNTING POLICIES

### (a) Basis of consolidation

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

### (b) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On the acquisition by acquisition basis, the Group recognises a non-controlling interest in our acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree at the date of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (b) Subsidiaries (cont'd)

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the carrying amount for the purposes of subsequently accounting for the retained interest as associated companies, joint ventures or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

The Company's investment in the subsidiary is carried at cost less provision for impairment losses. The result of the subsidiary is accounted for by the Company on the basis of dividend received and receivable.

### (c) Associates

An associate is an entity over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

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

The Group's share of post-acquisition profits or losses of associates is recognised in the Group's profit or loss and the share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. For equity accounting purpose, accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (d) Investments

The Group classifies its investments in the categories of loans and receivables and available-for-sale investment. Management determines the classification of its investments at initial recognition depending on the purpose for which the investments are acquired.

#### (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 are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

#### (ii) *Available-for-sale investment*

Available-for-sale investment 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 it within 12 months of the end of the reporting period.

Regular way 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. Financial assets 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. Changes in the fair value of monetary financial assets denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the financial asset and other changes in the carrying amount of the financial asset. The translation differences on monetary financial assets are recognised in profit or loss; translation differences on non-monetary financial assets are recognised in other comprehensive income.

Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the group's right to receive payments is established.

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. If the market for a financial asset is not active and for unlisted financial assets, the Group establishes fair value by using valuation techniques which make maximum use of market inputs and relying as little as possible on entity-specific inputs.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (e) Impairment of financial assets

#### (i) *Assets carried at amortised cost*

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (e) Impairment of financial assets (cont'd)

#### (ii) *Assets classified as available for sale*

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the group uses the criteria referred to in (i) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets 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 profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

### (f) 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 consolidated statement of comprehensive income 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 allocate 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% or 20% per annum. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 consolidated statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (g) 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 comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

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 qualified valuers on an open market value basis at the end of each reporting period. Changes in fair value are recognised in the consolidated statement of comprehensive income.

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

### (h) Impairment of investment in a subsidiary, associates and non-financial assets

Non-financial assets that have an indefinite useful life, for example goodwill, or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount. An impairment loss is recognised in the income statement for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped as cash-generating units for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment testing of the investments in a subsidiary and associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associates in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.



# NOTES TO THE FINANCIAL STATEMENTS

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## 3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (i) Cash and bank balances

In the consolidated statement of cash flows, cash and bank balances includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

### (j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### (i) *Rental*

Rental is recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

#### (ii) *Service fees*

Property management service fee is recognised when services are rendered.

#### (iii) *Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

#### (iv) *Dividend income*

Dividend is recognised when the right to receive payment is established.

### (k) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in notes 3 (j)(i) above.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (I) Current and deferred taxation

#### (a) Current income tax

The current taxation is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company, its subsidiary company and associated companies operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

#### (b) Deferred income tax

##### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

##### *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiary and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

#### (c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (m) Employee benefits

#### (i) *Employee long service payments*

Employees' entitlements 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 statement of comprehensive income (operating profit) in the year to which the contributions relate.

#### (iii) *Bonus plan*

Provision for bonus plan is recognised when the Group 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.

### (n) Foreign currencies

#### (i) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in HK dollars (HK\$), which is the company's functional and the group's presentation currency.

#### (ii) *Transactions and balances*

Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

### (o) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the financial period when the dividends are approved by the Company's shareholders/Directors, where appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (p) Trade and other debtors

Trade and other debtors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, which is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the assets and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the provision is recognised in the consolidated statement of comprehensive income. When a debtor is uncollectible, it is written off against the allowance account for debtors. Subsequent recoveries of amounts previously written off are credited in the consolidated statement of comprehensive income.

If collection of trade and other debtors is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

### (q) Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# NOTES TO THE FINANCIAL STATEMENTS

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## 3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (s) Share capital

Ordinary shares are classified as equity.

## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

The Group's activities expose it to a variety of financial risks and the Group's overall risk management policy seeks to minimise potential adverse effects on the Group's financial performance. The Group continues to control financial risk in a conservative approach to safeguard the interest of shareholders.

### (a) Credit risk

The credit risk of the Group mainly arises from deposits with banks, advances to an investee company, debtors and deposits. The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the balance sheet dates in relation to each class of recognised financial asset is the carrying amount of those assets as stated in the balance sheets.

Deposits are placed with high credit-quality financial institutions.

The Group monitors the exposure to credit risk in respect of the financial assistance provided to an investee company through reviewing its financial position on a regular basis. When necessary, impairment loss is made for estimated irrecoverable amounts.

Debtors mainly include rental receivables. There is no concentration of credit risk with respect to these receivables as the customer bases are widely dispersed in different sectors and industries. The exposures to these credit risks are closely monitored on an ongoing basis using established credit policies. The Group carries out regular review and follow-up action on any overdue amounts to minimise exposures to credit risk, and will monitor its credit control procedures and policies.

### (b) Liquidity risk

The Group aims to maintain prudent liquidity risk management and flexibility in funding by keeping sufficient cash and cash equivalents. The Group's working capital requirement is generally financed by its rental income.

Creditors, accruals and deposits are due within one year.

# NOTES TO THE FINANCIAL STATEMENTS

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## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (cont'd)

### (c) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

The Group did not have any borrowings at 30 September 2014 and 2013. The Group uses equity to finance its operation.

### (d) Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are disclosed by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair values of financial instruments traded in active markets are based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. None of the instruments is included in level 1 as at 30 September 2014 and 30 September 2013.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. None of the instrument is included in level 2 as at 30 September 2014 and 30 September 2013.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The unobservable inputs were used to determine the fair value of available-for-sale investment included in level 3.

# NOTES TO THE FINANCIAL STATEMENTS

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## 4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (cont'd)

### (d) Fair value estimation (cont'd)

The following table presents the Group's financial instruments that are measured at fair value at 30 September 2014 and 2013:

	<b>2014 and 2013</b> <b>Level 3</b> HK\$'000
Available-for-sale financial investment	<u>1</u>

As at 30 September 2014, the fair value of unlisted available-for-sale investment is determined with reference to the net asset value of the investees at the end of the reporting period. This available-for-sale investment is included in level 3 (note 18)

## 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 circumstances.

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 may have a significant effect on the carrying amounts of investment properties are as follows:

### (a) Fair value of available-for-sale financial investment

The fair value of available-for-sale financial investment that is not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions at the end of each reporting period.

### (b) 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. The fair value is based on the direct comparison method with reference to current sale prices in an active market for properties of similar nature, condition or location. In the absence of such information, the valuer determines the amount within a range of reasonable fair value estimates. In making its judgement, the valuer considers information from a variety of sources including:

- (i) current sale prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences; and
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

# NOTES TO THE FINANCIAL STATEMENTS

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

### (b) Estimate of fair value of investment properties (cont'd)

Judgement is required to determine the principal valuation assumptions to determine the fair value of the investment properties.

At 30 September 2014, if the market value of investment properties had been 10% higher/lower with all other variables held constant, the carrying value of the Group's investment properties would have been HK\$548.7 million (2013: HK\$560.1 million) higher/lower and the Group's profit before tax would have been increased/decreased by HK\$548.7 million (2013: HK\$560.1 million).

## 6. SEGMENT INFORMATION

The Executive Directors collectively have been identified as the chief operating decision makers. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources.

The Executive Directors consider property investment in Hong Kong as the sole operating segment of the Group.

	2014 HK\$'000	2013 HK\$'000
<b>(a) Revenue</b>		
Property investment	<b>211,874</b>	201,436
<b>(b) Contribution to profit before taxation</b>		
Property investment – Rental operation	<b>150,427</b>	151,889
Changes in fair values of investment properties	<b>(114,000)</b>	448,500
	<b>36,427</b>	600,389
Share of results of associated companies	<b>(8)</b>	(14)
Impairment loss on advance to an associated company	<b>(1)</b>	(1)
Profit before taxation	<b>36,418</b>	600,374

Revenue (representing turnover) comprises gross rental and service income from investment properties in Hong Kong.



