



**Melbourne**  
Enterprises Limited

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**2018 / 2019 Interim Report**

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# Condensed Consolidated Statement of Comprehensive Income

		Unaudited Six months ended 31 March	
	Note	2019 HK\$'000	2018 HK\$'000
<b>Revenue</b>	5	113,438	109,193
Operating costs		( 19,338)	( 13,256)
Gross profit		94,100	95,937
Other income		779	345
Administrative expenses		( 7,117)	( 7,522)
Increase in fair values of investment properties		10,000	914,500
Operating profit	6	97,762	1,003,260
Share of results of investments accounted for using the equity method		—	( 2)
<b>Profit before taxation</b>		97,762	1,003,258
Income tax expenses	7	( 14,163)	( 14,504)
<b>Profit for the period and total comprehensive income for the period attributable to equity holders</b>		83,599	988,754
<b>Earnings per share</b>			
Basic and diluted	9	HK\$3.34	HK\$39.55

## Condensed Consolidated Balance Sheet

		Unaudited 31 March 2019 HK\$'000	Audited 30 September 2018 HK\$'000
	Note		
<b>Non-current assets</b>			
Property, plant and equipment	10	1,462	1,746
Investment properties	10	9,548,000	9,538,000
Investments accounted for using the equity method		—	317
Available-for-sale investment	11	—	49,763
Financial asset at fair value through other comprehensive income	11	49,763	—
Advances to an investee company	11	29,605	29,605
		<u>9,628,830</u>	<u>9,619,431</u>
<b>Current assets</b>			
Debtors, other receivables, deposits and prepayments	12	6,380	6,526
Cash and bank balances	13	263,019	273,961
		<u>269,399</u>	<u>280,487</u>
<b>Current liabilities</b>			
Creditors, accruals and deposits	14	48,896	49,296
Current tax payable		13,129	28,906
		<u>62,025</u>	<u>78,202</u>
<b>Net current assets</b>		<u>207,374</u>	<u>202,285</u>
<b>Total assets less current liabilities</b>		<u>9,836,204</u>	<u>9,821,716</u>

	<b>Unaudited</b>	Audited
	<b>31 March</b>	30 September
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
<b>Non-current liabilities</b>		
Provision for long service payments	14,380	13,491
Deferred tax liabilities	1,778	1,778
	<u>16,158</u>	<u>15,269</u>
<b>Net assets</b>	<u><u>9,820,046</u></u>	<u><u>9,806,447</u></u>
<b>Equity</b>		
Share capital	125,000	125,000
Investment revaluation reserve	—	49,762
Fair value through other comprehensive income reserve	49,762	—
Retained profits	<u>9,645,284</u>	<u>9,631,685</u>
<b>Total equity</b>	<u><u>9,820,046</u></u>	<u><u>9,806,447</u></u>

# Condensed Consolidated Statement of Changes in Equity

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Total equity at beginning of the period	<b>9,806,447</b>	7,611,631
Profit for the period and total comprehensive income for the period	<b>83,599</b>	988,754
Dividends paid	<b>( 70,000)</b>	( 67,500)
Total equity at end of the period	<b><u>9,820,046</u></b>	<u>8,532,885</u>

# Condensed Consolidated Statement of Cash Flows

		Unaudited	
		Six months ended	
		31 March	
		2019	2018
	Note	HK\$'000	HK\$'000
Net cash generated from operating activities		59,058	61,553
Net cash used in financing activities		<u>( 70,000)</u>	<u>( 67,500)</u>
Net decrease in cash and bank balances		<u>( 10,942)</u>	<u>( 5,947)</u>
Cash and bank balances at beginning of the period		<u>273,961</u>	<u>246,459</u>
Cash and bank balances at end of the period	13	<u><u>263,019</u></u>	<u><u>240,512</u></u>



# Notes to the Interim Financial Statements

## 1. PRINCIPAL ACCOUNTING POLICIES

The Unaudited Condensed Consolidated Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA.

