# Melbourne Enterprises Limited

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 158)**

ANNUAL REPORT 2021

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# GROUP STRUCTURE

*At 30 September 2021*

## PARENT COMPANY

Melbourne Enterprises Limited

| SUBSIDIARY | Equity Holding | Principal Activities |
|---|---|---|
| Iau On Company Limited | 100% | Property investment |
| **ASSOCIATE** | | |
| Chuen King Enterprises Limited | 50% | Inactive |

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chung Ming Fai *(Chairman)*
Mr. Chung Yin Shu, Frederick
Mr. Tsang On Yip, Patrick
*(Mr. Kenneth Lau as his alternate)*

### Non-executive Director

Mr. Chung Wai Shu, Robert

### Independent Non-executive Directors

Dr. Fong Yun Wah, G.B.S., J.P.
Mr. Lo Pak Shiu
Mr. Yuen Sik Ming, Patrick
Mr. Wong Kai Tung, Tony

## COMPANY SECRETARY

Mr. Chung Yin Shu, Frederick

## AUDIT COMMITTEE

Mr. Yuen Sik Ming, Patrick *(Chairman)*
Mr. Chung Wai Shu, Robert
Dr. Fong Yun Wah, G.B.S., J.P.
Mr. Lo Pak Shiu
Mr. Wong Kai Tung, Tony

## REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Mr. Yuen Sik Ming, Patrick *(Chairman)*
Mr. Chung Yin Shu, Frederick *(Secretary)*
Mr. Chung Wai Shu, Robert
Dr. Fong Yun Wah, G.B.S., J.P.
Mr. Lo Pak Shiu
Mr. Wong Kai Tung, Tony

## AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

## 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

# MANAGEMENT PROFILE

## EXECUTIVE DIRECTORS

Mr. Chung Ming Fai, aged 101, 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 77, 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.

Mr Tsang On Yip, Patrick, aged 50, was appointed Executive Director of the Company in April 2015. He is the Chief Executive Officer and executive director of Chow Tai Fook Enterprises Limited, the vice-chairman and executive director of i-CABLE Communications Limited, an executive director of UMP Healthcare Holdings Limited, and a non-executive director of SJM Holdings Limited, Greenheart Group Limited, and Integrated Waste Solutions Group Holdings Limited, all being listed pubic companies in Hong Kong. Mr. Tsang is also a governor of Chow Tai Fook Charity Foundation, and the founder and director of CTFE Social Solutions. Mr. Tsang holds a Bachelor of Arts degree in Economics from Columbia College of Columbia University in New York, USA.

Mr. Kenneth Lau, aged 45, was appointed as the alternate director to Mr. Tsang On Yip, Patrick, of the Company since 24 May 2019. He is a Managing Principal of Chow Tai Fook Enterprises Limited. Mr. Lau has over 20 years of experience in corporate finance, real estate and private equity investments. He holds a Master of Engineering degree from the University of Oxford in the United Kingdom.

## NON-EXECUTIVE DIRECTOR

Mr. Chung Wai Shu, Robert, aged 73, 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

Dr. Fong Yun Wah, G.B.S., J.P., aged 97, was appointed Non-executive Director of the Company in November 1994. He is presently an Independent Non-executive Director of the Company. He is also the Chairman of Hip Shing Hong Development Company Limited and Kam Wah Investment Company Limited.

Mr. Lo Pak Shiu, aged 67, 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 64, 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.

Mr. Wong Kai Tung, Tony, aged 79, has been a practicing lawyer in Hong Kong since 1968 and a practicing Notary Public in Hong Kong since 1977. He has also been admitted as a solicitor in England and Wales. He is currently a Consultant at Messrs. Hastings & Co., Solicitors and Notaries. He is also an Independent Non-executive Director of the listed companies, Lee & Man Chemical Company Limited and Lee & Man Paper Manufacturing Limited.

## 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

The Directors present their annual report together with the audited financial statements for the financial year ended 30 September 2021.

## 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 2021 are set out in the consolidated statement of comprehensive income on page 33. A commentary on annual results is included in the Directors' Business Review on page 18.

An interim dividend of HK$1.80 per share was paid in June 2021, totalling HK$45,000,000. The Directors recommend the payment of a final dividend of HK$1.80 per share, totalling HK$45,000,000.

## BUSINESS REVIEW

The business review of the Group for the year ended 30 September 2021 is set out in the sections headed "Directors' Business Review" and "Management Discussion and Analysis" on pages 18 and 19 respectively of this Annual Report.

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 72.

## DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 30 September 2021, calculated under Part 6 of the new Hong Kong Companies Ordinance (Cap. 622), amounted to HK$210,925,000 (2020: HK$244,619,000).

## DIRECTORS

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

Mr. Chung Ming Fai
Dr. Fong Yun Wah, G.B.S., J.P.
Mr. Chung Yin Shu, Frederick
Mr. Chung Wai Shu, Robert
Mr. Lo Pak Shiu
Mr. Yuen Sik Ming, Patrick
Mr. Tsang On Yip, Patrick *(Mr. Kenneth Lau as his alternate)*
Mr. Wong Kai Tung, Tony *(appointed on 28 December 2020)*

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Chung Yin Shu, Frederick, Mr. Lo Pak Shiu and Mr. Yuen Sik Ming, Patrick retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article 94 of the Company's Articles of Association, Mr. Wong Kai Tung, Tony retired and was re-elected during the year.

During the year and up to the date of this report, Mr. Chung Ming Fai, Mr. Chung Yin Shu, Frederick and Mr. Chung Wai Shu, Robert are also directors in the subsidiary of the Company. Other director of the Company's subsidiary during the year and up to the date of this report is: Mr. Lo Ka Chung.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except as disclosed in note 25 of the consolidated financial statements, no other transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or Company's subsidiary was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS (cont'd)

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.

## CONTINUING CONNECTED TRANSACTIONS

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

(1) On 30 July 2020, the Company as lessor and Fu Hop Investment Company Limited ("Fu Hop") as lessee entered into 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 "Fu Hop Premises") from the lessor for a fixed term of two years from 1 August 2020 to 31 July 2022 at a monthly rental of HK$302,976 with monthly air-conditioning charges and management fees of HK$42,920.

    The Fu Hop Premises, the subject of the lease agreement, is owned by the Company. Fu Hop 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 entering 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 2020, the annual cap under the lease agreement for the year ended 30 September 2021 and the year ending 30 September 2022 were HK$4,200,000 and HK$3,510,000 respectively.

    The total amount received from Fu Hop during the year ended 30 September 2021 under the lease agreement amounted to HK$4,151,000 which did not exceed annual cap of HK$4,200,000.

## CONTINUING CONNECTED TRANSACTIONS (cont'd)

(2) On 26 February 2019, 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 2019 to 28 February 2021 at a monthly rental of HK$451,820 with monthly air-conditioning charges and management fees of HK$58,180.

Pursuant to written requests from Foo Hang, the Company had by way of letters issued to Foo Hang on 3 September 2020 and 17 November 2020 (which letters were countersigned by Foo Hang) agreed to reduce the monthly rental, air-conditioning charges and management fee (collectively the "Monthly Total Amounts") payable by Foo Hang under the lease agreement for the period from 1 September 2020 to 30 November 2020 and 1 December 2020 to 28 February 2021 (the "Rental Revisions") to HK$419,636 per month and HK$419,636 per month respectively.

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 17 November 2020, the revised annual caps under the lease agreement, as revised by the Rental Revisions, for year ended 30 September 2021 was HK$2,100,000.

The total amount received from FH during the year ended 30 September 2021 under the lease agreement with Rental Revisions amounted to HK$2,098,000 which did not exceed the annual cap of HK$2,100,000.

## 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.

A summary of the related party transactions entered into by the Group during the year ended 30 September 2021 is disclosed in note 25 to the consolidated financial statements. The transactions entered into with Kin Fung Hong Limited and Dedicare Limited in respect of rental and related income on lease of investment properties, and Fu Hop Investment Company Limited in respect of provision of meal to employees of the Group, as described in note 25 to the consolidated financial statements also constitute continuing connected transactions under the Listing Rules. However, they are exempt from shareholders' approval, annual review and all disclosure requirements because it is below de minimis threshold under Rule 14A.76 of the Listing Rules.

## 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:

| Name of Director | Name of entity which businesses are considered to compete or likely to compete with the businesses of the Group | Description of businesses of the entity which are considered to compete or likely to compete with the Group | Nature of interest of the Director in the entity |
|---|---|---|---|
| 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, G.B.S., J.P. | Hip Shing Hong Development Company Limited | Property investment | Director |
| | Kam Wah Investment Company Limited | Property investment | Director |
| Mr. Tsang On Yip, Patrick | Chow Tai Fook Enterprises Limited group of companies | 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' 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 2021, 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 |
|---|---|---|---|
| | **Personal interests** | **Corporate interests** | **percentage of shareholding** |
| **Directors** | | | |
| Mr. Chung Ming Fai | 12,000,500 | 1,000 (Note) | 48.01 |
| 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.