# NOTES TO THE FINANCIAL STATEMENTS

## 7. OTHER INCOME

	2014 HK\$'000	2013 HK\$'000
Bank interest income	201	175
Sundry income	185	230
	<u>386</u>	<u>405</u>

## 8. OPERATING PROFIT

	2014 HK\$'000	2013 HK\$'000
Operating profit is stated after charging/(crediting):		
Outgoings in respect of investment properties	52,025	40,156
Directors' emoluments (note 9(a))	1,793	1,734
Auditor's remuneration	664	632
Depreciation	656	660
Impairment loss on trade debtors	38	176
Write back of impairment loss on trade debtors	(680)	—
Staff costs (excluding Directors' emoluments)		
Salaries and other emoluments	4,419	4,154
Long service payments	606	565
Contributions to mandatory provident fund scheme	156	153
	<u>          </u>	<u>          </u>

## 9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

	2014 HK\$'000	2013 HK\$'000
<b>(a) Directors' emoluments</b>		
Fees	640	640
Salaries and other emoluments	929	885
Long service payments	224	209
	<u>1,793</u>	<u>1,734</u>

Each Director receives a fixed fee of HK\$80,000 (2013: HK\$80,000) per annum. Fees paid to Non-executive Directors for the year amounted to HK\$400,000 (2013: HK\$400,000). 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (cont'd)

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

### For the year ended 30 September 2014

Name of Director	Fees HK\$' 000	Salaries and allowances HK\$' 000	Bonus HK\$' 000	Long service payments HK\$' 000	Total HK\$' 000
Dato' Dr. Cheng Yu Tung	80	—	—	—	80
Mr. Chung Ming Fai	80	—	—	—	80
Mr. Yuen Pak Yiu, Philip	80	—	—	—	80
Dr. Fong Yun Wah	80	—	—	—	80
Mr. Chung Yin Shu, Frederick	80	830	100	223	1,233
Mr. Chung Wai Shu, Robert	80	—	—	—	80
Mr. Lo Pak Shiu	80	—	—	—	80
Mr. Yuen Sik Ming, Patrick	80	—	—	—	80
	<b>640</b>	<b>829</b>	<b>100</b>	<b>223</b>	<b>1,793</b>

### For the year ended 30 September 2013

Name of Director	Fees HK\$' 000	Salaries and allowances HK\$' 000	Bonus HK\$' 000	Long service payments HK\$' 000	Total HK\$' 000
Dato' Dr. Cheng Yu Tung	80	—	—	—	80
Mr. Chung Ming Fai	80	—	—	—	80
Mr. Yuen Pak Yiu, Philip	80	—	—	—	80
Dr. Fong Yun Wah	80	—	—	—	80
Mr. Chung Yin Shu, Frederick	80	789	96	209	1,174
Mr. Chung Wai Shu, Robert	80	—	—	—	80
Mr. Lo Pak Shiu	80	—	—	—	80
Mr. Yuen Sik Ming, Patrick	80	—	—	—	80
	<b>640</b>	<b>789</b>	<b>96</b>	<b>209</b>	<b>1,734</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 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 (2013: one Director) whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining four (2013: four) individuals during the year are as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and other emoluments	1,925	1,833
Long service payments	381	356
Contributions to mandatory provident fund scheme	48	45
	<u>2,354</u>	<u>2,234</u>

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

## 10. INCOME TAX EXPENSES

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

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

	2014 HK\$'000	2013 HK\$'000
Hong Kong profits tax		
Current taxation –		
Tax for the year	24,716	24,881
Over-provision in respect of prior year	(22)	(20)
Income tax expenses	<u>24,694</u>	<u>24,861</u>

Share of taxation of associates for the year ended 30 September 2014 of HK\$ nil (2013: HK\$ nil) is included in the consolidated statement of comprehensive income as share of results of associates.