The Unaudited Condensed Consolidated Interim Financial Information should be read in conjunction with the Group’s annual audited consolidated financial statements for the year ended 30 September 2018 (the “2018 Annual Financial Statements”), which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

The accounting policies and methods of computation used in the preparation of the Unaudited Condensed Consolidated Interim Financial Information are consistent with those set out in the 2018 Annual Financial Statements, except for the adoption of the following new standards, interpretation, amendments and improvements to existing standards issued by the HKICPA:

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (a) Adoption of new standards, interpretation, amendments and improvements to existing standards

The Group has adopted the following new standards, interpretation, amendments and improvements to existing standards which are mandatory for the financial year ending 30 September 2019:

HKAS 40 Amendment	Transfers of Investment Property
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 Amendment	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 Amendment	Clarifications to HKFRS 15
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvement Projects	Annual Improvements 2014-2016 Cycle

The adoption of these new standards, interpretation, amendments and improvements to existing standards does not have any significant effect on the results and financial position of the Group, except for the impact of the adoption of HKFRS 9 disclosed in note 1.1.

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont' d)

### (b) New standards, interpretation, amendments and improvements to existing standards which are not yet effective

The following new standards, interpretation, amendments and improvements to existing standards are mandatory for accounting periods beginning on or after 1 October 2019 or later periods but which the Group has not early adopted:

HKAS 1 and HKAS 8 Amendment	Definition of Material
HKAS 19 Amendment	Plan Amendment, Curtailment or Settlement
HKAS 28 Amendment	Long-term Interests in Associates and Joint Ventures
HKFRS 3 Amendment	Definition of a Business
HKFRS 9 Amendment	Prepayment Features with Negative Compensation
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
HKFRS 16	Leases
HKFRS 17	Insurance Contracts
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments
Annual Improvement Projects	Annual Improvements 2015 – 2017 Cycle
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (b) New standards, interpretation, amendments and improvements to existing standards which are not yet effective (Cont'd)

The Group will apply these new standards, interpretation, amendments and improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the related impact to the Group and it is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted, except for the below new standard:

#### **HKFRS 16 Leases**

HKFRS 16 Leases was issued in May 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 October 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 1.1 Change in accounting policies

#### (a) Impact on the Unaudited Condensed Consolidated Interim Financial Information

As explained below, HKFRS 9 was adopted without restating comparative information. The resulting reclassifications and adjustments arising from the new accounting policies are therefore not reflected in the comparative balances, but are recognised in the opening condensed consolidated balance sheet on 1 October 2018.

The following table shows the impact on each individual line item. Line items that were not affected by the changes have not been included. The impact is explained in more details in note (b) below.

	As at 30 September 2018 as previously reported HK\$'000	Impact on initial adoption of HKFRS 9 HK\$'000	As at 1 October 2018 as restated HK\$'000
<b>Non-current assets</b>			
Available-for-sale investment	49,763	(49,763)	—
Financial asset at fair value through other comprehensive income ("FVOCI")	—	49,763	49,763
<b>Equity</b>			
Investment revaluation reserve	49,762	(49,762)	—
Fair value through other comprehensive income reserve	—	49,762	49,762

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 1.1 Change in accounting policies (Cont'd)

#### (b) HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that related to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 October 2018 resulted in changes in accounting policies. The new accounting policies are set out in note (c) below. In accordance with the transitional provisions in HKFRS 9, the comparative information for prior periods with respect to classification and measurement (including impairment) changes is not restated and differences in the carrying amounts resulting from the adoption of HKFRS 9 are recognised as adjustments to the opening condensed consolidated balance sheet on 1 October 2018.

The Group has elected to present in other comprehensive income for the changes in the fair value of all previously classified as available-for-sale financial assets which were reclassified to financial assets at FVOCI on 1 October 2018. As a results, fair value gains were reclassified from investment revaluation reserve to FVOCI reserve.