## PERMITTED INDEMNITY PROVISION

The Company's Articles of Association provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 September 2021, 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 | | | |
|---|---|---|---|---|
| | Beneficial interests | Corporate interests | Total | Approximate percentage of shareholding |
| Cheng Yu Tung Family (Holdings) Limited ("CYTF")[1] | — | 6,731,250 | 6,731,250 | 26.93 |
| Cheng Yu Tung Family (Holdings II) Limited ("CYTF II")[1] | — | 6,731,250 | 6,731,250 | 26.93 |
| Chow Tai Fook Capital Limited ("CTFC")[1] | — | 6,731,250 | 6,731,250 | 26.93 |
| Chow Tai Fook (Holding) Limited (formerly known as Centennial Success Limited) ("CTFH")[1] | — | 6,731,250 | 6,731,250 | 26.93 |
| Chow Tai Fook Enterprises Limited ("CTF")[2] | 2,981,250 | 3,750,000 | 6,731,250 | 26.93 |
| New World Development Company Limited ("NWD")[3] | — | 3,750,000 | 3,750,000 | 15.00 |
| Kin Kiu Enterprises, Limited ("KK")[3] | 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 30 September 2021.

## 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.

## 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 27%, of which 11% 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 57%, of which 17%, 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 Group's financial reporting process, risk management (including but not limited to business, operation as well as environmental, social and governance related risks) 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.

## AUDITOR

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, 17 December 2021

## 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 2021, 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 2021.

## 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, financial 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 activities 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.

## AUDIT COMMITTEE

The Audit Committee, established with specific written terms of reference, consists of four Independent Non-executive Directors and one Non-executive Director 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 2021 and the unaudited interim financial statements for the six months ended 31 March 2021 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 Sik Ming, Patrick (Chairman), Mr. Chung Wai Shu, Robert, Dr. Fong Yun Wah, G.B.S., J.P., Mr. Lo Pak Shiu and Mr. Wong Kai Tung, Tony.

## 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 2021 are set out in note 9 to the financial statements.

Members of the Remuneration Committee are Mr. Yuen Sik Ming, Patrick (Chairman), Mr. Chung Yin Shu, Frederick (Secretary), Mr. Chung Wai Shu, Robert, Dr. Fong Yun Wah, G.B.S., J.P., Mr. Lo Pak Shiu and Mr. Wong Kai Tung, Tony.

## 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, Dr. Fong Yun Wah, G.B.S., J.P., Mr. Lo Pak Shiu and Mr. Wong Kai Tung, Tony.

### Attendance at Meetings of the Board and Board Committees

| | Number of meetings attended/ eligible to attend for the year ended 30 September 2021 | | | |
|---|---|---|---|---|
| | Board | Audit Committee | Remuneration Committee | Nomination Committee |
| **Name of Director** | | | | |
| **Executive Directors** | | | | |
| Mr. Chung Ming Fai *(Chairman)* | 1/8 | N/A | N/A | N/A |
| Mr. Chung Yin Shu, Frederick | 8/8 | N/A | 1/1 | 1/1 |
| Mr. Tsang On Yip, Patrick | 7/8 | N/A | N/A | N/A |
| (Attended by his alternate, Mr Kenneth Lau) | — | N/A | N/A | N/A |
| **Non-executive Director** | | | | |
| Mr. Chung Wai Shu, Robert | 8/8 | 2/2 | 1/1 | 1/1 |
| **Independent Non-executive Directors** | | | | |
| Dr. Fong Yun Wah, G.B.S., J.P. | 4/8 | 1/2 | 1/1 | 0/1 |
| Mr. Lo Pak Shiu | 8/8 | 2/2 | 1/1 | 1/1 |
| Mr. Yuen Sik Ming, Patrick | 5/8 | 2/2 | 1/1 | 1/1 |
| Mr. Wong Kai Tung, Tony | 3/6 | 1/1 | 1/1 | N/A |

## AUDITOR'S REMUNERATION

During the year ended 30 September 2021, the total fees paid/payable in respect of services provided by the Group's external auditor are set out below:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Audit and audit related services | **971** | 887 |
| Non-audit services | **356** | 100 |
| | **1,327** | 987 |

## 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.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS (cont'd)

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 28 to 32 of this annual report.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the overall responsibility for overseeing and maintaining sound and effective risk management and internal control systems on an ongoing basis so as to safeguard the Group's assets and shareholders' interests. The Board is responsible for reviewing the risk management and internal control policies on an annual basis, and has delegated the responsibility of designing, implementing and monitoring internal controls and risk management to the Executive Directors.

The risk management and internal control systems provide reasonable but not absolute assurance against material misstatement or loss. They are designed to manage the risk of failure in the Group's operations, safeguard the Group's assets, maintain appropriate accounting records and financial reporting, and ensure effective compliance with the Listing Rules and all other applicable laws and regulations. External independent professional consultants will be engaged if the Board considers appropriate.

The Board takes steps to provide sound and effective risk management, which include identification and assessment of significant business risks, monitoring and reporting of such risks and day-to-day operational management and control to reduce, mitigate, transfer or avoid risks. The identified risks are evaluated based on potential impact and likelihood of occurrence. Procedures have been established to identify and execute risk mitigation actions based on the Board's risk tolerance, provide ongoing monitoring of risks to ensure that they are effectively managed as well as to escalate and report any identified issues in a timely manner for effective control.

The Board regularly reviews the effectiveness and adequacy of the risk management and internal control systems and is satisfied that the Group's internal controls on key business processes and operations are sufficiently and reasonably implemented. The Audit Committee assists the Board to conduct annual review on the risk management and internal control systems. Given the Group's simple operating structure, it was decided that the Board would be directly responsible for the ongoing review and assessment of the risk management and internal control systems of the Group. The Board will ensure sufficient resources are deployed to maintain the adequacy and effectiveness of the risk mangement and internal controls systems.

## 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

I would report to shareholders that the Group's profit after taxation for the financial year ended 30 September 2021 amounted to HK$66.9 million (2020: loss after taxation of HK$1,185.4 million). The profit mainly resulted from the current year's decrease in fair value loss of investment properties. The fair value loss of investment properties for the current year is HK$16.3 million while the fair value loss of investment properties for the year of 2020 was HK$1,317.2 million. The Board of Directors recommend a final dividend of HK$1.80 per share payable to the shareholders registered on 9 February 2022. In addition to the interim dividend of HK$1.80 per share paid in June 2021, the total dividend for the year amounted to HK$3.60 per share (2020: HK$5.10 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 90% and 78% leased as at 30 September 2021 respectively.

During the year, rental concessions are granted to certain tenants under the outbreak of coronavirus 2019 (COVID-19) epidemic, the Group's revenue decreased by 21.3% year-on-year as a result. 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 been sold. There are other project items under development and promotion.

Looking into the future, through close liaison with tenants and continuing with its prudent business approach, the Group hopes to bring 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, 17 December 2021

# MANAGEMENT DISCUSSION AND ANALYSIS

## GROUP RESULTS

The Group's performance has declined for the year ended 30 September 2021 compared to the year ended 30 September 2020 as a result of reduced market rent, rent concessions requested by tenants and increased vacancies. Profit attributable to equity holders for the year amounted to HK$66.9 million (2020: loss attributable to equity holders of HK$1,185.4 million). The profit mainly resulted from the current year's decrease in fair value loss of investment properties. The fair value loss of investment properties for the current year is HK$16.3 million while the fair value loss of investment properties for the year of 2020 was HK$1,317.2 million. After allowing for the effect of fair value changes of investment properties, the underlying operating profit from rental operations decreased by 36.9% from HK$157.3 million for 2020 to HK$99.2 million for 2021. Revenue for the year amounted to HK$160.4 million (2020: HK$203.7 million), decreased by 21.3% year-on-year.

## SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 90% and 78% let as at 30 September 2021 respectively (2020: approximately 92% and 81% let respectively).

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's working capital requirement was financed by its rental income. As at 30 September 2021, the Group had cash and bank balances totalling HK$250.1 million (2020: HK$290.4 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 investments accounted for using the equity method during the year. There are no other plans for material capital investments or future developments.

## ABOUT THIS REPORT

Melbourne Enterprises Limited (the "Company") and its subsidiary (together the "Group" or "we") are pleased to present our annual Environmental, Social and Governance ("ESG") Report. The scope of this report covers our key business operations in property investment in Hong Kong. The report summarises our performance in sustainable development during the financial year ended 30 September 2021. The report is prepared based on the ESG Reporting Guide under Appendix 27 of the Main Board Listing Rules issued by the Stock Exchange of Hong Kong Limited.

