Melbourne Enterprises Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 158)

ANNUAL REPORT 2019

CONTENTS

GROUP STRUCTURE

At 30 September 2019

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

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

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

AUDITOR

PricewaterhouseCoopers

SOLICITORS

Woo, Kwan, Lee & Lo

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

SHARE REGISTRARS AND TRANSFER OFFICE

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

REGISTERED OFFICE

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

STOCK CODE

Hong Kong Stock Exchange 00158

WEBSITE

www.irasia.com/listco/hk/melbourneweb

MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. Chung Ming Fai, aged 99, 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 75, 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 48, was appointed Executive Director of the Company in April 2015. He is a director of Cheng Yu Tung Foundation Limited, CTF Foundation Limited and Chow Tai Fook Enterprises Limited. He is also an executive director of UMP Healthcare Holdings Limited and a non-executive director of i-CABLE Communications Limited, Integrated Waste Solutions Group Holdings Limited and Greenheart Group Limited.

Mr. Kenneth Lau, aged 43, was appointed as the alternate director to Mr. Tsang On Yip, Patrick, of the Company since 24 May 2019. He is a Senior Vice President of Chow Tai Fook Enterprises Limited. Mr. Lau has 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 71, 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 95, 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 65, 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 62, is a Certified Public Accountant (Practising) and a fellow of Association of Chartered Certified Accountants. Mr. Yuen has extensive experience in accounting and corporate finance and is currently a practising director of Kingston CPA Limited. He was appointed Independent Non-executive Director of the Company in September 2004.

SENIOR MANAGEMENT

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

DIRECTORS' REPORT

The Directors present their annual report together with the audited financial statements for the financial year ended 30 September 2019.

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 2019 are set out in the consolidated statement of comprehensive income on page 29. A commentary on annual results is included in the Directors' Business Review on page 18.

An interim dividend of HK$2.30 per share was paid in June 2019, totalling HK$57,500,000. The Directors propose the payment of a final dividend of HK$2.80 per share, totalling HK$70,000,000, and recommend that the retained profits of the Company, amounting to HK$8,058,780,000 at 30 September 2019, be carried forward.

BUSINESS REVIEW

The business review of the Group for the year ended 30 September 2019 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 73.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 30 September 2019, calculated under Part 6 of the new Hong Kong Companies Ordinance (Cap. 622), amounted to HK$244,369,000 (2018: HK$225,629,000).

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 appointed as his alternate on 24 May 2019)*

In accordance with Article 103(A) of the Company's Articles of Association, Mr. Chung Ming Fai, and Dr. Fong Yun Wah, G.B.S., J.P. retire by rotation and, being eligible, offer themselves for re-election.

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 12 July 2018, the Company as lessor and Promising Realty Limited ("PR") as lessee renewed a lease agreement, pursuant to which the lessee leased Rooms 2401-2411 on 24th floor of Melbourne Plaza, 33 Queen's Road Central, Hong Kong (the "PR Premises") from the lessor for a fixed term of two years from 1 August 2018 to 31 July 2020 at a monthly rental of HK$334,536 with monthly air-conditioning charges and management fees of HK$42,920.

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

    As set out in the announcement of the Company dated 12 July 2018, the annual cap under the lease agreement for the year ended 30 September 2019 and the year ending 30 September 2020 were HK$4,600,000 and HK$3,900,000 respectively.

    The total amount received from PR during the year ended 30 September 2019 under the lease agreements amounted to HK$4,529,000 which did not exceed annual cap of HK$4,600,000.

CONTINUING CONNECTED TRANSACTIONS (cont'd)

(2) On 28 February 2017, 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 2017 to 28 February 2019 at a monthly rental of HK$426,820 with monthly air-conditioning charges and management fees of HK$58,180.

The lease agreement was renewed on 26 February 2019 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.

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 26 February 2019, the annual caps under the previous and the new lease agreements for year ended 30 September 2019 and under the new lease agreement for each of the two years ending 30 September 2020 and 2021 were HK$6,000,000, HK$6,200,000 and HK$2,600,000 respectively.

The total amount received from FH during the year ended 30 September 2019 under the lease agreements amounted to HK$5,995,000 which did not exceed the annual cap of HK$6,000,000.

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 2019 is contained 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 constitutes continuing connected transaction under the Listing Rules. However, it is 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 2019, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

	Number of shares held		Approximate
	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 2019, 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

	Number of shares held			
Name	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 2019.

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 31%, 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 51%, of which 12%, 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, 13 December 2019

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 2019, 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 2019.

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 7 Directors, with 3 Executive Directors, 1 Non-executive Director and 3 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 three 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 2019 and the unaudited interim financial statements for the six months ended 31 March 2019 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. and Mr. Lo Pak Shiu.

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 2019 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. and Mr. Lo Pak Shiu.

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. and Mr. Lo Pak Shiu.