# NOTES TO THE FINANCIAL STATEMENTS

## 10. INCOME TAX EXPENSES (cont'd)

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:

	2014 HK\$'000	2013 HK\$'000
Profit before taxation before share of results of associates	<b>36,426</b>	600,389
Calculated at a taxation rate of 16.5% (2013: 16.5%)	<b>6,010</b>	99,064
Income not subject to taxation	<b>(212)</b>	(74,293)
Expenses or loss not deductible for taxation purposes	<b>18,918</b>	110
Over-provision in respect of prior year	<b>(22)</b>	(20)
Income tax expenses	<b>24,694</b>	24,861

## 11. DIVIDENDS

	2014 HK\$'000	2013 HK\$'000
Interim dividend paid of HK\$2.20 (2013: HK\$2.20) per share	<b>55,000</b>	55,000
Final dividend proposed of HK\$2.40 (2013: HK\$2.40) per share	<b>60,000</b>	60,000
	<b>115,000</b>	115,000

At a meeting held on 12 December 2014, the Directors recommended a final dividend of HK\$2.40 per share. This proposed dividend will be accounted for as an appropriation of retained profits for the year ending 30 September 2015.

## 12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to equity holders of HK\$11,724,000 (2013: HK\$575,513,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2014 and 2013.

Diluted earnings per share equal basic earnings per share because there were no potential dilutive shares outstanding during the two years ended 30 September 2014 and 2013.

# NOTES TO THE FINANCIAL STATEMENTS

## 13. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and equipment	
	Group HK\$'000	Company HK\$'000
<b>Cost</b>		
At 1 October 2012	7,256	7,227
Additions	842	842
	<u>8,098</u>	<u>8,069</u>
At 30 September 2013 and 2014	<u>8,098</u>	<u>8,069</u>
<b>Accumulated depreciation</b>		
At 1 October 2012	2,463	2,434
Charge for the year	660	660
	<u>3,123</u>	<u>3,094</u>
At 30 September 2013	3,123	3,094
Charge for the year	656	656
	<u>3,779</u>	<u>3,750</u>
At 30 September 2014	<u>3,779</u>	<u>3,750</u>
<b>Net book value</b>		
At 30 September 2014	<u>4,319</u>	<u>4,319</u>
At 30 September 2013	<u>4,975</u>	<u>4,975</u>

## 14. INVESTMENT PROPERTIES

	Group HK\$'000	Company HK\$'000
Valuation at 1 October 2012	5,152,500	4,600,000
Fair value changes	448,500	400,000
	<u>5,601,000</u>	<u>5,000,000</u>
Valuation at 30 September 2013	5,601,000	5,000,000
Fair value changes	(114,000)	(100,000)
	<u>5,487,000</u>	<u>4,900,000</u>
Valuation at 30 September 2014	<u>5,487,000</u>	<u>4,900,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 14. INVESTMENT PROPERTIES (cont'd)

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

### Valuation process of the Group

The investment properties as at 30 September 2014 were revalued on an open market value basis by CS Surveyors Limited, independent professional valuer who hold a recognised professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuation performed by the independent valuers for financial reporting purposes. This team reports directly to the senior management and the Audit Committee. Discussions of valuation processes and results are held between the management and valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department verifies all major inputs to the independent valuation report; assesses property valuation movements when compared to the prior year valuation report; and holds discussions with the independent valuers.

The investment properties are commercial properties in Hong Kong held under long leases (over 50 years).

Fair values of the investment properties are derived using the direct comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size.

As at 30 September 2014, all investment properties are included in level 3 fair value hierarchy.

There were no changes to the valuation techniques during the year and there were no transfers between fair value hierarchy during the year.