The Group endeavours to create sustained growth and long-term value for its stakeholders. As a business with a lean employee team of 16 people, the Group embeds ESG considerations when investing in and managing its assets.

The Board of Directors (the "Board") oversees the overall direction of the Group's ESG strategies, and the Group sets up ESG programs to align with the direction. ESG performance is measured, reviewed and reported to management regularly for continuous improvement.

## REPORTING BOUNDARIES

The Group adopted the 'financial control' approach to define its organisation boundary for calculating environmental and social performance. The reporting boundary is defined by the performance of the Group and its subsidiary in Hong Kong within the reporting year. Thus, the report provides an overview of our ESG management approach, related initiatives and environmental performance indicators during the period of 1 October 2020 to 30 September 2021. There is no change of the reporting boundary compared with the previous reporting period.

## BOARD STATEMENT

The Board of Directors acknowledge the significance of effective sustainability practices and are actively integrating ESG systems in key business decisions. The Board has overall responsibility for our ESG strategy and reporting. It guides the management and monitoring of ESG matters that have been identified as relevant to the Group.

The Board regularly evaluates and determines our ESG related risks, and ensures that appropriate and effective ESG risk management and internal control systems are in place. The Board also meets and discusses the effectiveness of these systems as well as the progress made against relevant ESG-related goals and targets during the year ended 30 September 2021.

## STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group has been maintaining an open and transparent dialogue with stakeholders, including employees, customers, shareholders, suppliers, contractors, and the wider community. The Group engages its key stakeholders on a regular basis, through various channels such as staff meetings, Annual General Meeting, interview etc., to gauge their expectations and feedbacks on how we could address ESG issues in the best manner. We start by gathering a better understanding of their expectations and views on what ESG issues they think matter the most and how the Group should be expected to handle such important ESG issues. This ESG report serves as an important tool to address the key concerns and interests of our stakeholders.

The Group selected material topics based on the latest developments across global sustainability agenda and industry trends as well as materiality assessment based on how material topics influence our operations and our stakeholders. The disclosures in this ESG report have reflected and prioritised the key interests and concerns of our stakeholders during the reporting period, as obtained from the stakeholder engagement activities. Key initiatives and activities are summarised in the rest of this report.

## ENVIRONMENTAL PROTECTION

The Group is committed to operating its business in an environmentally conscious manner. Building energy consumption, waste management and water use during the use and occupancy of the Group's investment properties comprise the key parts of the Group's environmental footprint. Therefore, great emphasis has been put into resource conservation and emissions management at these properties.

We strive to reduce our greenhouse gas emissions through the lowering of our energy consumption from the major areas which include air conditioning, lift and lighting systems. We have installed high efficiency water-cooled chillers with variable-speed drives in air conditioning systems. Special coatings, which contain tight urethane resin-based paint, have been applied to the facades of our buildings in order to improve thermal insulation and reduce energy consumption from cooling. Our lifts have also been equipped with energy saving equipment with variable voltage and frequency to achieve a higher energy efficiency. Lighting systems in the corridors of some of our properties have been replaced with compact fluorescent or LED lamps that are more durable and energy efficient. Moreover, we have extended this initiative to lighting systems within the properties of the Group.

In addition to the continuous feature upgrades of some building facilities and installations, we communicate environmental targets and performance to employees, customers and other stakeholders. For example, our employees are educated to minimise the usage of energy, water and other resources at the workplace. We have been promoting double-sided printing and waste recycling. Our employees are also encouraged to turn off idle lightings and electrical appliances. Property management staff at our commercial buildings will turn off their buildings' lighting and reduce passenger lift service starting from 8 p.m. We work closely with tenants to minimise waste generation in their daily operations wherever practicable, through the prevention, reuse, recycling and recovery of waste.

## ENVIRONMENTAL PROTECTION (cont'd)

Water conservation is another key focus of the Group. For example, our property management team encourages smart water use by installing water efficient taps in washrooms and promoting concepts of water conservation to our tenants.

We are dedicated to make a contribution to environmental protection. We will continue to review the effectiveness of the existing initiatives and set achievable targets in future years.

## THE ENVIRONMENT AND NATURAL RESOURCES

The Group strives to protect the natural environment and the community by reducing negative impacts from operations. Given the nature of the Group's principal business activities, its operations are not expected to create much impact on the environment and therefore will not consume significant natural resources.

The Group will continue to look into different ways to enhance its employees' environmental awareness and incorporate environmental considerations into its business decisions, in addition to enhancing environmental measures. Minimising GHG emissions and enhancing energy efficiency through upgrading the lightings and air-cooled chillers are the long-term environmental targets of the Group.

During the reporting period, the Group has complied with relevant environmental laws and regulations. The Group does not aware of any non-compliance with significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

## RESPONDING TO CLIMATE CHANGE

As a result of climate change, extreme weather events, such as typhoons, seasonal storms and heavy rains, are likely to become more frequent in the future. To manage and mitigate climate risks resulting from extreme weather events and protect the Group against possible financial loss, the Group has formulated emergency plans to deal with extreme weathers, which aims to reduce disruption and loss due to suspension of operations. The Group regularly review the impact of climate change on its operation and will formulate measures in response to different risks to reduce the risks to the Group and achieve sustainable operations in future.

The Board will keep monitoring all relevant risks and opportunities and update its strategy in responding to climate change.

## RESPONDING TO CLIMATE CHANGE (cont'd)

### Environmental Performance Data Table

| Environmental KPIs | Unit | 2020/21 | 2019/20 |
|---|---|---|---|
| Total greenhouse gas (GHG) emissions | tonne $CO_2e$ | 3,570 | 3,805 |
| Greenhouse gas emissions (Scope 1) | tonne $CO_2e$ | 550 | 715 |
| Greenhouse gas emissions (Scope 2) | tonne $CO_2e$ | 3,020 | 3,090 |
| Total non-hazardous waste produced | tonne | 184 | 191 |
| Total electricity consumption | kWh | 3,728,605 | 3,814,630 |
| Total electricity consumption intensity by gross floor area | kWh/Square Feet | 12.18 | 12.46 |
| Total Water consumption | $m^3$ | 9,768 | 20,187 |
| Total Water consumption intensity by gross floor area | $m^3$/Square Feet | 0.03 | 0.07 |

Note:

GHG emissions data for both years were calculated based on emissions factors with reference to sources including the Stock Exchange of Hong Kong's "How to Prepare an ESG Report Appendix 2: Reporting Guidance on Environmental KPIs", the Hong Kong SAR Government's Environmental Protection Department and the Electrical and Mechanical Services Department's "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong", the Greenhouse Gas Protocol's Emission Factors for Cross Sector Tools, the OECD and IEA's "$CO_2$ Emissions from Fuel Combustion", the EPA's "Emission Factors for Greenhouse Gas Inventories" and the IEA's "Energy Statistics Manual".

## EMPLOYMENT AND LABOUR PRACTICES

Our employees are our greatest asset and the key to our sustainable growth. None of our achievements would have been possible without the great people who work at the Group. The Group commits to creating value for our employees through rewarding careers, an embracing workplace and a healthy work-life balance.

## EMPLOYMENT

The Group aspires to be an employer of choice. To offer employees fulfilling and rewarding careers, we put our people first by creating a secured, engaging and inclusive work environment.

Our human resources practices are established to align with the applicable laws and regulations with regard to recruitment, compensation, other benefits and welfare, promotion, working hours, resting periods, equal opportunity, diversity, anti-discrimination and dismissal.

## EMPLOYMENT (cont'd)

The Group provides competitive remuneration to attract and retain talent. Salary increments are assessed objectively, on a performance basis. On top of salaries, we provide a range of benefits including medical allowance, transportation and study allowances. Employees are provided with a free lunch and refreshments every working day. In order to promote employee engagement and a sense of belonging, we distribute red pockets and mooncakes at traditional festivals such as the Lunar New Year and Mid-Autumn Festival.

The Group embraces diversity and provides employees with equal opportunities. A nurturing and collaborative workplace for all employees is highly advocated whilst zero tolerance for harassment and discrimination of any form is strictly enforced by the Group. Employees are assessed and hired based on their capabilities, regardless of their age, gender, nationality, cultural background, religious belief, etc.

Our employees remain satisfied with the working environment that we have no staff turnover during the reporting period.

## HEALTH AND SAFETY

Protecting the health, safety and wellbeing of our employees is one of our key focuses. Under the COVID-19 epidemic, the Group strictly aligns with government's prevention and control policies and regulations, and performed precautionary measures to protect the health and safety of the employees. For instance, we support and encourage our staffs to take vaccines so as to reduce the risk of infection.

