Notes to the Financial Statements

1. GENERAL INFORMATION

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

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

These financial statements have been approved for issue by the Board of Directors on 13 January 2009.

2. BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale investment, 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 financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 below.

(a) Adoption of new or revised standards

For the year ended 30 September 2008, the Group has adopted the following new standard, amendment to standard and interpretation which are relevant to the Group's operations and are mandatory for the financial year ended 30 September 2008:

HKFRS 7	Financial Instruments: Disclosures
HKAS 1 Amendment	Presentation of Financial Statements - Capital Disclosures
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment

HKFRS 7, "Financial Instruments: Disclosures" and the complementary amendment to HKAS 1, "Presentation of Financial Statements - Capital Disclosures", introduces new disclosures relating to financial instruments.

HK(IFRIC) - Int 10, "Interim Financial Reporting and Impairment", prohibits the impairment losses recognised in an interim period on investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

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

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

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

The HKAS 39, "Financial Instruments: Recognition and Measurement", amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, "Financial Instruments: Disclosures", introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories.

2. BASIS OF PREPARATION (Continued)

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

HKFRS 8, "Operating Segments"replaces HKAS 14, "Segment Reporting", and aligns segment reporting with the requirements of the US standard SFAS 131, "Disclosures about segments of an enterprise and related information". The new standard requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in an increase in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.

HKFRS 3 (Revised), "Business Combinations", continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

HKAS 1 (Revised), "Presentation of Financial Statements", will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

HKAS 27 (Revised), "Consolidated and Separate Financial Statements", requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in the income statement.

HKICPA's improvements to HKFRS published in October 2008

HKAS 1 (Amendment), "Presentation of Financial Statements", clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, "Financial Instruments: Recognition and Measurement" are examples of current assets and liabilities respectively.

HKAS 19 (Amendment), "Employee Benefits", clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. HKAS 37, "Provisions, Contingent Liabilities and Contingent Assets" requires contingent liabilities to be disclosed, not recognised. HKAS 19 has been amended to be consistent.

2. BASIS OF PREPARATION (Continued)

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

HKAS 28 (Amendment), "Investments in Associates" (and consequential amendments to HKAS 32, "Financial Instruments: Presentation" and HKFRS 7, "Financial Instruments: Disclosures") states that an investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases.

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not yet in a position to state whether they would have a significant impact on its results of operation and financial position.

3. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of consolidation

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

(b) Subsidiary company

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

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

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

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

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

The Company's investment in the subsidiary company is carried at cost less provision for impairment losses. Provision for impairment is made when, in the opinion of the Directors, the carrying amount exceeds the recoverable amount. The results of the subsidiary company are accounted for by the Company on the basis of dividend income.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Associated companies

An associated company is a company other than a subsidiary company and a jointly controlled entity, in which the Group's interest is held for the long term and substantial and significant influence is exercised through representatives on the board of directors.

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

(d) Investments

The Group classifies its investments as loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in the other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Unrealised gains and losses from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investments.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

(d) Investments (Continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the securities below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of items. Subsequent costs are included in the carrying amount of the assets or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repair and maintenance costs are expensed in the income statement during the period in which they are incurred. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying value of an asset is greater than its estimated recoverable amount.

Depreciation of property, plant and equipment is calculated to write off their cost or carrying values less accumulated impairment losses to their estimated residual values over their estimated useful lives using the straight-line method at the rate of 10% per annum. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

(f) Investment properties

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is determined by professional valuation conducted as at the balance sheet date. Changes in fair value are recognised in the income statement.

Subsequent expenditure is charged to the carrying amount of the asset only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Impairment of non-financial assets

Assets that have an indefinite useful life and are not subject to depreciation/amortisation are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(h) Cash and cash equivalents

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

(i) Revenue recognition

Rental and service income from investment properties is recognised on a straight-line basis over the periods of the leases. Interest income is recognised on a time proportion basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

(j) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(k) Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company and its subsidiary 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.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Notes to the Financial Statements

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Current and deferred taxation (Continued)

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

Deferred taxation is provided on temporary differences arising on investments in subsidiary companies and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Employee benefits

(i) Employee long service payments
Employee entitlement to long service payments are recognised when they accrue to employees. A provision is made for the estimated liability for long service payments as a result of services rendered by employees up to the balance sheet date.

(ii) Mandatory Provident Fund Scheme
The Company contributes to a Mandatory Provident Fund ("MPF") scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. The scheme is a defined contribution scheme managed by an independent trustee and is available to all employees. The MPF is funded by payments from employees and by the Company, and provide benefits linked to contributions and investment returns on the scheme. Contributions to the scheme are recognised as an expense in the income statement in the year to which the contributions relate.