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 1.1 Change in accounting policies (Cont'd)

#### (c) HKFRS 9 Financial Instruments – Accounting policies applied from 1 October 2018

Equity investments and other financial assets

##### *Classification and measurement*

From 1 October 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income (“OCI”), or through profit or loss), and
- Those to be measured at amortised cost

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

## 1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### 1.1 Change in accounting policies (Cont'd)

#### (c) HKFRS 9 Financial Instruments – Accounting policies applied from 1 October 2018 (Cont'd)

Equity investments and other financial assets (Cont'd)

*Equity investments previously classified as available-for-sale*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investments. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

*Impairment of financial assets*

From 1 October 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The results of the revision have not resulted in any material change in impairment provision or any material impact on the carrying amount of the Group's financial assets.



## 2. PRINCIPAL ACTIVITIES

The principal activity of the Company and its subsidiary is property investment in Hong Kong.

## 3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

### (a) Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk and liquidity risk.

The interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's 2018 Annual Financial Statements.

There have been no changes in the Group's financial risk management policies and procedures since the last year end.

### (b) 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).

### 3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (Cont'd)

#### (b) Fair value estimation (Cont'd)

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 31 March 2019.

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 31 March 2019.

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 financial asset at fair value through other comprehensive income/available-for-sale investment included in level 3.

### 3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (Cont'd)

#### (b) Fair value estimation (Cont'd)

The following table presents the Group's financial instruments that are measured at fair value at 31 March 2019 and 30 September 2018:

	At 31 March 2019 Level 3 HK\$'000	At 30 September 2018 Level 3 HK\$'000
Financial asset at fair value through other comprehensive income	49,763	—
Available-for-sale investment	—	49,763

The fair value of an unlisted financial asset at fair value through other comprehensive income/available-for-sale investment is determined by adjusted net asset method with reference to market value of the golf courses and related commercial and residential properties assessed by an independent professional valuer, using direct market comparison, residual method and income capitalisation method. The directors consider that this valuation technique is more relevant given that certain of the development properties have been realised. This financial asset at fair value through other comprehensive income/available-for-sale investment is included in level 3.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements used 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 resulting accounting estimates will, by definition, seldom equal the related actual results.

Compared to the 2018 Annual Financial Statements, there were no material changes in the estimates and assumptions applied in the preparation of the Unaudited Condensed Consolidated Interim Financial Information.

## 5. SEGMENT INFORMATION

The Board collectively has been identified as the chief operating decision-maker. The Board reviews the Group's internal reporting in order to assess performance and allocate resources.

The Board considers property investment in Hong Kong as the sole operating segment of the Group.

	<b>Six months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
(a) <b>Revenue</b>		
Property investment	<u>113,438</u>	<u>109,193</u>
(b) <b>Contribution to profit before taxation</b>		
Property investment -		
Rental operations	87,762	88,760
Increase in fair values of investment properties	<u>10,000</u>	<u>914,500</u>
	<b>97,762</b>	1,003,260
Share of results of investments accounted for using the equity method	<u>—</u>	<u>( 2)</u>
Profit before taxation	<u><b>97,762</b></u>	<u>1,003,258</u>

Revenue (representing turnover) represents gross rental and service income from investment properties.

## 6. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Six months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
Crediting:		
Interest income	<u>689</u>	<u>264</u>
Charging:		
Depreciation	284	318
Bad debt expense	<u>—</u>	<u>130</u>

## 7. INCOME TAX EXPENSES

	Six months ended 31 March	
	2019	2018
	HK\$'000	HK\$'000
<b>Current income tax</b>		
– Hong Kong profits tax	<u>14,163</u>	<u>14,504</u>

For the six months ended 31 March 2019, the provision for Hong Kong profits tax has been calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of a qualifying corporation of the Group will be taxed at 8.25%, and assessable profits above HK\$2 million of the qualifying corporation will be taxed at 16.5%. The assessable profits of the other entity of the Group in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

For the six months ended 31 March 2018, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits of the Group for the period.