In our properties, we conduct maintenance and inspections in accordance with regulatory requirements regularly. Fire equipment such as fire extinguishers and the emergency lighting system are checked regularly to ensure proper functioning in the event of an emergency. In the past three years, there was no work-related injury and fatalities being reported.

As we believe both physical and mental health is important to maintain high quality of work, flexible work arrangements are made available as far as practical in support of our employees to maintain work-life balance.

## DEVELOPMENT AND TRAINING

The Group believes that professional development of the employees lays a solid foundation for its business growth and is key to maintaining its competitiveness. Our employees are encouraged to pursue work-related advanced studies and attend seminars and workshops to hone their skills. We support our people by providing study subsidies and flexibility in work scheduling to facilitate the professional development of our employees. Similar to the previous years, we subsidised our employees to attend property management training workshops. A male non-manager has completed 120 hours of trainings and obtained the Certificate in property Management provisional property Management Practitioner. We will continue to provide training opportunities for our employees and support their professional development.

## LABOUR STANDARDS

The Group strictly prohibits the use of child and forced labour in its operations and takes rigorous measures to prevent such practices. Our suppliers and contractors are expected to adhere to the same standard. The Group extends its responsibilities beyond mere compliance with relevant laws and regulations to provide employees with quality working conditions.

## OPERATING PRACTICES

### SUPPLY CHAIN MANAGEMENT

The Group interacts with a number of suppliers and contractors when managing its investment properties. Adherence to environmental and social standards by suppliers and contractors forms an important part of our commitment to sustainable procurement. Through working with our suppliers and contractors, we strive to minimise the risks associated with our supply chain including those related to environmental, social and governance practices. The Group manages the performances of the suppliers and contractors through regular monitoring by the project manager. Annual performance review on the suppliers and contractors is conducted to ensure continuous compliance with the Group's environmental policy. In the event of unsatisfactory performance, the supplier will be asked to rectify this issue in a timely manner. We may also suspend the business relationships with the suppliers or contractors who fail to comply with our performance and ethical standards. For sizeable outsourcing work such as building maintenance and renovation projects, a tendering process is in place for contractor selection. This includes a fair and transparent process for bidding, investigations, tender evaluations and decision-making.

## PRODUCT RESPONSIBILITY

The Group is responsible for providing a quality, safe and healthy working environment to the tenants and visitors of its leased properties. Tenants' feedback is welcomed and helps guide the continuous improvement of our service quality. Daily site inspections are conducted and frequent communications with our tenants are maintained with an aim to uphold a high standard of service quality. Feedback and complaints are escalated as needed and followed up by designated teams in a timely manner. The Group is committed to continually improving its service quality. For example, in our facility renovation project, we enhance our facilities with barrier-free entrance as appropriate, in response to the Hong Kong SAR Government's policy on creating a barrier-free access physical environment for persons with disabilities. We care about the customer experience in our properties. We decorate the common areas with greenery, which creates a warm and welcoming environment for our tenants and visitors.

Protecting customer data privacy is a priority when it comes to managing our relationships with our tenants. We implement scrupulous procedures to protect customer data. Customer data are only accessible by authorised personnel and handled with care.

## ANTI-CORRUPTION

The Group is committed to operating with a high level of integrity and accountability. We have zero tolerance for fraudulent behaviour, corruption and any forms of bribery. Our principles and strong stance against corruption, conflicts of interest and other malpractices are well conveyed to our employees and the parties that we work with though our Code of Conduct. During the reporting period, there were no suspected or concluded legal cases regarding corrupt practices brought against the Company or its employees.

## COMMUNITY INVESTMENT

The Group is dedicated to serve the community and to creating a positive impact. For example, during the year, we continued to support the used clothes recycling campaign jointly organised by a non-profit making organisation. The campaign, championed by a family member of one of our senior management staff, is aimed to reduce waste and raise funds to help those in need. We provided our emptied shops as the premises to host the clothes sale. Donations raised in the clothes sale were used to support the underprivileged. Beneficiaries are local and international organisations including, but not limited to, Chi Heng Foundation, Food Angel, Life Commitment Charity Club, Changing Young Lives Foundation, Giving Love, CUHK Medical Centre and the Hong Kong Federation of Youth Groups.

## REGULATORY COMPLIANCE

The Group is committed to ensuring its businesses are operated in compliance with relevant laws, rules and regulations. Regulatory frameworks within which the Group operates are analysed and monitored; internal policies are prepared and updated accordingly. Workshops or trainings are also conducted where necessary to strengthen the awareness and understanding of the Group's internal controls and compliance procedures.

During the reporting period, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to environmental protection, employment, labour practices and operating practices.

## SOCIAL PERFORMANCE REPORT

The following social data are prepared in accordance with Reporting Guide.

| Social KPIs | Unit | 2020/2021 | 2019/2020 |
|---|---|---|---|
| **B1: Employment** | | | |
| Total workforce | No. of employees | 16 | 17 |
| a: Number of employees by employment type | | | |
| Full-time | No. of employees | 16 | 17 |
| Part-time | No. of employees | — | — |
| b: By gender | | | |
| Male | Percentage of employees | 56% | 59% |
| Female | Percentage of employees | 44% | 41% |
| c: By employee category | | | |
| Non-Managers | Percentage of employees | 88% | 88% |
| Top Managers | Percentage of employees | 12% | 12% |
| d: By age group | | | |
| Aged below 30 | Percentage of employees | 6% | 6% |
| Aged 30 - 50 | Percentage of employees | 19% | 18% |
| Aged over 50 | Percentage of employees | 75% | 76% |
| e: By geographical region | | | |
| Hong Kong | No. of employees | 16 | 17 |
| **B5: Supply Chain Management** | | | |
| Number of suppliers in supply chain | | | |
| Number of suppliers | No. of suppliers | 8 | 7 |
| Number of suppliers by geographical region | | | |
| Hong Kong | | | |
| Suppliers | No. of suppliers | 8 | 7 |
| **B6: Community Investment** | | | |
| Resources contributed to the focus area | | | |
| Amount of money donated/contributed | | | |
| Environmental concerns | HKD | 807,175 | 1,055,775 |

## INDEPENDENT AUDITOR'S REPORT

To the Members of Melbourne Enterprises Limited
(incorporated in Hong Kong with limited liability)

## OPINION

### *What we have audited*

The consolidated financial statements of Melbourne Enterprises Limited (the "Company") and its subsidiary (the "Group"), which are set out on pages 33 to 71, comprise:

- the consolidated balance sheet as at 30 September 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### *Our opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 September 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

### *Independence*

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Key audit matter identified in our audit is valuation of investment properties.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Valuation of investment properties**<br><br>Refer to notes 3(f), 5(a) and 14 to the consolidated financial statements<br><br>As at 30 September 2021, the Group's investment properties were stated at fair value of HK$7,503.5 million, with a fair value loss of HK$16.3 million recorded in the consolidated statement of comprehensive income for the year.<br><br>Management has engaged an independent external valuer to perform a valuation of the investment properties. The external valuer used the direct comparison approach in the valuation of all the investment properties. The valuation of these investment properties requires significant judgment and estimates by the management and the valuer.<br><br>In determining a property's valuation, the valuer took into account properties of a similar nature, condition or location and made adjustments to comparable market transactions to arrive at the final valuation.<br><br>As the fair value changes were significant to the financial statements and significant judgment is required in determining the fair values, specific audit focus was placed on this area. | Our audit procedures in relation to the valuation of investment properties included:<br><br>• We evaluated management's valuation process of the investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.<br><br>• We evaluated the valuer's qualifications, expertise and objectivity.<br><br>• With the assistance of our internal valuation experts, we performed the following:<br><br>– We read the valuation reports for all properties, held discussions with the valuer to assess the appropriateness of the valuation approach and the market transactions used (including adjustments to comparable market transactions) for determining the fair value for the purpose of the Group's financial statements.<br><br>– We compared the market transactions used by the valuer to our knowledge of the property market and published external data, such as transaction records by property agencies and the Land Registry.<br><br>• We assessed the adequacy of the disclosures relating to the fair value measurement of investment properties in the context of the applicable financial reporting standards.<br><br>We found that management's valuation of the investment properties was supported by the available evidence. |

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (cont'd)

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Wai Lun.