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

(m) Foreign currencies

The functional and presentation currencies of all the Group's entities are Hong Kong dollars. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(n) Dividend distribution

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

(o) Trade and other debtors

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(p) Share capital

Ordinary shares are classified as equity.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

(a) Credit risk

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

Deposits are placed with high credit-quality financial institutions.

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

Debtors and deposits 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 by established credit policies. The Group carries out regular review and follow-up action on any overdue amounts to minimise exposures to credit risk. Under the current circumstances of the global financial turmoil, the Group will monitor its credit control procedures and policies.

(b) Interest rate risk

The Group is exposed to interest rate risk through the impact at rate changes on interest bearing bank deposits.

If interest rates had been 100 basis points higher/lower with all other variables held constant, the Group's profit before taxation would have been HK$860,000 (2007: HK$800,000) higher/lower. The sensitivity analysis has been determined assuming that the change in interest rates had occurred throughout the year and had been applied to the exposure to interest rate risk for financial instruments in existence at the balance sheet date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in those interest rates which have the most impact on the Group over the period until the next annual balance sheet date.

(c) Liquidity risk

The Group aims to maintain prudent liquidity risk management and flexibility in funding by keeping sufficient cash and cash equivalents.

Creditors and deposits are due within one year. Amount due to a subsidiary company which does not have contractual maturity date is repayable on demand.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION (Continued)

(d) 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 does not have any borrowings at 30 September 2008 and 2007. The Group uses equity to finance its operation.

(e) Fair value estimation

The carrying amounts of debtors, deposits, staff loans, creditors and accruals approximate their fair values due to the short-term maturities of these assets and liabilities.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of investment properties are as follows:

Estimate of fair value 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 Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

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

At 30 September 2008, 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$271.4 million (2007: HK$240.4 million) higher/lower and the Group’s profit before tax would have been increased/decreased HK$271.4 million.

Notes to the Financial Statements

6. SEGMENT INFORMATION

	2008 HK$'000	2007 HK$'000
(a) Revenue		
Property investment	125,807	104,494

	2008 HK$'000	2007 HK$'000
(b) Contribution to operating profit		
Property investment - Rental operation	93,647	75,334
Changes in fair value of investment properties	310,550	442,450
Unallocated item - Write back of provision against advances to an investee company	–	5,605
	404,197	523,389

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

As the Group's principal business is property investment in Hong Kong, an analysis of the Group's revenue and profit by business and geographical segments has not been presented.

7. OTHER INCOME

	2008 HK$'000	2007 HK$'000
Bank deposit and other interest income	1,744	2,118
Sundry income	347	265
	2,091	2,383

8. OPERATING PROFIT

	2008 HK$'000	2007 HK$'000
Operating profit is stated after charging:		
Directors' emoluments (note 9(a))	1,374	1,251
Auditors' remuneration	558	558
Depreciation	37	38
Staff costs (excluding Directors' emoluments)		
Salaries and other emoluments	3,934	3,647
Long service payments	978	512
Contributions to mandatory provident fund scheme	142	137

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

	2008 HK$'000	2007 HK$'000
Fees	400	400
Salaries and other emoluments	748	701
Long service payments	214	138
Contributions to mandatory provident fund scheme	12	12
	1,374	1,251

Each Non-executive Director receives a fixed fee of HK$ 50,000 (2007: HK$50,000) per annum and fees paid to Non-executive Directors for the year amounted to HK$250,000 (2007: HK$250,000). During the year, the Group did not pay the Directors any inducement to join or upon joining the Group, or as compensation for loss of office. None of the Directors has waived the right to receive their emoluments.

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

For the year ended 30 September 2008

Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Bonus HK$'000	Long service payments HK$'000	Mandatory provident fund contributions HK$'000	Total HK$'000
Dato' Dr. Cheng Yu Tung	50	–	–	–	–	50
Mr. Chung Ming Fai	50	–	–	–	–	50
Mr. Yuen Pak Yiu, Philip	50	–	–	–	–	50
Dr. Fong Yun Wah	50	–	–	–	–	50
Mr. Chung Yin Shu, Frederick	50	669	79	214	12	1,024
Mr. Chung Wai Shu, Robert	50	–	–	–	–	50
Mr. Lo Pak Shiu	50	–	–	–	–	50
Mr. Yuen Sik Ming, Patrick	50	–	–	–	–	50
	400	669	79	214	12	1,374

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

(a) Directors' emoluments (Continued)