## 8. INTERIM DIVIDEND

	<b>Six months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend, declared, of HK\$2.3 (2018: HK\$2.3) per share	<u><b>57,500</b></u>	<u><b>57,500</b></u>

At a meeting held on 23 May 2019, the directors declared an interim dividend of HK\$2.3 per share (2018: HK\$2.3 per share). The dividend will be payable in cash. The interim dividend declared is not reflected as dividend payable in the Unaudited Condensed Consolidated Interim Financial Information, but will be reflected as an appropriation of retained profits for the year ending 30 September 2019.

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to equity holders of HK\$83,599,000 (2018: HK\$988,754,000) and the 25,000,000 shares (2018: 25,000,000 shares) in issue throughout the six months ended 31 March 2019.

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

## 10. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

	Investment properties HK\$'000	Property, plant and equipment HK\$'000	Total HK\$'000
Net book value at			
1 October 2017	7,388,500	2,381	7,390,881
Increase in fair value	914,500	—	914,500
Depreciation	—	( 318)	( 318)
	<hr/>	<hr/>	<hr/>
Net book value at			
31 March 2018	8,303,000	2,063	8,305,063
Increase in fair value	1,235,000	—	1,235,000
Depreciation	—	( 317)	( 317)
	<hr/>	<hr/>	<hr/>
Net book value at			
30 September 2018	9,538,000	1,746	9,539,746
Increase in fair value	10,000	—	10,000
Depreciation	—	( 284)	( 284)
	<hr/>	<hr/>	<hr/>
Net book value at			
31 March 2019	<u>9,548,000</u>	<u>1,462</u>	<u>9,549,462</u>

The investment properties as at 31 March 2019 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 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 locations, property size, layout, frontage and timing of the transaction. The most significant input into this valuation approach is price per square foot. The higher the price per square foot, the higher the fair value. As at 31 March 2019, all investment properties are included in level 3 fair value hierarchy.

**11. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENT AND ADVANCES TO AN INVESTEE COMPANY**

	<b>31 March 2019 HK\$'000</b>	30 September 2018 HK\$'000
Financial asset at fair value through other comprehensive income	<u>49,763</u>	<u>—</u>
Available-for-sale investment	<u>—</u>	<u>49,763</u>
Advances to an investee company	<u>29,605</u>	<u>29,605</u>

Financial asset at fair value through other comprehensive income/available-for-sale investment represents 14.29% equity interest in Billion Park Investment Limited (“Billion Park”), a private company incorporated in Hong Kong. The principal activity of Billion Park is to participate in Foshan Country Club Company Limited, a co-operative joint venture formed in the People’s Republic of China in which the Group has an effective interest of 5%, for the construction of golf courses and related commercial and residential facilities in Foshan.

The advances are unsecured, interest free and not repayable within 12 months. Their carrying amounts are not materially different from their fair values.



## 12. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The ageing analysis of the trade debtors based on invoice date is as follows:

	<b>31 March 2019 HK\$'000</b>	30 September 2018 HK\$'000
Trade debtors		
Within 30 days	<b>3,453</b>	3,162
31 to 60 days	<b>932</b>	1,180
61 to 90 days	<b>26</b>	216
Over 90 days	<b>2</b>	2
	<u><b>4,413</b></u>	<u>4,560</u>

Trade debtors mainly represent rental receivables. The Group normally does not grant credit to trade debtors. For the six months ended 31 March 2019, no trade debtors were written-off (six months ended 31 March 2018: HK\$130,000). The other classes within debtors, other receivables, deposits and prepayments do not contain impaired assets.

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

The carrying amounts of debtors, other receivables and deposits approximate their fair values.

### 13. CASH AND BANK BALANCES

	<b>31 March 2019 HK\$'000</b>	30 September 2018 HK\$'000
Cash at banks and on hand	142,885	240,512
Time deposits	120,134	—
	<u>263,019</u>	<u>240,512</u>

The carrying amounts of cash at banks and on hand approximate their fair values.