The most significant input into this valuation is price per square foot. Information about fair value measurement using significant unobservable inputs:

Completed properties	2014 Fair value HK\$' 000	Valuation technique	Range of unobservable inputs HK\$ per square foot	Relationship of unobservable inputs
Melbourne Plaza	4,900,000	Direct Comparison	13,819 - 23,063	The higher the price, the higher the fair value
Kimley Commercial Building	587,000	Direct Comparison	6,891 - 67,599	The higher the price, the higher the fair value

As at 30 September 2014, the group had no unprovided contractual obligations for future repairs and maintenance (2013: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 15. SUBSIDIARY

	Company	
	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	10,000	10,000
Amount due from a subsidiary	2,136	340

The amount due from a subsidiary is unsecured, interest free and repayable on demand. 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	HK\$10,000,000 of 100,000 shares	100%
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The subsidiary is engaged in the business of property investment in Hong Kong.

## 16. ASSOCIATES

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Unlisted investments, at cost	—	—	70	70
Group's share of net assets	924	932	—	—
Amount due from an associate	5,521	5,520	5,521	5,520
Less: Provision for impairment losses	(5,415)	(5,414)	(5,415)	(5,414)
	106	106	106	106
	1,030	1,038	176	176

The amount due from an associate is unsecured, interest free and not repayable within 12 months.

# NOTES TO THE FINANCIAL STATEMENTS

## 16. ASSOCIATES (cont'd)

There is no associate that is individually significant to the Group. The Group's share of aggregate results of the associates is set out below:

	2014 HK\$'000	2013 HK\$'000
Revenues	—	—
Loss and other comprehensive income for the year	(8)	(14)

### 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	HK\$100,000 of 1,000 shares	50%	Property investment
Manlo Holdings Limited	HK\$60 of 6 shares	33 $\frac{1}{3}$ %	Investment holding
Littlejohn Company Limited	HK\$100,000 of 100,000 shares	20%	Investment holding

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<b>Financial assets</b>				
Available-for-sale investment	1	1	1	1
<b>Loans and receivables at amortised cost</b>				
Long-term receivables	29,605	29,605	29,605	29,605
Trade and other debtors	4,531	6,316	4,305	6,008
Cash and bank balances	139,662	124,574	137,984	123,521
<b>Financial liabilities</b>				
<b>Financial liability at amortised cost</b>				
Trade creditors and deposits	48,491	43,234	45,713	40,415



# NOTES TO THE FINANCIAL STATEMENTS

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

	Group and Company	
	2014 HK\$' 000	2013 HK\$' 000
Available-for-sale investment	1	1
Advances to an investee company	<b>29,605</b>	29,605

Available-for-sale financial asset 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.

## 19. DEBTORS, DEPOSITS AND PREPAYMENTS

Trade debtors represent rental and service income receivables. The Group normally does not grant credit to trade debtors. As of 30 September 2014, trade receivables (net of provisions) of the Group and the Company of HK\$4,217,000 (2013: HK\$4,376,000) and HK\$4,064,000 (2013: HK\$4,055,000) respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging of these trade receivables is as follows:

	Group		Company	
	2014 HK\$' 000	2013 HK\$' 000	2014 HK\$' 000	2013 HK\$' 000
Within 30 days past due	<b>2,732</b>	2,640	<b>2,612</b>	2,390
31 to 60 days past due	<b>721</b>	797	<b>646</b>	740
61 to 90 days past due	<b>230</b>	215	<b>198</b>	201
Over 90 days past due	<b>534</b>	724	<b>608</b>	724
Amount past due but not considered impaired	<b>4,217</b>	4,376	<b>4,064</b>	4,055

At 30 September 2014, no trade debtors (2013: HK\$680,000) were considered impaired and provided.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 19. DEBTORS, DEPOSITS AND PREPAYMENTS (cont'd)

The Group does not hold any collateral as security, except that the Group holds rental deposits from tenants for leasing of properties.

The carrying amounts of debtors and deposits were denominated in Hong Kong dollars and approximate their fair values.