For the year ended 30 September 2007

Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Bonus HK$'000	Long service payments HK$'000	Mandatory provident fund contributions HK$'000	Total HK$'000
Dato' Dr. Cheng Yu Tung	50	–	–	–	–	50
Mr. Chung Ming Fai	50	–	–	–	–	50
Mr. Yuen Pak Yiu, Philip	50	–	–	–	–	50
Dr. Fong Yun Wah	50	–	–	–	–	50
Mr. Chung Yin Shu, Frederick	50	625	76	138	12	901
Mr. Chung Wai Shu, Robert	50	–	–	–	–	50
Mr. Lo Pak Shiu	50	–	–	–	–	50
Mr. Yuen Sik Ming, Patrick	50	–	–	–	–	50
	400	625	76	138	12	1,251

(b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one Director (2007: one Director) whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining four (2007: four) individuals during the year are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and other emoluments	1,557	1,451
Long service payments	512	202
Contributions to mandatory provident fund scheme	36	48
	2,105	1,701

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

Notes to the Financial Statements

10. TAXATION

In 2008, the Government of the Hong Kong Special Administrative Region enacted a change in the profits tax rate from 17.5% to 16.5% for the fiscal year 2008/09. Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

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

	2008 HK$'000	2007 HK$'000
Hong Kong profits tax		
Current taxation charge	15,013	12,644
Deferred taxation -		
Changes in fair value on investment properties	51,241	77,429
Origination and reversal of temporary differences	150	173
Effect of change in tax rate	(22,794)	–
Taxation charge	43,610	90,246

Share of taxation of associated companies for the year ended 30 September 2008 of HK$ nil (2007: HK$ nil) is included in the income statement as share of results of associated companies.

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2008 HK$'000	2007 HK$'000
Profit before taxation and share of results of associated companies	404,197	523,389
Calculated at a taxation rate of 16.5% (2007: 17.5%)	66,692	91,593
Income not subject to taxation	(288)	(1,347)
Expenses not deductible for taxation purposes	25	–
Effect of change in tax rate	(22,794)	–
Others	(25)	–
Taxation charge	43,610	90,246

Notes to the Financial Statements

11. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Interim dividend paid of HK$1.20 (2007: HK$0.80) per share	30,000	20,000
Final dividend proposed of HK$2.20 (2007: HK$1.70) per share	55,000	42,500
	85,000	62,500

At a meeting held on 15 December 2008, the Directors recommended a final dividend of HK$2.20 per share. This proposed dividend will be accounted for as an appropriation of retained profits for the year ending 30 September 2009.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit attributable to equity holders of HK$360,572,000 (2007: HK$433,119,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2008 and 2007.

Diluted earnings per share equal basic earnings per share because there were no potential dilutive shares outstanding during the last two years.

Notes to the Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and equipment	
	Group	**Company**
	HK$'000	**HK$'000**
Cost		
At 1 October 2006	1,604	1,575
Additions	109	109
At 30 September 2007	1,713	1,684
Additions	27	27
At 30 September 2008	1,740	1,711
Accumulated depreciation		
At 1 October 2006	1,497	1,468
Charge for the year	38	38
At 30 September 2007	1,535	1,506
Charge for the year	37	37
At 30 September 2008	1,572	1,543
Net book value		
At 30 September 2008	168	168
At 30 September 2007	178	178

14. INVESTMENT PROPERTIES

	Group HK$'000	Company HK$'000
Valuation at 1 October 2006	1,961,200	1,780,000
Fair value changes	442,450	340,000
Valuation at 30 September 2007	2,403,650	2,120,000
Fair value changes	310,550	280,000
Valuation at 30 September 2008	2,714,200	2,400,000

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

The investment properties are held under long leases (over 50 years) in Hong Kong and were revalued on 30 September 2008 and 2007 on an open market value basis by independent professionally qualified valuers, CS Surveyors Limited.

15. SUBSIDIARY COMPANY

	Company	
	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	10,000	10,000
Amount due to a subsidiary	1,290	735

The amount due to a subsidiary is unsecured, interest free and repayable on demand. Its carrying amount is not materially different from its fair value.

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

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

16. ASSOCIATED COMPANIES

	Group		Company	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Unlisted shares, at cost	70	70	70	70
Share of undistributed post-acquisition profits less losses	(4,498)	(4,483)		
Group's share of net (liabilities)/assets	(4,428)	(4,413)		
Amount due from an associated company	5,430	5,412	5,430	5,412
Less: Provision	–	–	(5,134)	(5,134)
	5,430	5,412	296	278
	1,002	999	366	348
Amount due to an associated company	225	225	225	225

The amount due from an associated company is unsecured, interest free and not repayable within 12 months. The amount due to an associated company is unsecured, interest free and repayable on demand. Their carrying amounts are not materially different from their fair values.