Attendance at Meetings of the Board and Board Committees

	Board	Audit Committee	Remuneration Committee	Nomination Committee
		Number of meetings attended/ eligible to attend for the year ended 30 September 2019		
Name of Director				
Executive Directors				
Mr. Chung Ming Fai *(Chairman)*	5/6	N/A	N/A	N/A
Mr. Chung Yin Shu, Frederick	6/6	N/A	1/1	1/1
Mr. Tsang On Yip, Patrick	5/6	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	6/6	2/2	1/1	1/1
Independent Non-executive Directors				
Dr. Fong Yun Wah, G.B.S., J.P.	5/6	2/2	1/1	1/1
Mr. Lo Pak Shiu	6/6	2/2	1/1	1/1
Mr. Yuen Sik Ming, Patrick	4/6	1/2	0/1	1/1

AUDITOR'S REMUNERATION

During the year ended 30 September 2019, the total fees paid/payable in respect of services provided by the Group's external auditor are set out below:

	2019	2018
	HK$'000	HK$'000
Audit and audit related services	**807**	830
Non-audit services	**583**	281
	1,390	1,111

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is included in the Report of the Independent Auditor on pages 25 and 28 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to oversee and to ensure that sound and effective risk management and internal control systems are maintained on an ongoing basis so as to safeguard the Group's assets and the interests of shareholders. The Board is responsible for reviewing the risk management and the internal control policies and has delegated the day-to-day management of internal control and operational risks to the Executive Directors.

The Board are satisfied with the effectiveness of the Group's internal controls and consider that the key areas of the Group's system of internal controls are reasonably implemented. The internal controls should provide reasonable but not absolute assurance against material misstatement or loss, 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.

The Group conducts an annual review on the need for setting up an internal audit department. Given the Group's simple operating structure, it was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

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 loss after taxation for the financial year ended 30 September 2019 amounted to HK$548.8 million (2018: profit after taxation of HK$2,298.6 million). The loss mainly resulted from the current year's decrease in fair value of investment properties of HK$701.0 million compared with the HK$2,149.5 million fair value gain for 2018. The Board of Directors recommend a final dividend of HK$2.80 per share payable to the shareholders registered on 31 January 2020. In addition to the interim dividend of HK$2.30 per share paid in June 2019, the total dividend for the year amounted to HK$5.10 per share (2018: 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 95% and 83% leased as at 30 September 2019 respectively.

During the year, the tenancy remains stable. The Group's revenue increased by 3.1% year-on-year, which is satisfactory. Without any debt or commitment, the Group is in a healthy financial position.

For the Group's investment in Foshan Golf Club project, part of the residential properties have 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 hope 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, 13 December 2019

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS

Loss attributable to equity holders for the year amounted to HK$548.8 million (2018: profit attributable to equity holders of HK$2,298.6 million). The loss mainly resulted from the current year's decrease in fair value of investment properties of HK$701.0 million compared with the HK$2,149.5 million fair value gain for 2018. Besides, the Group carried out certain renovation work on Melbourne Plaza and incurred approximately HK$6.5 million as operating cost during the year. Revenue for the year amounted to HK$226.9 million (2018: HK$220.1 million), increased by 3.1% year-on-year. The rental operation contributed HK$181.5 million (2018: HK$178.1 million) to the operating profit, representing an increase of 1.9% as compared to last year.

SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 95% and 83% let as at 30 September 2019 respectively (2018: approximately 97% and 77% let respectively).

LIQUIDITY AND FINANCIAL RESOURCES

The Group's working capital requirement was financed by its rental income. As at 30 September 2019, the Group had cash and bank balances totalling HK$300.6 million (2018: HK$274.0 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 17 employees. The Group recognises the importance of the strength of its human resources for its success. Remuneration of employees is maintained at competitive levels and promotion and salary increments are assessed on a performance basis.

MATERIAL ACQUISITIONS, DISPOSALS AND FUTURE DEVELOPMENTS

There were no acquisitions or disposals of subsidiaries and associates during the year except for dissolution of an associate. There are no other plans for material capital investments or future developments.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Melbourne Enterprises Limited (the "Company") and its subsidiaries (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 summarise our performances in sustainable development during the financial year ended 30 September 2019. 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 17 people, the Group embeds ESG considerations when investing in and managing its assets.

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.

We maintain an open and transparent dialogue with our stakeholders, including employees, customers, shareholders, suppliers/contractors, and the wider community, to understand their aspirations, collect their views and act on their feedback. We continue to interact with our stakeholders on an ongoing basis across various platforms, such as meetings, interviews and surveys. The key interests and concerns of our stakeholders are summarised and analysed to help us identify the key ESG issues, which have been reflected via the respective disclosures 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 system. 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. We have planned to extend this initiative to all of the lighting systems within the properties of the Group and the initiative is underway.

ENVIRONMENTAL PROTECTION (cont'd)

In addition to the continuous feature upgrades of some building facilities and installation, 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 work place. 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 building's lighting and reduce passenger lift service starting from 8pm. We work closely with tenants to minimise waste generation in their daily operations wherever practicable, through the prevention, reuse, recycling and recovery of waste.

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.