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 17 December 2021

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 30 September*

| | Note | 2021<br>HK$' 000 | 2020<br>HK$' 000 |
|---|---|---|---|
| **Revenue** | 6 | **160,423** | 203,704 |
| Operating costs | | **(49,024)** | (37,128) |
| Gross profit | | **111,399** | 166,576 |
| Other income | 7 | **616** | 3,207 |
| Administrative expenses | | **(12,836)** | (12,474) |
| Decrease in fair values of investment properties | 14 | **(16,300)** | (1,317,200) |
| **Profit/(loss) before taxation** | 8 | **82,879** | (1,159,891) |
| Income tax expenses | 10 | **(16,016)** | (25,547) |
| **Profit/(loss) for the year attributable to equity holders** | | **66,863** | (1,185,438) |
| **Other comprehensive income/(loss)** | | | |
| *Item that will not be classified subsequently to profit or loss* | | | |
| Fair value gain/(loss) on financial asset at fair value through other comprehensive income | | **11,986** | (22,794) |
| **Total comprehensive income/(loss) attributable to equity holders** | | **78,849** | (1,208,232) |
| **Earnings/(loss) per share** | | | |
| Basic and diluted | 12 | **HK$2.67** | (HK$47.42) |

The notes on pages 38 to 71 form part of the consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

| | Note | 30 September 2021 HK$' 000 | 30 September 2020 HK$' 000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **84** | 616 |
| Investment properties | 14 | **7,503,500** | 7,519,800 |
| Investment accounted for using the equity method | 16 | **—** | — |
| Financial asset at fair value through other comprehensive income | 18 | **98,273** | 86,287 |
| Advances to an investee company | 18 | **29,605** | 29,605 |
| Deferred rent receivables | 19 | **505** | 966 |
| | | **7,631,967** | 7,637,274 |
| **Current assets** | | | |
| Debtors, other receivables, deposits and prepayments | 19 | **9,109** | 13,897 |
| Cash and bank balances | 20 | **250,110** | 290,398 |
| | | **259,219** | 304,295 |
| **Current liabilities** | | | |
| Creditors, accruals and deposits | 21 | **44,753** | 46,045 |
| Current tax payable | | **11,764** | 25,396 |
| | | **56,517** | 71,441 |
| **Net current assets** | | **202,702** | 232,854 |
| **Total assets less current liabilities** | | **7,834,669** | 7,870,128 |
| **Non-current liabilities** | | | |
| Provision for long service payments | | **14,843** | 14,195 |
| Deferred tax liabilities | 22 | **2,292** | 2,248 |
| | | **17,135** | 16,443 |
| **Net assets** | | **7,817,534** | 7,853,685 |

# CONSOLIDATED BALANCE SHEET (CONTINUED)

| | Note | 30 September 2021 HK$' 000 | 30 September 2020 HK$' 000 |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 23 | **125,000** | 125,000 |
| Fair value through other comprehensive income reserve | | **98,272** | 86,286 |
| Retained profits | | **7,594,262** | 7,642,399 |
| **Total equity** | | **7,817,534** | 7,853,685 |

**Chung Ming Fai**
*Director*

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

The notes on pages 38 to 71 form part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Year ended 30 September*

| | Share capital | Fair value through other comprehensive income reserve | Retained profits | Total |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Balance at 30 September 2019** | **125,000** | **109,080** | **8,955,337** | **9,189,417** |
| Loss for the year attributable to equity holders | — | — | (1,185,438) | (1,185,438) |
| Fair value loss on financial asset at fair value through other comprehensive income | — | (22,794) | — | (22,794) |
| Total comprehensive loss for the year | — | (22,794) | (1,185,438) | (1,208,232) |
| 2019 final dividend paid | — | — | (70,000) | (70,000) |
| 2020 interim dividend paid | — | — | (57,500) | (57,500) |
| **Balance at 30 September 2020** | **125,000** | **86,286** | **7,642,399** | **7,853,685** |
| Profit for the year attributable to equity holders | — | — | 66,863 | 66,863 |
| Fair value gain on financial asset at fair value through other comprehensive income | — | 11,986 | — | 11,986 |
| Total comprehensive income for the year | — | 11,986 | 66,863 | 78,849 |
| 2020 final dividend paid | — | — | (70,000) | (70,000) |
| 2021 interim dividend paid | — | — | (45,000) | (45,000) |
| **Balance at 30 September 2021** | **125,000** | **98,272** | **7,594,262** | **7,817,534** |

The notes on pages 38 to 71 form part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*Year ended 30 September*

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(loss) before taxation | **82,879** | (1,159,891) |
| Adjustments for: | | |
| Interest income | **(457)** | (3,037) |
| Depreciation | **532** | 567 |
| Impairment loss on trade debtors | **—** | 56 |
| Changes in fair values of investment properties | **16,300** | 1,317,200 |
| Operating profit before working capital changes | **99,254** | 154,895 |
| Decrease/(increase) in deferred rent receivables, debtors, other receivables, deposits and prepayments | **5,367** | (7,639) |
| Decrease in creditors, accruals and deposits | **(1,292)** | (4,952) |
| Increase/(decrease) in provision for long service payments | **648** | (369) |
| Net cash generated from operations | **103,977** | 141,935 |
| Interest received | **339** | 3,400 |
| Hong Kong profits tax paid | **(29,604)** | (28,012) |
| Net cash generated from operating activities | **74,712** | 117,323 |
| **Cash flows used in investing activity** | | |
| Purchase of property, plant and equipment | **—** | (6) |
| Net cash used in investing activity | **—** | (6) |
| **Cash flows used in financing activity** | | |
| Dividends paid | **(115,000)** | (127,500) |
| Net cash used in financing activitiy | **(115,000)** | (127,500) |
| Net decrease in cash and bank balances | **(40,288)** | (10,183) |
| Cash and bank balances at beginning of the year | **290,398** | 300,581 |
| Cash and bank balances at end of the year | **250,110** | 290,398 |

The notes on pages 38 to 71 form part of the consolidated financial statements.

## 1. GENERAL INFORMATION

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

The Company and its subsidiary (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 17 December 2021.

## 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 financial asset at fair value through other comprehensive income ("FVOCI"), 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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 below.

### (a) Adoption of amendments to existing standards

The Group has adopted the following amendments to existing standards that are mandatory and relevant to the Group's operation for the financial year ended 30 September 2021:

| | |
|---|---|
| HKAS 1 and HKAS 8 Amendment | Definition of Material |
| HKAS 39, HKFRS 7 and HKFRS 9 Amendment | Interest Rate Benchmark Reform – Phase 1 |
| HKFRS 3 Amendment | Definition of a Business |
| HKFRS 16 Amendment | COVID-19 Related Rent Concessions |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting |

The adoption of these amendments to existing standards does not have any significant effect on the results and financial position of the Group.

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

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

The following new standard, interpretation, amendments and improvements to existing standards are mandatory for accounting periods beginning on or after 1 October 2021 or later periods but which the Group has not early adopted:

| | |
|---|---|
| HKAS 1 Amendment | Classification of Labilities as Current or Non-Current |
| HKAS 1 and HKFRS Practice Statement 2 Amendment | Disclosure of Accounting Policies |
| HKAS 8 Amendment | Definition of Accounting Estimates |
| HKAS 12 Amendment | Deferred Tax related to Assets and Liabilities from a Singe Transaction |
| HKAS 16 Amendment | Property, Plant and Equipment – Proceeds before intended Use |
| HKAS 37 Amendment | Onerous Contracts – Cost of Fulfilling a Contract |
| HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 Amendment | Interest Rate Benchmark Reform – Phase 2 |
| HKFRS 3 Amendment | Reference to the Conceptual Framework |
| HKFRS 10 and HKAS 28 Amendment | Sale or Contribution of Assets between an investor and its Associate or Joint Venture |
| HKFRS 16 Amendment | COVID-19 Related Rent Concessions beyond 30 June 2021 |
| HKFRS 17 and HKFRS 17 Amendment | Insurance Contracts |
| Annual Improvement Projects | Annual improvements to HKFRSs 2018-2020 Cycle |
| Accounting Guideline 5 (Revised) | Merger Accounting for Common Control Combinations |

The Group will apply these new standard, 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 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.

## 3. SUMMARY OF SIGNIFICANT 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.

### (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.

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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (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.

### (d) Investments and the financial assets

*(i) Classification*

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.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Investments and the financial assets (cont'd)

#### *(ii) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### *(iii) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated statement of comprehensive income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

***Debt instruments***

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as amortised cost where assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated statement of comprehensive income and presented in other gains/(losses) together with foreign exchange gains and losses.

***Equity instruments***

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 investment. Dividends from such investments continue to be recognised in consolidated statement of comprehensive income as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Investments and the financial assets (cont'd)

#### *(iv) Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments 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. For other financial assets at amortised cost, as permitted by a transitional provision in HKFRS 9, the provision for these financial assets will be determined based on whether their credit risk are low at each reporting date, and, if so, by recognising a 12-month expected losses amount. If the financial asset is not of a low credit risk, the corresponding provision for doubtful debts will be recognised as equal to lifetime expected losses.