## 20. CASH AND BANK BALANCES

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Cash at banks and on hand	<u>139,662</u>	<u>124,574</u>	<u>137,984</u>	<u>123,521</u>

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

## 21. CREDITORS, ACCRUALS AND DEPOSITS

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Trade creditors within 30 days	519	491	499	472
Accruals and deposits	48,121	42,434	45,274	39,548
Amounts due to associates	<u>560</u>	<u>785</u>	<u>560</u>	<u>785</u>
	<u>49,200</u>	<u>43,710</u>	<u>46,333</u>	<u>40,805</u>

The amounts due to associates are unsecured, interest free and repayable on demand. The carrying amounts of creditors, accruals, deposits and amounts due to associates were denominated in Hong Kong dollars and approximate their fair values.

## 22. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2013: 16.5%).

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

	Group		Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Accelerated tax depreciation At beginning and end of the year	<u>1,778</u>	<u>1,778</u>	<u>1,778</u>	<u>1,778</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 23. SHARE CAPITAL

	2014		2013	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised: (Note (a))				
Shares of HK\$5 each (Note (b))	—	—	30,000,000	150,000
Shares, issued and fully paid:				
At beginning and end of the year	<b>25,000,000</b>	<b>125,000</b>	25,000,000	125,000

- (a) Under the Hong Kong Companies Ordinance (Cap. 622), which became effective on 3 March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

## 24. RESERVES

The movements of the Group's reserves for the years ended 30 September 2014 and 2013 are presented in the consolidated statement of changes in equity on page 27 of this annual report.

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

	<b>Retained profits</b>	<b>Proposed final dividend</b>
	HK\$'000	HK\$'000
<b>Company</b>		
Balance at 1 October 2012	4,496,907	60,000
Profit for the year	528,349	—
2012 final dividend paid	—	(60,000)
2013 interim dividend paid	(55,000)	—
2013 final dividend proposed	(60,000)	60,000
Balance at 30 September 2013	<b>4,910,256</b>	<b>60,000</b>
Profit for the year	27,187	—
2013 final dividend paid	—	(60,000)
2014 interim dividend paid	(55,000)	—
2014 final dividend proposed	(60,000)	60,000
Balance at 30 September 2014	<b>4,822,443</b>	<b>60,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 25. FUTURE MINIMUM LEASE RECEIVABLE

The future aggregate minimum lease receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2014	2013	2014	2013
	HK\$' 000	HK\$' 000	HK\$' 000	HK\$' 000
In the first year	172,449	142,230	150,154	132,654
In the second to fifth year inclusive	75,465	73,052	63,987	73,052
	<b>247,914</b>	215,282	<b>214,141</b>	205,706

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

## 26. RELATED PARTY TRANSACTIONS

During the year, 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, on normal commercial terms. Rental and related income from these related companies during the year were HK\$8,581,000 (2013: HK\$8,160,000).

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).

Amounts due from a subsidiary, amount due from an associate and amounts due to associates are disclosed in notes 15, 16 and 21 respectively.

## 27. COMMITMENT

During the year ended 30 September 2013, the Group engaged a sub-contractor to undertake the external wall refurbishment and maintenance works for Melbourne Plaza. The estimated contract sum for the work was approximately HK\$33 million at the initial stage of construction. The project was completed in June 2014, with a revised contract sum of approximately HK\$29.7 million. As at 30 September 2014, the full contract sum was already settled, except for 5% retention fee of the contracted sum, among which 3%, 1% and 1% are expected to be settled in 2015, 2016 and 2017 respectively.