Environmental Performance Data Table

Environmental KPIs	Unit	2018/19	2017/18
Total greenhouse gas (GHG) emissions	tonne CO_2e	3,873	3,968
Greenhouse gas emissions (Scope 1)	tonne CO_2e	715	715
Greenhouse gas emissions (Scope 2)	tonne CO_2e	3,158	3,253
Total non-hazardous waste produced	tonne	193	170
Total electricity consumption	kWh	3,997,525	4,117,664
Total electricity consumption intensity by gross floor area	kWh/Square Feet	13.06	13.45
Total Water consumption	m^3	12,595	16,477
Total Water consumption intensity by gross floor area	m^3/Square Feet	0.04	0.05

EMPLOYMENT AND LABOUR PRACTICES

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 opportunity. A nurturing and collaborative workplace for all employees is highly advocated whilst zero tolerance to 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.

HEALTH AND SAFETY

Protecting the health, safety and wellbeing of our employees is one of our key focuses. Maintenance and regular inspections are conducted in accordance with regulatory requirements. Fire equipment such as fire extinguishers and emergency lighting system are checked regularly to ensure proper functioning in the event of an emergency.

We believe that both physical and mental health is important to maintain a high standard of work. For example, flexible work arrangement is 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. During the year, we subsidised our employees to attend property management training workshops.

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 towards 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.

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. We provided our emptied shop as the premises to host the clothes sale. Donations raised in the clothes sale was used to support the underprivileged and homeless animals. Beneficiaries are local and international organisations including, but not limited to, Food Angel, Hong Kong Dog Rescue, Medecins Sans Frontieres.

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 has a significant impact on the Group relating to environmental protection, employment and labour practices and operating practices during the reporting period.

REPORT OF THE INDEPENDENT AUDITOR

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") set out on pages 29 to 72, which comprise:

- the consolidated balance sheet as at 30 September 2019;
- 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 a summary of significant accounting policies.

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 2019, 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 Refer to notes 3(f), 5(a) and 14 to the consolidated financial statements. As at 30 September 2019, the Group's investment properties were stated at fair value of HK$8,837.0 million, with a fair value loss of HK$701.0 million recorded in the consolidated statement of comprehensive income for the year. 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. 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. As the fair value changes were significant to the consolidated financial statements and significant judgment is required in determining the fair values, specific audit focus was placed on this area.	We evaluated the valuer's qualifications, expertise and objectivity. With the assistance of our internal valuation experts, we performed the following: • 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. • 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. 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.

OTHER INFORMATION (cont'd)

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.

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.

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

- 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, related safeguards.

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 Mr. Ng Wai Lun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13 December 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 September

	Note	2019 HK$' 000	2018 HK$' 000
Revenue	6	**226,921**	220,088
Operating costs		**(34,829)**	(29,472)
Gross profit		**192,092**	190,616
Other income	7	**2,457**	778
Administrative expenses		**(13,032)**	(13,338)
(Decrease)/increase in fair values of investment properties	14	**(701,000)**	2,149,500
Operating (loss)/profit	8	**(519,483)**	2,327,556
Share of results of investments accounted for using the equity method		**—**	(4)
(Loss)/profit before taxation		**(519,483)**	2,327,552
Income tax expenses	10	**(29,365)**	(28,970)
(Loss)/profit for the year attributable to equity holders		**(548,848)**	2,298,582
Other comprehensive income			
Item that will not be classified subsequently to profit or loss			
Fair value gain on financial asset at fair value through other comprehensive income		**59,318**	—
Item that may be classified subsequently to profit or loss			
Fair value gain on available-for-sale investment		**—**	21,234
Total comprehensive (loss)/income attributable to equity holders		**(489,530)**	2,319,816
(Loss)/earnings per share			
Basic and diluted	12	**(HK$21.95)**	HK$91.94

The notes on pages 34 to 72 form part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEET

	Note	30 September 2019 HK$' 000	30 September 2018 HK$' 000
Non-current assets			
Property, plant and equipment	13	**1,177**	1,746
Investment properties	14	**8,837,000**	9,538,000
Investments accounted for using the equity method	16	**—**	317
Available-for-sale investment	18	**—**	49,763
Financial asset at fair value through other comprehensive income	18	**109,081**	—
Advances to an investee company	18	**29,605**	29,605
		8,976,863	9,619,431
Current assets			
Debtors, other receivables, deposits and prepayments	19	**7,643**	6,526
Cash and bank balances	20	**300,581**	273,961
		308,224	280,487
Current liabilities			
Creditors, accruals and deposits	21	**50,997**	49,296
Current tax payable		**28,331**	28,906
		79,328	78,202
Net current assets		**228,896**	202,285
Total assets less current liabilities		**9,205,759**	9,821,716
Non-current liabilities			
Provision for long service payments		**14,564**	13,491
Deferred tax liabilities	22	**1,778**	1,778
		16,342	15,269
Net assets		**9,189,417**	9,806,447

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	30 September 2019 HK$' 000	30 September 2018 HK$' 000
Equity			
Share capital	23	**125,000**	125,000
Investment revaluation reserve		**—**	49,762
Fair value through other comprehensive income reserve		**109,080**	—
Retained profits		**8,955,337**	9,631,685
Total equity		**9,189,417**	9,806,447

Chung Ming Fai
Director

Chung Yin Shu, Frederick
Director

The notes on pages 34 to 72 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 September