### (e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the carrying amount of the assets or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repair and maintenance costs are expensed in the 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (f) Investment properties

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

Investment property 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.

### (g) 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (h) 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.

### (i) 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. When the Group provides incentives to its tenants, the cost of incentives will be recognised over the lease term, on a straight-line basis, as a reduction of rental income. The difference between the gross invoiced amount of rental and operating lease rental recognised over the lease term is recognised as deferred rent receivables.

*(ii) Service fees*

Property management service fee is recognised when services are rendered.

*(iii) Interest income*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

*(iv) Dividend income*

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (j) Operating leases

*Group as the lessor of operating leases*

Lease income from operating leases where the Group acts as the lessor is recognised on a straight-line basis over the lease term. Initial direct costs incurred in obtaining the operating lease are added to the carrying amount of the underlying asset and recognised as expenses over the lease term on the same basis as lease income. Lease incentives are accounted as in note (i)(i) above. The respective leased assets are included in the balance sheet based on their nature.

### (k) 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (k) Current and deferred taxation (cont'd)

#### *(b) Deferred income tax (cont'd)*

*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.

### (l) 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 Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (m) 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 consolidated statement of comprehensive income, and other changes in carrying amount are recognised in other comprehensive income.

### (n) 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.

### (o) Trade and other debtors

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables 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.

Trade and other receivables are recognised initially at the amount of consideration that is conditional unless they contain significant financing components, when they are recognised at fair value, and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

In the event that lease incentives, including rent free periods are given, such incentives are recognised as deferred rent receivables. The aggregate benefit of incentives is recognised as a reduction of rental income on a straight-line basis.

### (p) 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (q) 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.

### (r) Share capital

Ordinary shares are classified as equity.

### (s) Government subsidies

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the subsidy will be received and the Group will comply with all attached conditions. Government subsidies relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

## 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, other receivables 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.

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 monitors its credit control procedures and policies.

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

### (a) Credit risk (cont'd)

The Group considers the probability of default from initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis by close monitoring against established credit policies in each of its core business. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the assets, generally on individual basis, as at the reporting date with the risk of default as at the date of initial recognition.

For trade debtors and deferred rent receivables in relation to rental income, the Group carries out regular review on these balances and follow-up action on any overdue amounts to minimise exposures to credit risk. The Group measures the lifetime expected credit losses based on the outstanding balances with debtors, offset with the deposit placed to the Group by the counterparties or the assets held by the counterparties expected to be frozen by the court for confiscation, and historical credit loss experience adjusted by the current and forecast economic conditions that may affect the ability of the counterparties to settle receivables.

Impairment on financial assistance provided to investee company such as loan receivable, is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition, through the management's critical assessment on the recoverable amounts based on underlying assets, historical repayment pattern, the actual and expected changes in business performance and general market default rate. If a significant increase in credit risk of a receivable has occurred since initial recognition, then loss allowance is measured as lifetime expected credit losses.

Deposits are placed with high credit-quality financial institutions.

### (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 and deposits are due within one year.

### (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 2021 and 2020. The Group uses equity to finance its operation.

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

### (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 2021 and 2020.

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 2021 and 2020.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Unobservable inputs were used to determine the fair value of financial asset at FVOCI, which is included in level 3.

For the year ended 30 September 2021, there were no transfer of financial assets of the Group between different levels of the fair value hierarchy.

The following table presents the Group's financial instruments that are measured at fair value at 30 September 2021 and 2020:

| | **2021**<br>**Level 3**<br>**HK$'000** | 2020<br>Level 3<br>HK$'000 |
|---|---|---|
| Financial asset at fair value through other comprehensive income | **98,273** | 86,287 |

Changes in financial asset at FVOCI in level 3 financial instrument for the year ended 30 September 2021 and 2020 were set out in note 18 (iii).

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

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

As at 30 September 2021 and 2020, the fair value of an unlisted financial asset at fair value through other comprehensive income 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 discounted cash flow method, direct market comparison, residual method and income capitalisation method for respective properties. The directors consider that this valuation technique is more relevant given that the golf courses and related commercial and residential properties are the major and principal underlying assets of the financial asset. This financial asset at fair value through other comprehensive income is included in level 3.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments 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 assets are as follows:

### (a) Valuation of investment properties

The fair value of each investment property is individually determined at each balance sheet date by independent valuers on a market value assessment. 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 judgment, the valuer considers information from a variety of sources including current sale prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences.

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

At 30 September 2021, 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$750.4 million (2020: HK$752.0 million) higher/lower and the Group's profit before tax would have been increased/ decreased by HK$750.4 million (2020: loss before tax decreased/increased by HK$752.0 million).

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

### (b) Fair value of financial asset at FVOCI

The fair value of financial asset at FVOCI that is not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a method (i.e. adjusted net asset method) and make assumptions that are mainly based on market conditions at the end of each reporting period.

## 6. SEGMENT INFORMATION

The Board collectively has been identified as the chief operating decision makers. 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.

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **(a) Revenue** | | |
| Property investment | | |
| Rental income | **142,656** | 183,919 |
| Property management fee income | **17,767** | 19,785 |
| | **160,423** | 203,704 |
| **(b) Contribution to profit/(loss) before taxation** | | |
| Property investment – Rental operation | **99,179** | 157,309 |
| Decrease in fair values of investment properties | **(16,300)** | (1,317,200) |
| Profit/(loss) before taxation | **82,879** | (1,159,891) |

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

## 7. OTHER INCOME

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Bank interest income | **457** | 3,037 |
| Sundry income | **159** | 170 |
| | **616** | 3,207 |

## 8. PROFIT/(LOSS) BEFORE TAXATION

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Profit/(loss) before taxation is stated after charging: | | |
| Outgoings in respect of investment properties | **47,558** | 35,471 |
| Directors' emoluments (note 9(a)) | **2,528** | 2,461 |
| Auditor's remuneration | **965** | 887 |
| Depreciation | **532** | 567 |
| Impairment loss on trade debtors | **—** | 56 |
| Staff costs (excluding Directors' emoluments) | | |
| Salaries and other emoluments (note) | **5,215** | 4,870 |
| Long service payments | **668** | 938 |
| Contributions to mandatory provident fund scheme | **133** | 133 |

Note:

For the year ended 30 September 2021, wages subsidies of HK$270,000 (2020: HK$540,000) from the Employment Support Scheme ("ESS") under the Anti-epidemic Fund of the HKSAR Government are net off in salaries and other emoluments. The ESS aims to provide time-limited financial support to employers to retain their employees who may otherwise be made redundant as a result of the coronavirus disease 2019 ("COVID-19").

## 9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **(a) Directors' emoluments** | | |
| Fees | **1,164** | 1,050 |
| Salaries and other emoluments | **1,184** | 1,152 |
| Long service payments | **180** | 259 |
| | **2,528** | 2,461 |

Each Director receives a fixed fee of HK$150,000 (2020: HK$150,000) per annum. Fees paid to Non-executive Directors for the year amounted to HK$714,000 (2020: HK$600,000). During the year, the Group did not pay the Directors any inducement to join or upon joining the Group, any compensation for loss of office. None of the Directors has waived the right to receive their emoluments.

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

**For the year ended 30 September 2021**

| **Name of Director** | **Fees** | **Salaries and allowances** | **Bonus** | **Long service payments** | **Total** |
|---|---|---|---|---|---|
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| Mr. Chung Ming Fai | **150** | — | — | — | **150** |
| Dr. Fong Yun Wah, G.B.S., J.P. | **150** | — | — | — | **150** |
| Mr. Chung Yin Shu, Frederick | **150** | **1,054** | **130** | **180** | **1,514** |
| Mr. Chung Wai Shu, Robert | **150** | — | — | — | **150** |
| Mr. Lo Pak Shiu | **150** | — | — | — | **150** |
| Mr. Yuen Sik Ming, Patrick | **150** | — | — | — | **150** |
| Mr. Tsang On Yip, Patrick | **150** | — | — | — | **150** |
| Mr. Wong Kai Tung, Tony | **114** | — | — | — | **114** |
| | **1,164** | **1,054** | **130** | **180** | **2,528** |

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

**For the year ended 30 September 2020**

| Name of Director | Fees | Salaries and allowances | Bonus | Long service payments | Total |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Mr. Chung Ming Fai | 150 | — | — | — | 150 |
| Dr. Fong Yun Wah, G.B.S., J.P. | 150 | — | — | — | 150 |
| Mr. Chung Yin Shu, Frederick | 150 | 1,027 | 125 | 259 | 1,561 |
| Mr. Chung Wai Shu, Robert | 150 | — | — | — | 150 |
| Mr. Lo Pak Shiu | 150 | — | — | — | 150 |
| Mr. Yuen Sik Ming, Patrick | 150 | — | — | — | 150 |
| Mr. Tsang On Yip, Patrick | 150 | — | — | — | 150 |
| | 1,050 | 1,027 | 125 | 259 | 2,461 |

Notes

i) During the year, no payments, benefits or pensions in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2020: HK$Nil).

ii) During the year, no consideration was provided to or receivable by third parties for making available directors' services (2020: HK$Nil).

iii) During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2020: None).

iv) Except as disclosed in note 25 to the consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: None).