## FIVE-YEAR FINANCIAL SUMMARY

	2014 HK\$' 000	2013 HK\$' 000	2012 HK\$' 000	2011 HK\$' 000	2010 HK\$' 000
Investment properties, property, plant and equipment	5,491,319	5,605,975	5,157,293	4,740,361	3,686,631
Investments in associates	1,031	1,038	1,037	1,036	1,033
Investment	29,606	29,606	29,606	29,606	29,606
Current assets	145,652	130,669	114,127	99,345	100,671
Total assets	5,667,608	5,767,288	5,302,063	4,870,348	3,817,941
Current liabilities	(74,659)	(71,901)	(67,963)	(60,249)	(53,099)
Non-current liabilities	(12,402)	(11,565)	(10,791)	(9,594)	(8,942)
Net assets	5,580,546	5,683,822	5,223,309	4,800,505	3,755,900
Share capital	125,000	125,000	125,000	125,000	125,000
Reserves	5,395,546	5,498,822	5,038,309	4,615,505	3,565,900
Proposed final dividend	60,000	60,000	60,000	60,000	65,000
Total equity	5,580,546	5,683,822	5,223,309	4,800,505	3,755,900
Revenue	211,874	201,436	186,704	159,502	146,253
Operating profit	36,426	600,388	562,432	1,180,540	832,989
Share of results of associates	(8)	(14)	(7)	(6)	174
Profit before taxation	36,418	600,374	562,425	1,180,534	833,163
Income tax expense	(24,694)	(24,861)	(24,621)	(20,929)	(18,779)
Profit attributable to equity holders	11,724	575,513	537,804	1,159,605	814,384
	HK\$	HK\$	HK\$	HK\$	HK\$
Earnings per share					
Basic and diluted	0.47	23.02	21.51	46.38	32.58
Dividends per share					
Interim	2.20	2.20	2.20	2.00	1.60
Final	2.40	2.40	2.40	2.40	2.60
	4.60	4.60	4.60	4.40	4.20

# NOTICE OF ANNUAL GENERAL MEETING

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**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of Melbourne Enterprises Limited (the “Company”) will be held at Tsui Hang Village, 2/F., New World Tower, 18 Queen’s Road Central, Hong Kong on Friday, 30 January 2015 at 3:00 p.m. for the following purposes:

1. To consider and adopt the audited financial statements and the Reports of Directors and the Independent Auditor for the year ended 30 September 2014.
2. To declare a final dividend.
3. To re-elect Directors and authorise the board of Directors to fix their remuneration.
4. To re-appoint Messrs. PricewaterhouseCoopers as independent auditor and authorise the Board of Directors to fix their remuneration.
5. As special business to consider and, if thought fit, pass with or without modifications, the following resolution as an Ordinary Resolution:

## ORDINARY RESOLUTION

**“THAT:**

- (a) subject to paragraph (c) below and pursuant to Sections 140 and 141 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue, (ii) an issue of shares as scrip dividends pursuant to the articles of association of the Company from time to time; (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of

# NOTICE OF ANNUAL GENERAL MEETING

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its subsidiaries of shares or rights to acquire shares of the Company; or (iv) an issue of shares upon conversion by the bondholders of their bonds into shares of the Company in accordance with the terms and conditions of an issue of convertible guaranteed bonds by the Company or a special purpose subsidiary wholly owned by the Company, shall not exceed 20% of the aggregate number of the issued shares of the Company (subject to adjustment in the case of subdivision or consolidation of shares) as at the date of passing this resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and
- (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors of the Company to the holders of shares of the Company on the register on a fixed record date in proportion to their then holdings of such shares as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong applicable to the Company).”

By order of the Board  
**Chung Yin Shu, Frederick**  
*Company Secretary*

Hong Kong, 12 December 2014

# NOTICE OF ANNUAL GENERAL MEETING

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## Notes:

- (1) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
- (2) To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the registered office of the Company at Rooms 2102-4, Melbourne Plaza, 33 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting (as the case may be).
- (3) The register of members of the Company will be closed from Tuesday, 27 January 2015 to Friday, 30 January 2015, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the Annual General Meeting, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 26 January 2015.
- (4) Pursuant to Rule 13.39(4) of the Listing Rules, at any general meeting, a resolution put to the vote of the meeting must be taken by poll.
- (5) In accordance with Article 103(A) of the Company's Articles of Association, Dato' Dr. Cheng Yu Tung, Mr. Chung Wai Shu, Robert, and Mr. Yuen Pak Yiu, Philip retire by rotation and, being eligible, offer themselves for re-election.
- (6) Details of all retiring Directors, their interests in the shares of the Company and their remuneration are set out under the headings "Management Profile", "Directors' Interests in Shares, Underlying Shares and Debentures" and "Directors' Emoluments" in the Annual Report 2014.