	Share capital HK$'000	Investment revaluation reserve HK$'000	Fair value through other comprehensive income reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 October 2017	**125,000**	**28,528**	—	**7,458,103**	**7,611,631**
Profit for the year	—	—	—	2,298,582	2,298,582
Fair value gain on available-for-sale investment	—	21,234	—	—	21,234
Total comprehensive income for the year	—	21,234	—	2,298,582	2,319,816
2017 final dividend paid	—	—	—	(67,500)	(67,500)
2018 interim dividend paid	—	—	—	(57,500)	(57,500)
Balance at 30 September 2018 as originally presented	**125,000**	**49,762**	—	**9,631,685**	**9,806,447**
Changes in accounting policies – HKFRS 9 (note 2.1)	—	(49,762)	49,762	—	—
Restated at 1 October 2018	125,000	—	49,762	9,631,685	9,806,447
Loss for the year	—	—	—	(548,848)	(548,848)
Fair value gain on financial asset at fair value through other comprehensive income	—	—	59,318	—	59,318
Total comprehensive loss for the year	—	—	59,318	(548,848)	(489,530)
2018 final dividend paid	—	—	—	(70,000)	(70,000)
2019 interim dividend paid	—	—	—	(57,500)	(57,500)
Balance at 30 September 2019	**125,000**	**—**	**109,080**	**8,955,337**	**9,189,417**

The notes on pages 34 to 72 form part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 September

	2019 HK$'000	2018 HK$'000
Cash flows from operating activities		
Operating (loss)/profit	**(519,483)**	2,327,556
Adjustments for:		
Interest income	**(2,278)**	(550)
Depreciation	**569**	635
Impairment loss on trade debtors	**145**	130
Changes in fair values of investment properties	**701,000**	(2,149,500)
Operating profit before working capital changes	**179,953**	178,271
(Increase)/decrease in debtors, other receivables, deposits and prepayments	**(484)**	94
Increase in creditors, accruals and deposits	**1,701**	4,468
Increase in provision for long service payments	**1,073**	817
Net cash generated from operations	**182,243**	183,650
Interest received	**1,817**	550
Hong Kong profits tax paid	**(29,940)**	(31,698)
Net cash generated from operating activities	**154,120**	152,502
Cash flows used in financing activity		
Dividends paid	**(127,500)**	(125,000)
Net cash used in financing activitiy	**(127,500)**	(125,000)
Net increase in cash and bank balances	**26,620**	27,502
Cash and bank balances at beginning of the year	**273,961**	246,459
Cash and bank balances at end of the year	**300,581**	273,961

The notes on pages 34 to 72 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 13 December 2019.

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, which are measured at fair value, and in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 below.

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

The Group has adopted the following standards, interpretation, amendments and improvements to existing standards that are mandatory and relevant to the Group's operation for the financial year ended 30 September 2019:

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

The adoption of these new standards, interpretation, amendments and improvements to existing standards does not have any significant effect on the results and financial position of the Group, except for the impact of the adoption of HKFRS 9 disclosed in note 2.1 below.

2. BASIS OF PREPARATION (cont'd)

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

The following new standards, interpretation, amendments and improvements to existing standards are mandatory for the Group's accounting periods beginning on 1 October 2019 or later periods and have not been early adopted by the Group:

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

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

HKFRS 16 Leases

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

The accounting for lessors will not significantly change.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 October 2019. As the Group is acting as the lessor of various office and retail properties, it does not expect the adoption to have a significant impact on the Group's financial statements. The Group does not intend to adopt the standard before its effective date.

2. BASIS OF PREPARATION (cont'd)

2.1 CHANGES IN ACCOUNTING POLICIES

HKFRS 9 Financial Instruments

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

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

(a) Equity investments and other financial assets

(i) Classification and measurement

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

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

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

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

2. BASIS OF PREPARATION (cont'd)

2.1 CHANGES IN ACCOUNTING POLICIES (cont'd)

HKFRS 9 Financial Instruments (cont'd)

(a) Equity investments and other financial assets (cont'd)

(ii) Equity investments previously classified as available-for-sale

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

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

The following table shows the impact on each individual line item. Line items that were not affected by the changes have not been included.

Consolidated balance sheet (extract)	**As at 30 September 2018 as previously reported**	**Impact on initial adoption of HKFRS 9**	**As at 1 October 2018 as restated**
	HK$'000	HK$'000	HK$'000
Non-current assets			
Available-for-sale investment	49,763	(49,763)	—
Financial asset at fair value through other comprehensive income (note 18)	—	49,763	49,763
Equity			
Investment revaluation reserve	49,762	(49,762)	—
Fair value through other comprehensive income reserve	—	49,762	49,762

Note:

On 1 October 2018, the Group reclassified its equity instrument (previously classified as available-for-sale investment under HKAS 39) to financial asset at FVOCI as shown above. As a result, fair value changes previously recognised in investment revaluation reserve were reclassified to FVOCI reserve.

2. BASIS OF PREPARATION (cont'd)

2.1 CHANGES IN ACCOUNTING POLICIES (cont'd)

HKFRS 9 Financial Instruments (cont'd)

(b) Impairment of financial assets

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

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 and undistributed post-acquisition reserves of associates.