The Group's share of revenues, results, assets and liabilities of associated companies are as follows:

	2008 HK$'000	2007 HK$'000
Revenues	1	3
Loss for the year	(15)	(24)
Non-current assets	84	84
Current assets	1,347	1,353
Current liabilities	(5,859)	(5,850)
Net liabilities	(4,428)	(4,413)

Private companies incorporated in Hong Kong and directly owned by the Company	Paid up ordinary share capital	Equity holding	Principal activities (in Hong Kong)
Chuen King Enterprises Limited	1,000 shares of HK$100 each	50%	Property trading
Manlo Holdings Limited	6 shares of HK$10 each	33⅓%	Investment holding
Littlejohn Company Limited	100,000 shares of HK$1 each	20%	Investment holding

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

	Group and Company	
	2008	**2007**
	HK$'000	**HK$'000**
Available-for-sale investment	1	1
Advances to an investee company	29,605	29,605

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

The advances are unsecured, interest free and not repayable within 12 months.

18. DEBTORS, DEPOSITS AND PREPAYMENTS

Trade debtors represent rental receivables. The Group normally does not grant credit period to trade debtors. As of 30 September 2008, trade receivables of the Group and the Company of HK$4,114,000 (2007: HK$4,356,000) and HK$3,698,000 (2007: HK$3,868,000) respectively were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Within 30 days past due	2,478	3,054	2,212	2,692
31 to 60 days past due	708	748	584	677
61 to 90 days past due	313	236	297	181
Over 90 days past due	615	318	605	318
Amount past due but not impaired	4,114	4,356	3,698	3,868

The other classes within debtors, 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 amount of debtors, deposits and prepayments approximate their fair values.

19. CASH AND BANK BALANCES

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Cash at banks and on hand	12,981	4,497	12,670	4,167
Short-term bank deposit	86,000	80,000	86,000	80,000
	98,981	84,497	98,670	84,167

The effective interest rate on short-term bank deposit was 1.6% (2007: 4.4%) per annum and the deposit had maturity of 1 month (2007: 1 month).

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

20. CREDITORS, ACCRUALS AND DEPOSITS

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Trade creditors				
Within 30 days	985	615	897	584
Accruals and deposits	29,067	26,031	27,380	24,450
	30,052	26,646	28,277	25,034

Notes to the Financial Statements

21. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2007: 17.5%).

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

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Accelerated tax depreciation				
At beginning of the year	641	468	641	467
Charged to income statement	150	173	150	174
Effect of change in tax rate	(37)	–	(37)	–
At end of the year	754	641	754	641
Fair value gain on investment properties				
At beginning of the year	398,266	320,837	350,766	291,266
Charged to income statement	51,241	77,429	46,200	59,500
Effect of change in tax rate	(22,757)	–	(20,044)	–
At end of the year	426,750	398,266	376,922	350,766
	427,504	398,907	377,676	351,407

22. SHARE CAPITAL

	2008	2007
	HK$'000	HK$'000
Authorised		
30,000,000 shares of HK$5 each	150,000	150,000
Issued and fully paid		
25,000,000 shares of HK$5 each	125,000	125,000

23. RESERVES

The movement of the Group's reserves for the years ended 30 September 2007 and 2008 are presented in the consolidated statement of changes in equity on page 21 of this annual report.

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

	Retained profits HK$'000	Proposed final dividend HK$'000
Company		
Balance at 1 October 2006	1,400,100	32,500
Profit for the year	348,140	–
2006 final dividend paid	–	(32,500)
2007 interim dividend paid	(20,000)	–
2007 final dividend proposed	(42,500)	42,500
Balance at 30 September 2007	1,685,740	42,500
Profit for the year	332,188	–
2007 final dividend paid	–	(42,500)
2008 interim dividend paid	(30,000)	–
2008 final dividend proposed	(55,000)	55,000
Balance at 30 September 2008	1,932,928	55,000

24. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

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

	Group		Company	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
In the first year	92,501	87,031	87,630	81,083
In the second to fifth year inclusive	31,892	48,619	30,178	47,035
	124,393	135,650	117,808	128,118

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

25. RELATED PARTY TRANSACTIONS

In the normal course of business activities, certain investment properties of the Group are leased to related companies, which are controlled by certain Directors of the Company, at prices and terms similar to and mutually agreed with other third party tenants of the Group. Rental and related income from these related companies during the year were HK$ 5,380,000 (2007: HK$3,498,000).

No significant transactions have been entered with the Directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being the key management personnel compensation) as disclosed in note 9(a).

26. COMPARATIVE FIGURES

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