### 14. CREDITORS, ACCRUALS AND DEPOSITS

The ageing analysis of the trade creditors based on invoice date is as follows:

	<b>31 March 2019 HK\$'000</b>	30 September 2018 HK\$'000
Trade creditors		
Within 30 days	1,164	559
31 to 60 days	113	—
61 to 90 days	—	—
Over 90 days	213	226
	<u>1,490</u>	<u>785</u>

The carrying amounts of creditors, accruals and deposits approximate their fair values.

## 15. RELATED PARTY TRANSACTIONS

During the period, certain investment properties of the Group were leased to related companies, which are controlled by certain Directors of the Company and/or their close family members, at prices and terms mutually agreed between the parties. Rental and related income from these related companies during the period was HK\$5,728,000 (2018: HK\$5,061,120).

During the period, the meal expenses for employees of HK\$96,000 were provided for by the Group to a related company, Fu Hop Investment Company Limited, which is controlled by certain directors of the Company, at mutually agreed terms.

No significant transactions have been entered into with the Directors of the Company (being the key management personnel) during the period other than the emoluments paid to them (being the key management personnel compensation) as follows:

	<b>Six months ended 31 March</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Short-term employee benefits (Fees, salaries and other emoluments)	<b>1,130</b>	1,108
Post-employment benefits	<b>224</b>	174
	<b><u>1,354</u></b>	<u>1,282</u>

At 31 March 2019, an amount due from an investment accounted for using the equity method of HK\$5,426,000 (30 September 2018: HK\$5,425,000) is unsecured, interest free and not repayable within 12 months, among which HK\$5,426,000 (30 September 2018: HK\$5,425,000) was impaired.

At 31 March 2018, amounts due to an investment accounted for using the equity method of HK\$345,200 are unsecured, interest free and repayable on demand.

## **Interim Dividend**

At a meeting held on 23 May 2019, the directors declared an interim dividend of HK\$2.3 per share (2018: HK\$2.3 per share). The dividend will be payable in cash. Dividend warrants will be posted to shareholders by Wednesday, 19 June 2019.

## **Closure of Register of Members**

The Register of Members will be closed from Monday, 10 June 2019 to Wednesday, 12 June 2019, both days inclusive, during which period no transfer of shares will be registered. To ensure their entitlement to the interim dividend, shareholders are reminded to lodge their transfers not later than 4:30 p.m. on Thursday, 6 June 2019 with Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

## **Business Review**

The Group's shops and offices at Melbourne Plaza, 33 Queen's Road Central reached an occupancy rate of 97.7% while shops and offices at Kimley Commercial Building at 142-146 Queen's Road Central was 84.6% leased. Both properties attained high occupancy rates in the first six months of the financial year.

The Group's revenue during the period increased by 3.8% to HK\$113.4 million over the same period of last year.

The Canton First Estate project forms part of the Group's investment. The golf club is in its full operation with sale of development properties. Ongoing development of properties is undertaken at different areas of the project.

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

# Management Discussion and Analysis

## GROUP RESULTS

Net profit for the six months ended 31 March 2019 amounted to HK\$83.6 million (2018: HK\$988.8 million). The decrease in profit mainly resulted from a decrease in current period's fair value gain on investment properties of HK\$10.0 million compared with the HK\$914.5 million fair value gain for the corresponding period of 2018. Besides, the Group carried out certain renovation work on Melbourne Plaza and incurred HK\$5.6 million as operating costs during the period. After allowing for the effect of fair value changes of the investment properties, the underlying operating profit from rental operations decreased 1.1% from HK\$88.8 million to HK\$87.8 million compared with the corresponding period of 2018, while revenue for the period increased by 3.8% to HK\$113.4 million (2018: HK\$109.2 million).

## SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 97.7% and 84.6% let respectively as at 31 March 2019 (2018: approximately 93.7% and 78.6% let).

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's working capital requirement was financed by its rental income. As at 31 March 2019, the Group had cash and bank balances totalling HK\$263.0 million (30 September 2018: HK\$274.0 million). During the period, the Group did not require any borrowings or overdraft facilities.

## EMPLOYEES AND REMUNERATION POLICIES

The Group employs a total of 18 employees. The Group recognises the importance of the strength of its human resources for its success. Remuneration for employees is maintained at market competitive levels and promotion and salary increments are assessed on a performance basis.

## MATERIAL ACQUISITIONS, DISPOSALS AND FUTURE DEVELOPMENTS

There were no acquisitions or disposals of subsidiary companies and investments accounted for using the equity method during the period except for dissolution of an associate. There are no other plans for material capital investments or future developments.

## Directors' Interests in Shares, Underlying Shares and Debentures

As at 31 March 2019, 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 (Note)	48.00%
Mr. Chung Yin Shu, Frederick	1,875	—	0.01%

Note:

Mr. Chung Ming Fai controls more than one-third of the voting power of Fu Hop Investment Company Limited which held 1,000 shares in the Company.

## Substantial Shareholders' Interests in Securities

As at 31 March 2019, the interests or short positions of substantial shareholders in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

### LONG POSITIONS IN SHARES

Name of substantial shareholders	Number of shares held			Approximate percentage of shareholding
	Beneficial interests	Corporate interests	Total	
Cheng Yu Tung Family (Holdings) Limited ("CYTF") <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 81.03% interest in CTFH which holds the entire interests in CTF. Therefore, CYTF, CYTF II, CTFC and CTFH are deemed to have interests in the shares in which CTF is deemed to be interested by virtue of its interests in NWD as mentioned in note 2 below.
- (2) CTF and its subsidiaries have interests in more than one-third of the issued shares of NWD and accordingly CTF is deemed to have an interest in the shares in which NWD is interested or deemed to be interested.

- (3) NWD holds 100% direct interest in KK and is accordingly deemed to have an interest in the shares deemed to be interested by KK.

Save as disclosed above, there is no other interest recorded in the register that is required to be kept under Section 336 of the SFO as at 31 March 2019.

## **Purchase, Sale or Redemption of Shares**

The Company has not redeemed any of its listed securities during the six months ended 31 March 2019. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the six months ended 31 March 2019.

## **Audit Committee**

The Audit Committee has reviewed the unaudited interim financial information. The external auditor conducted a review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information" issued by the HKICPA. On 21 May 2019, the Audit Committee met with the management and the external auditor to review the unaudited interim financial information.

## **Code on Corporate Governance Practices**

During the financial period, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules except that non-executive directors are not appointed for a specific term as they are subject to retirement by rotation and re-election at annual general meeting in accordance with the Articles of Association of the Company.

## **Model Code for Securities Transactions by Directors**

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules. Based on specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards of the said code during the six months ended 31 March 2019.



## **Requirement in Connection with Publication of “Non-Statutory Accounts” under Section 436 of The Hong Kong Companies Ordinance Cap. 622**

The financial information relating to the year ended 30 September 2018 included in the Interim Report 2018/2019 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- (a) The Company had delivered the financial statements for the year ended 30 September 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.
- (b) The Company’s auditor had reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

**Chung Yin Shu, Frederick**  
Secretary

Hong Kong, 23 May 2019

As at the date of this report, the Board of the Company comprises (a) three executive directors, namely Mr. Chung Ming Fai, Mr. Chung Yin Shu, Frederick and Mr. Tsang On Yip, Patrick; (b) one non-executive director, namely Mr. Chung Wai Shu, Robert; and (c) three independent non-executive directors, namely Dr. Fong Yun Wah, G.B.S., J.P., Mr. Lo Pak Shiu and Mr. Yuen Sik Ming, Patrick.