(b) Subsidiaries

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

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

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

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

(b) Subsidiaries (cont'd)

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.

(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.

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

(d) Investments and the financial assets

Accounting policies applied before 1 October 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

(ii) Available-for-sale investment

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

Regular purchases and sales of investments are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Changes in the fair value of monetary financial assets denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the financial asset and other changes in the carrying amount of the financial asset. The translation differences on monetary financial assets are recognised in profit or loss; translation differences on non-monetary financial assets are recognised in other comprehensive income.

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

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

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

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

Accounting policies applied before 1 October 2018 (cont'd)

(iii) Impairment of assets carried at amortised cost

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

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

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

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

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

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

Accounting policies applied before 1 October 2018 (cont'd)

(iv) Impairment of assets classified as available for sale

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

Accounting policies applied from 1 October 2018

(i) Classification

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

- those to be measured subsequently at fair value (either through 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)

Accounting policies applied from 1 October 2018 (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 profit or loss.

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 profit or loss 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 profit or loss 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)

Accounting policies applied from 1 October 2018 (cont'd)

(iv) Impairment

From 1 October 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. 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.

(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.

(j) Operating leases

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

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

(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.

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.

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

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

(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 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

(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.

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

(m) Foreign currencies (cont'd)

(ii) Transactions and balances

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

(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.

(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.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE ESTIMATION

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

(a) Credit risk

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

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

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.

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

(a) Credit risk (cont'd)

For trade debtors 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 2019 and 2018. 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 2019 and 2018.

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 2019 and 2018.

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

For the year ended 30 September 2019, 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 2019 and 2018:

	2019	2018
	Level 3	Level 3
	HK$'000	HK$'000
Financial asset at fair value through other comprehensive income	**109,081**	—
Available-for-sale financial investment	**—**	49,763

Changes in financial assets at FVOCI in Level 3 financial instrument for the year ended 30 September 2019 and 2018 were set out in note 18.

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

(d) Fair value estimation (cont'd)

As at 30 September 2019, 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 direct market comparison, residual method and income capitalisation method for respective properties. The directors consider that this valuation technique is more relevant given that certain of the development properties have been realised. This financial asset at fair value through other comprehensive income is included in level 3.

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 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 judgement, 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.

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

At 30 September 2019, 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$883.7 million (2018: HK$953.8 million) higher/lower and the Group's loss before tax would have been decreased/increased by HK$883.7 million (2018: profit before tax would have been increased/decreased by HK$953.8 million).

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

(b) Fair value of financial assets at FVOCI/available-for-sale investment

The fair value of financial assets at FVOCI/available-for-sale financial investment that is not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a 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.

	2019 HK$'000	2018 HK$'000
(a) Revenue		
Property investment		
Rental income	**205,784**	199,478
Property management fee income	**21,137**	20,610
	226,921	220,088
(b) Contribution to (loss)/profit before taxation		
Property investment – Rental operation	**181,517**	178,056
(Decrease)/increase in fair values of investment properties	**(701,000)**	2,149,500
	(519,483)	2,327,556
Share of results of investments accounted for using the equity method	**—**	(4)
(Loss)/profit before taxation	**(519,483)**	2,327,552

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

7. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Bank interest income	**2,278**	550
Sundry income	**179**	228
	2,457	778

8. OPERATING (LOSS)/PROFIT

	2019 HK$'000	2018 HK$'000
Operating (loss)/profit is stated after charging:		
Outgoings in respect of investment properties	**32,836**	27,925
Directors' emoluments (note 9(a))	**2,421**	2,326
Auditor's remuneration	**807**	830
Depreciation	**569**	635
Impairment loss on trade debtors	**145**	130
Staff costs (excluding Directors' emoluments)		
Salaries and other emoluments	**5,627**	5,091
Long service payments	**807**	603
Contributions to mandatory provident fund scheme	**131**	157

9. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

	2019 HK$'000	2018 HK$'000
(a) Directors' emoluments		
Fees	**1,050**	1,050
Salaries and other emoluments	**1,106**	1,062
Long service payments	**265**	214
	2,421	2,326

Each Director receives a fixed fee of HK$150,000 (2018: HK$150,000) per annum. Fees paid to Non-executive Directors for the year amounted to HK$600,000 (2018: 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.

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

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

For the year ended 30 September 2019

Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Bonus HK$'000	Long service payments HK$'000	Total 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	986	120	265	1,521
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	986	120	265	2,421

For the year ended 30 September 2018

Name of Director	Fees HK$'000	Salaries and allowances HK$'000	Bonus HK$'000	Long service payments HK$'000	Total 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	946	116	214	1,426
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	946	116	214	2,326

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

Notes

i) During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2018: HK$Nil).

ii) During the year, no consideration was provided to or receivable by third parties for making available directors' services (2018: 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 (2018: 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 (2018: 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 (2018: one Director) whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining four (2018: four) individuals during the year are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other emoluments	2,290	2,199
Long service payments	463	377
Contributions to mandatory provident fund scheme	1	43
	2,754	2,619

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:

	2019 HK$'000	2018 HK$'000
Current income tax		
– Hong Kong profits tax	29,365	29,087
– Over-provision in respect of prior year	—	(117)
Income tax expenses	29,365	28,970

There is no share of taxation of investments accounted for using the equity method for the year ended 30 September 2019 (2018: HK$ nil) included in the consolidated statement of comprehensive income as share of results of investment accounted for using the equity method.