## 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 (2020: one Director) whose emoluments are reflected in the analysis presented in note 9(a) above. Details of the emoluments paid to the remaining four (2020: four) individuals during the year are as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Salaries and other emoluments | 2,453 | 2,386 |
| Long service payments | 330 | 455 |
| | 2,783 | 2,841 |

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

## 10. INCOME TAX EXPENSES

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Current income tax | | |
| – Hong Kong profits tax | 15,992 | 25,157 |
| – Over-provision in respect of prior year | (20) | (80) |
| | 15,972 | 25,077 |
| Deferred income tax (note 22) | 44 | 470 |
| | 16,016 | 25,547 |

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

For the years ended 30 September 2021 and 2020, 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%.

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows.

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit/(loss) before taxation | **82,879** | (1,159,891) |
| Calculated at a taxation rate of 16.5% (2020: 16.5%) | **13,675** | (191,382) |
| Income not subject to taxation | **(252)** | (728) |
| Expenses or loss not deductible for taxation purposes | **2,778** | 217,432 |
| Recognition of temporary difference previously unrecognised | **—** | 470 |
| Effect of different tax rate of a subsidiary | **(165)** | (165) |
| Over-provision in respect of prior year | **(20)** | (80) |
| Income tax expenses | **16,016** | 25,547 |

## 11. DIVIDENDS

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interim dividend paid of HK$1.80 (2020: HK$2.30) per share | **45,000** | 57,500 |
| Final dividend proposed of HK$1.80 (2020: HK$2.80) per share | **45,000** | 70,000 |
| | **90,000** | 127,500 |

At a meeting held on 17 December 2021, the Directors recommended a final dividend of HK$1.80 per share. This proposed dividend will be accounted for as an appropriation of retained profits for the year ending 30 September 2022.

## 12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity holders of HK$66,863,000 (2020: loss attributable to equity holders of HK$1,185,438,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2021 and 2020.

Diluted earnings/(loss) per share equals basic earnings/(loss) per share because there were no potential dilutive shares outstanding during the two years ended 30 September 2021 and 2020.

## 13. PROPERTY, PLANT AND EQUIPMENT

| | **Fixtures and equipment** HK$'000 |
|---|---|
| **Cost** | |
| At 30 September 2020 and 2021 | 8,123 |
| **Accumulated depreciation** | |
| At 1 October 2019 | 6,940 |
| Charge for the year | 567 |
| At 30 September 2020 | 7,507 |
| Charge for the year | 532 |
| At 30 September 2021 | 8,039 |
| **Net book value** | |
| At 30 September 2021 | 84 |
| At 30 September 2020 | 616 |

## 14. INVESTMENT PROPERTIES

| | HK$'000 |
|---|---|
| Valuation at 1 October 2019 | 8,837,000 |
| Fair value changes | (1,317,200) |
| Valuation at 30 September 2020 | 7,519,800 |
| Fair value changes | (16,300) |
| Valuation at 30 September 2021 | 7,503,500 |

| **Principal investment properties** | **Type** | **Floor area (Sq ft)** | **Group interest** |
|---|---|---|---|
| Melbourne Plaza | Commercial retail | 257,036 | 100% |
| Kimley Commercial Building | Commercial retail | 49,003 | 100% |
| On Hing Mansion Shop 9B | Retail | 270 | 100% |

### Valuation process of the Group

The investment properties as at 30 September 2021 were revalued on an open market value basis by CS Surveyors Limited, independent professional valuer who holds a recognised professional qualification and has 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 valuer 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 valuer 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 valuer.

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 location, time, layout, frontage and ancillary.

As at 30 September 2021, 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.

## 14. INVESTMENT PROPERTIES (cont'd)

### Valuation process of the Group (cont'd)

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

| Completed properties | 2021 Fair value HK$'000 | 2020 Fair value HK$'000 | Valuation technique | Range of unobservable inputs HK$ per square foot | Relationship of unobservable inputs |
|---|---|---|---|---|---|
| Melbourne Plaza | **6,800,000** | 6,800,000 | Direct Comparison | Market comparable prices ranging from 17,857 - 169,048 (2020: 20,968 - 338,250) and adjusted taking into account locations and other individual factors such as layout, frontage and conditions of the property. | The higher the price, the higher the fair value |
| Kimley Commercial Building | **690,000** | 706,000 | Direct Comparison | Market comparable prices ranging from 11,495 - 74,194 (2020: 11,019 - 87,719) and adjusted taking into account locations and other individual factors such as layout, frontage and conditions of the property. | The higher the price, the higher the fair value |
| On Hing Mansion Shop 9B | **13,500** | 13,800 | Direct Comparison | Market comparable prices ranging from 39,773 - 55,921 (2020: 32,880 - 50,000) and adjusted taking into account locations and other individual factors such as layout, frontage and conditions of the property. | The higher the price, the higher the fair value |

## 15. SUBSIDIARY

Details of the subsidiary as at 30 September 2021 and 2020 are set out below:

| Private company incorporated in Hong Kong and directly owned by the Company | Issued and paid up ordinary share capital | Equity holding |
|---|---|---|
| Iau On Company Limited | HK$10,000,000 of 100,000 shares | 100% |

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

## 16. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Group's share of net assets of investment accounted for using the equity method | **—** | — |
| Advance to an investment accounted for using the equity method | **5,430** | 5,428 |
| Less: Provision for impairment losses | **(5,430)** | (5,428) |
| | **—** | — |
| | **—** | — |

The advance to an investment accounted for using the equity method is unsecured, interest free and not repayable within 12 months.

There is no investment accounted for using the equity method that is individually significant to the Group. There were no share of revenues or profit/(loss) and other comprehensive income for the year of the investment accounted for using the equity method.

## 16. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD (cont'd)

Details of the investment accounted for using the equity method are set out below:

| Private company incorporated in Hong Kong and directly owned by the Company | Issued and paid up ordinary share capital | Equity holding 2021 | Equity holding 2020 | Principal activities (in Hong Kong) |
|---|---|---|---|---|
| Chuen King Enterprises Limited | HK$100,000 of 1,000 shares | **50%** | 50% | Inactive |

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| **Financial assets at fair value through other comprehensive income** | **98,273** | 86,287 |
| **Financial assets at amortised cost** | | |
| Long-term receivables | **29,605** | 29,605 |
| Trade and other debtors | **8,157** | 13,376 |
| Cash and bank balances | **250,110** | 290,398 |
| **Financial liabilities** | | |
| **Financial liability at amortised cost** | | |
| Trade creditors and deposits | **44,753** | 45,033 |

## 18. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND ADVANCES TO AN INVESTEE COMPANY

Financial asset at FVOCI comprises equity investment which is not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. It is an strategic investments and the Group considers this classification to be more relevant.

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Unlisted equity investment | **98,273** | 86,287 |
| Advances to an investee company | **29,605** | 29,605 |

Notes:

(i) Financial asset at FVOCI represents 14.29% equity interest in Billion Park Investment Limited ("Billion Park"), a private company incorporated in Hong Kong. The principal activity of Billion Park is to participate in Foshan International Country Club Company Limited, a co-operative joint venture formed in the People's Republic of China in which the Group has an effective interest of 5%, for the construction of commercial and residential properties and the operation of a golf course in Foshan.

(ii) As at 30 September 2021, the fair value of unlisted financial asset at FVOCI is determined by adjusted net asset method with reference to market value of the golf courses facilities and related commercial and residential properties assessed by an independent professional valuer, using discounted cash flow method, direct market comparison, residual method and income capitalisation method for respective properties.

(iii) The following table presents the change during the year:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At 1 October | **86,287** | 109,081 |
| Changes in fair value | **11,986** | (22,794) |
| At 30 September | **98,273** | 86,287 |

(iv) The advances are unsecured, interest free, have no fixed terms of repayment and not expected to be settled within 12 months. Their carrying amounts are not materially different from their fair values.