10. INCOME TAX EXPENSES (cont'd)

For the two years ended 30 September 2019 and 2018, 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 (loss)/profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows.

	2019	2018
	HK$'000	HK$'000
(Loss)/profit before taxation and share of results of investments accounted for using the equity method	**(519,483)**	2,327,556
Calculated at a taxation rate of 16.5% (2018: 16.5%)	**(85,715)**	384,047
Income not subject to taxation	**(514)**	(354,900)
Expenses or loss not deductible for taxation purposes	**115,759**	105
Effect of different tax rate of a subsidiary	**(165)**	(165)
Over-provision in respect of prior year	**—**	(117)
Income tax expenses	**29,365**	28,970

11. DIVIDENDS

	2019	2018
	HK$'000	HK$'000
Interim dividend paid of HK$2.30 (2018: HK$2.30) per share	**57,500**	57,500
Final dividend proposed of 2.80 (2018: HK$2.80) per share	**70,000**	70,000
	127,500	127,500

At a meeting held on 13 December 2019, the Directors recommended a final dividend of HK$2.80 per share. This proposed dividend will be accounted for as an appropriation of retained profits for the year ending 30 September 2020.

12. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity holders of HK$548,848,000 (2018: profit attributable to equity holders of HK$2,298,582,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2019 and 2018.

Diluted (loss)/earnings per share equal basic (loss)/earnings per share because there were no potential dilutive shares outstanding during the two years ended 30 September 2019 and 2018.

13. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and equipment HK$'000
Cost	
At 1 October 2017, 30 September 2018 and 30 September 2019	8,117
Accumulated depreciation	
At 1 October 2017	5,736
Charge for the year	635
At 30 September 2018	6,371
Charge for the year	569
At 30 September 2019	6,940
Net book value	
At 30 September 2019	1,177
At 30 September 2018	1,746

14. INVESTMENT PROPERTIES

	HK$'000
Valuation at 1 October 2017	7,388,500
Fair value changes	2,149,500
Valuation at 30 September 2018	9,538,000
Fair value changes	(701,000)
Valuation at 30 September 2019	8,837,000

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 2019 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 size, location, time, layout, frontage and ancillary.

As at 30 September 2019, 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	2019 Fair value HK$'000	2018 Fair value HK$'000	Valuation technique	Range of unobservable inputs HK$ per square foot	Relationship of unobservable inputs
Melbourne Plaza	**8,000,000**	8,660,000	Direct Comparison	Market comparable prices ranging from 28,454 - 338,250 (2018: 24,931 - 338,250) and adjusted taking into account locations and other individual factor such as size, layout, frontage and conditions of the property.	The higher the price, the higher the fair value
Kimley Commercial Building	**820,000**	860,000	Direct Comparison	Market comparable prices ranging from 12,536 - 77,805 (2018: 13,750 - 83,784) and adjusted taking into account locations and other individual factor such as size, layout, frontage and conditions of the property.	The higher the price, the higher the fair value
On Hing Mansion Shop 9B	**17,000**	18,000	Direct Comparison	Market comparable prices ranging from 51,621 - 72,998 (2018: 57,096 - 84,507) and adjusted taking into account locations and other individual factor such as size, 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 2019 and 2018 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. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	2019 HK$'000	2018 HK$'000
Group's share of net assets of investments accounted for using the equity method	—	317
Advance to an investment accounted for using the equity method	5,427	5,425
Less: Provision for impairment losses	(5,427)	(5,425)
	—	—
	—	317

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. The Group's share of aggregate results of the investments accounted for using the equity method is set out below:

	2019 HK$'000	2018 HK$'000
Revenues	—	—
Loss and other comprehensive income for the year	—	(4)

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

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

Associates in Hong Kong and directly owned by the Company	Issued and paid up ordinary share capital	Equity holding 2019	Equity holding 2018	Principal activities (in Hong Kong)
Chuen King Enterprises Limited	HK$100,000 of 1,000 shares	**50%**	50%	Inactive
Littlejohn Company Limited (Note)	HK$100,000 of 100,000 shares	**—**	20%	Investment holding

Note

Littlejohn Company Limited was dissolved on 22 March 2019.

17. FINANCIAL INSTRUMENTS BY CATEGORY

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at fair value through other comprehensive income	**109,081**	—
Available-for-sale investment	**—**	49,763
Financial assets at amortised cost/loans and receivables at amortised cost		
Long-term receivables	**29,605**	29,605
Trade and other debtors	**6,129**	5,094
Cash and bank balances	**300,581**	273,961
Financial liabilities		
Financial liability at amortised cost		
Trade creditors and deposits	**49,617**	48,195

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

(a) Financial asset at FVOCI and advances to an investee company

Financial assets at FVOCI comprise 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.