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Trade debtors | **2,988** | 4,362 |
| Deferred rent receivables (note) | **4,105** | 7,277 |
| Prepayment and deposits | **1,457** | 1,487 |
| Other receivables | **559** | 771 |
| | **9,109** | 13,897 |

Note:

Deferred rent receivables represent the accumulated difference between effective rental revenue and gross invoiced amount of rental. Deferred rent receivables amounted to HK$505,000 (2020: HK$966,000) which are expected to be realised twelve months after the balance sheet date are classified as non-current assets.

The Group normally does not grant credit period to trade debtors. As of 30 September 2021, trade receivables of the Group amounting to HK$2,988,000 (2020: HK$4,362,000) was not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these trade receivables is as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Within 30 days | **1,871** | 2,457 |
| 31 to 60 days | **591** | 1,260 |
| 61 to 90 days | **313** | 584 |
| Over 90 days | **213** | 61 |
| | **2,988** | 4,362 |

At 30 September 2021 and 2020, no loss allowance was made on the trade debtors. The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. No trade debtors (2020: HK$56,274) were written off for the year ended 30 September 2021.

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 were denominated in Hong Kong dollars and approximate their fair values.

## 20. CASH AND BANK BALANCES

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Cash at banks and on hand | **60,229** | 100,979 |
| Time deposits | **189,881** | 189,419 |
| | **250,110** | 290,398 |

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

## 21. CREDITORS, ACCRUALS AND DEPOSITS

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Trade creditors | **1,577** | 1,012 |
| Accruals and deposits | **43,176** | 45,033 |
| | **44,753** | 46,045 |

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

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

| | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|
| Trade creditors | | |
| Within 30 days | **1,577** | 1,012 |

## 22. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2020: 16.5%).

The movements on the net deferred tax liabilities during the year are as follows:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Accelerated tax depreciation | | |
| At 1 October | **2,248** | 1,778 |
| Charged to consolidated statement of comprehensive income (note 10) | **44** | 470 |
| At 30 September | **2,292** | 2,248 |

## 23. SHARE CAPITAL

| | **2021** | | 2020 | |
|---|---|---|---|---|
| | **Number of shares** | **HK$'000** | Number of shares | HK$'000 |
| Ordinary shares, issued and fully paid: | | | | |
| At beginning and end of the year | **25,000,000** | **125,000** | 25,000,000 | 125,000 |

## 24. FUTURE MINIMUM LEASE RECEIVABLE

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

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Not later than 1 year | **113,843** | 128,289 |
| Between 1 and 2 years | **47,728** | 44,732 |
| Between 2 and 3 years | **7,121** | 5,759 |
| | **168,692** | 178,780 |

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

## 25. 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, at terms in accordance with the relevant tenancy agreements. Rental and related income received from these related companies during the year were HK$6,862,000 (2020: HK$10,917,000).

During the year, the meal expenses for employees of HK$192,000 (2020: HK$192,000) were paid 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 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).

The advance to an investment accounted for using the equity method is disclosed in note 16.

## 26. COMPANY BALANCE SHEET

| | Note | 30 September 2021 HK$'000 | 30 September 2020 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **84** | 616 |
| Investment properties | | **6,800,000** | 6,800,000 |
| Investment in a subsidiary | 15 | **10,000** | 10,000 |
| Investment in an associate | | **50** | 50 |
| Financial asset at fair value through other comprehensive income | | **98,273** | 86,287 |
| Advances to an investee company | | **29,605** | 29,605 |
| Deferred rent receivables | | **501** | 938 |
| | | **6,938,513** | 6,927,496 |
| **Current assets** | | | |
| Debtors, other receivables, deposits and prepayments | | **8,455** | 12,812 |
| Cash and bank balances | | **249,143** | 289,330 |
| | | **257,598** | 302,142 |
| **Current liabilities** | | | |
| Creditors, accruals and deposits | | **41,560** | 42,827 |
| Amount due to a subsidiary | | **7,943** | 6,672 |
| Current tax payable | | **10,865** | 23,380 |
| | | **60,368** | 72,879 |
| **Net current assets** | | **197,230** | 229,263 |
| **Total assets less current liabilities** | | **7,135,743** | 7,156,759 |
| **Non-current liabilities** | | | |
| Provision for long service payments | | **14,843** | 14,195 |
| Deferred tax liabilities | | **2,292** | 2,248 |
| | | **17,135** | 16,443 |
| **Net assets** | | **7,118,608** | 7,140,316 |

## 26. COMPANY BALANCE SHEET (cont'd)

| | **30 September 2021 HK$'000** | 30 September 2020 HK$'000 |
|---|---|---|
| **Equity** | | |
| Share capital | **125,000** | 125,000 |
| Fair value through other comprehensive income reserve | **98,272** | 86,286 |
| Retained profits | **6,895,336** | 6,929,030 |
| **Total equity** | **7,118,608** | 7,140,316 |

**Chung Ming Fai**
*Director*

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

## 26. COMPANY BALANCE SHEET (cont'd)

Note

**Reserves**

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

| | Fair value through other comprehensive income reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Company** | | | |
| **Balance at 30 September 2019** | 109,080 | 8,128,780 | 8,237,860 |
| Loss for the year | — | (1,072,250) | (1,072,250) |
| Fair value loss on financial asset at fair value through other comprehensive income | (22,794) | — | (22,794) |
| Total comprehensive loss for the year | (22,794) | (1,072,250) | (1,095,044) |
| 2019 final dividend paid | — | (70,000) | (70,000) |
| 2020 interim dividend paid | — | (57,500) | (57,500) |
| **Balance at 30 September 2020** | 86,286 | 6,929,030 | 7,015,316 |
| Profit for the year | — | 81,306 | 81,306 |
| Fair value gain on financial asset at fair value through other comprehensive income | 11,986 | — | 11,986 |
| Total comprehensive income for the year | 11,986 | 81,306 | 93,292 |
| 2020 final dividend paid | — | (70,000) | (70,000) |
| 2021 interim dividend paid | — | (45,000) | (45,000) |
| **Balance at 30 September 2021** | 98,272 | 6,895,336 | 6,993,608 |

# FIVE-YEAR FINANCIAL SUMMARY

| | 2021<br>HK$'000 | 2020<br>HK$'000 | 2019<br>HK$'000 | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|---|---|---|
| Investment properties, property, plant and equipment | **7,503,584** | 7,520,416 | 8,838,177 | 9,539,746 | 7,390,881 |
| Investments accounted for using the equity method | **—** | — | — | 317 | 321 |
| Investment and advances | **127,878** | 115,892 | 138,686 | 79,368 | 58,134 |
| Deferred rent receivables | **505** | 966 | — | — | — |
| Current assets | **259,219** | 304,295 | 308,224 | 280,487 | 253,307 |
| Total assets | **7,891,186** | 7,941,569 | 9,285,087 | 9,899,918 | 7,702,643 |
| Current liabilities | **(56,517)** | (71,441) | (79,328) | (78,202) | (76,560) |
| Non-current liabilities | **(17,135)** | (16,443) | (16,342) | (15,269) | (14,452) |
| Net assets | **7,817,534** | 7,853,685 | 9,189,417 | 9,806,447 | 7,611,631 |
| Share capital | **125,000** | 125,000 | 125,000 | 125,000 | 125,000 |
| Investment revaluation reserve | **—** | — | — | 49,762 | 28,528 |
| Fair value through other comprehensive income reserve | **98,272** | 86,286 | 109,080 | — | — |
| Retained profits | **7,594,262** | 7,642,399 | 8,955,337 | 9,631,685 | 7,458,103 |
| Total equity | **7,817,534** | 7,853,685 | 9,189,417 | 9,806,447 | 7,611,631 |
| Revenue | **160,423** | 203,704 | 226,921 | 220,088 | 232,319 |
| Operating profit/(loss) | **82,879** | (1,159,891) | (519,483) | 2,327,556 | 1,545,712 |
| Share of results of investments accounted for using the equity method | **—** | — | — | (4) | 17 |
| Profit/(loss) before taxation | **82,879** | (1,159,891) | (519,483) | 2,327,552 | 1,545,729 |
| Income tax expense | **(16,016)** | (25,547) | (29,365) | (28,970) | (30,302) |
| Profit/(loss) attributable to equity holders | **66,863** | (1,185,438) | (548,848) | 2,298,582 | 1,515,427 |
| | **HK$** | HK$ | HK$ | HK$ | HK$ |
| Earnings/(loss) per share | | | | | |
| Basic and diluted | **2.67** | (47.42) | (21.95) | 91.94 | 60.62 |
| Dividends per share | | | | | |
| Interim | **1.80** | 2.30 | 2.30 | 2.30 | 2.30 |
| Final | **1.80** | 2.80 | 2.80 | 2.80 | 2.70 |
| | **3.60** | 5.10 | 5.10 | 5.10 | 5.00 |