	2019	2018
	HK$'000	HK$'000
Unlisted equity investment	**109,081**	—
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 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 2019, the fair value of unlisted financial asset at fair value through 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 direct market comparison, residual method and income capitalisation method for respective properties.

(iii) This unlisted equity investment was classified as available-for-sale investment as at 30 September 2018 (refer note 2.1(a)(ii) and note 18(b)).

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

	2019	2018
	HK$'000	HK$'000
At 1 October	**49,763**	—
Fair value gain recognised in equity	**59,318**	—
At 30 September	**109,081**	—

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

18. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE INVESTMENT AND ADVANCES TO AN INVESTEE COMPANY (cont'd)

(b) Financial asset previously classified as available-for-sale investment (2018)

	2019	2018
	HK$'000	HK$'000
Unlisted equity investment	—	49,763

	2019	2018
	HK$'000	HK$'000
At 1 October	—	28,529
Fair value gain recognised in equity	—	21,234
At 30 September	—	49,763

The investment was reclassified to financial asset at FVOCI on 1 October 2018 (refer note 2.1(a)(ii)).

19. DEBTORS, OTHER RECEIVABLES, DEPOSITS, AND PREPAYMENTS

Trade debtors represent rental and service income receivables. The Group normally does not grant credit period to trade debtors. As of 30 September 2019, trade receivables of the Group amounting to HK$5,062,000 (2018: HK$4,560,000) 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:

	2019 HK$'000	2018 HK$'000
Within 30 days	**3,501**	3,162
31 to 60 days	**1,115**	1,180
61 to 90 days	**446**	216
Over 90 days	**—**	2
	5,062	4,560

At 30 September 2019 and 2018, no impairment provision was made on the trade debtors. The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9 as disclosed in note 3(d)(iv) "accounting policies applied from 1 October 2018". Trade debtors of HK$145,312 (2018: HK$130,098) were written off for the year ended 30 September 2019.

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

	2019 HK$'000	2018 HK$'000
Cash at banks and on hand	**139,241**	273,961
Time deposits	**161,340**	—
	300,581	273,961

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

21. CREDITORS, ACCRUALS AND DEPOSITS

	2019 HK$'000	2018 HK$'000
Trade creditors	**1,380**	785
Accruals and deposits	**49,617**	48,195
Amount due to an associate	**—**	316
	50,997	49,296

The carrying amounts of creditors, accruals, deposits and the amount due to an associate 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:

	2019 HK$'000	2018 HK$'000
Trade creditors		
Within 30 days	**1,098**	559
31 to 60 days	**48**	—
61 to 90 days	**—**	—
Over 90 days	**234**	226
	1,380	785

22. DEFERRED TAX LIABILITIES

Deferred taxation is calculated in full on temporary differences under the liability method using a taxation rate of 16.5% (2018: 16.5%).

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

	2019 HK$'000	2018 HK$'000
Accelerated tax depreciation		
At beginning and end of the year	**1,778**	1,778

23. SHARE CAPITAL

	2019		2018	
	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 receivable under non-cancellable operating leases are as follows:

	2019	2018
	HK$'000	HK$'000
In the first year	**180,843**	145,910
In the second to fifth year inclusive	**85,029**	84,414
	265,872	230,324

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 from these related companies during the year were HK$11,704,000 (2018: HK$10,160,000).

During the year, the meal expenses for employees of 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 and the amount due to an associate are disclosed in notes 16 and 21 respectively.

26. COMPANY BALANCE SHEET

	Note	30 September 2019 HK$'000	30 September 2018 HK$'000
Non-current assets			
Property, plant and equipment		1,177	1,746
Investment properties		8,000,000	8,660,000
Investment in a subsidiary	15	10,000	10,000
Investments accounted for using the equity method		50	70
Available-for-sale investment		—	49,763
Financial asset at fair value through other comprehensive income		109,081	—
Advances to an investee company		29,605	29,605
		8,149,913	8,751,184
Current assets			
Debtors, other receivables, deposits and prepayments		7,317	6,162
Amount due from a subsidiary		—	3,140
Cash and bank balances		299,460	273,010
		306,777	282,312
Current liabilities			
Creditors, accruals and deposits		47,423	45,860
Amount due to a subsidiary		4,951	—
Current tax payable		25,114	27,565
		77,488	73,425
Net current assets		229,289	208,887
Total assets less current liabilities		8,379,202	8,960,071
Non-current liabilities			
Provision for long service payments		14,564	13,491
Deferred tax liabilities		1,778	1,778
		16,342	15,269
Net assets		8,362,860	8,944,802

26. COMPANY BALANCE SHEET (cont'd)

	30 September 2019 HK$'000	30 September 2018 HK$'000
Equity		
Share capital	**125,000**	125,000
Investment revaluation reserve	**—**	49,762
Fair value through other comprehensive income reserve	**109,080**	—
Retained profits	**8,128,780**	8,770,040
Total equity	**8,362,860**	8,944,802

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:

	Investment revaluation reserve HK$'000	Fair value through other comprehensive income reserve HK$'000	Retained profits HK$'000	Total HK$'000
Company				
Balance at 1 October 2017	28,528	—	6,763,854	6,792,382
Profit for the year	—	—	2,131,186	2,131,186
Fair value gain on available-for-sale investment	21,234	—	—	21,234
Total comprehensive income for the year	21,234	—	2,131,186	2,152,420
2017 final dividend paid	—	—	(67,500)	(67,500)
2018 interim dividend paid	—	—	(57,500)	(57,500)
Balance at 30 September 2018 as originally presented	49,762	—	8,770,040	8,819,802
Changes in accounting policies – HKFRS9 (note 2.1)	(49,762)	49,762	—	—
Restated at 1 October 2018	—	49,762	8,770,040	8,819,802
Loss for the year	—	—	(513,760)	(513,760)
Fair value gain on financial asset at fair value through other comprehensive income	—	59,318	—	59,318
Total comprehensive loss for the year	—	59,318	(513,760)	(454,442)
2018 final dividend paid	—	—	(70,000)	(70,000)
2019 interim dividend paid	—	—	(57,500)	(57,500)
Balance at 30 September 2019	—	109,080	8,128,780	8,237,860

FIVE-YEAR FINANCIAL SUMMARY

	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Investment properties, property, plant and equipment	**8,838,177**	9,539,746	7,390,881	6,030,025	5,903,677
Investments accounted for using the equity method	**—**	317	321	853	905
Investment and advances	**138,686**	79,368	58,134	87,707	34,545
Current assets	**308,224**	280,487	253,307	226,305	181,292
Total assets	**9,285,087**	9,899,918	7,702,643	6,344,890	6,120,419
Current liabilities	**(79,328)**	(78,202)	(76,560)	(82,854)	(76,059)
Non-current liabilities	**(16,342)**	(15,269)	(14,452)	(13,759)	(13,231)
Net assets	**9,189,417**	9,806,447	7,611,631	6,248,277	6,031,129
Share capital	**125,000**	125,000	125,000	125,000	125,000
Investment revaluation reserve	**—**	49,762	28,528	58,101	4,939
Fair value through other comprehensive income reserve	**109,080**	—	—	—	—
Retained profits	**8,955,337**	9,631,685	7,458,103	6,065,176	5,901,190
Total equity	**9,189,417**	9,806,447	7,611,631	6,248,277	6,031,129
Revenue	**226,921**	220,088	232,319	232,111	223,410
Operating (loss)/profit	**(519,483)**	2,327,556	1,545,712	311,904	589,753
Share of results of investments accounted for using the equity method	**—**	(4)	17	(52)	(59)
(Loss)/profit before taxation	**(519,483)**	2,327,552	1,545,729	311,852	589,694
Income tax expense	**(29,365)**	(28,970)	(30,302)	(30,367)	(29,050)
(Loss)/profit attributable to equity holders	**(548,848)**	2,298,582	1,515,427	281,485	560,644
	HK$	HK$	HK$	HK$	HK$
(Loss)/earnings per share					
Basic and diluted	**(21.95)**	91.94	60.62	11.26	22.43
Dividends per share					
Interim	**2.30**	2.30	2.30	2.20	2.20
Final	**2.80**	2.80	2.70	2.60	2.50
	5.10	5.10	5.00	4.80	4.70

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of Melbourne Enterprises Limited (the "Company") will be held at Tsui Hang Village, 2/F., New World Tower, 18 Queen's Road Central, Hong Kong on Wednesday, 22 January 2020 at 3:00 p.m. for the following purposes:

1. To consider and adopt the audited financial statements and the Reports of Directors and the Independent Auditors for the year ended 30 September 2019.

2. To declare a final dividend.

3. To re-elect Directors and authorise the board of Directors to fix their remuneration.

4. To re-appoint Messrs. PricewaterhouseCoopers as auditor and authorise the Board of Directors to fix their remuneration.

5. As special business to consider and, if thought fit, pass with or without modifications, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

"THAT:

(a) subject to paragraph (c) below and pursuant to Sections 140 and 141 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorise the Directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including bonds, warrants and debentures convertible into shares of the Company) which would or might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue, (ii) an issue of shares as scrip dividends pursuant to the articles of association of the Company from time to time; (iii) an issue of shares under any option scheme or similar arrangement for the time being adopted for the grant or issue to employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iv) an issue of shares upon conversion by the bondholders of their bonds into shares of the Company in accordance with the terms and conditions of an issue of convertible guaranteed bonds by the Company or a special purpose subsidiary wholly owned by the Company, shall not exceed 20% of the aggregate number of the issued shares of the Company (subject to adjustment in the case of subdivision or consolidation of shares) as at the date of passing this resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this Resolution,

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

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by law to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting; and

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

By Order of the Board
Chung Yin Shu, Frederick
Company Secretary

Hong Kong, 13 December 2019

Notes:

(1) Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.

(2) To be valid, a proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be lodged with the registered office of the Company at Rooms 2102-4, Melbourne Plaza, 33 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or the adjourned meeting (as the case may be).

(3) The register of members of the Company will be closed from Friday, 17 January 2020 to Wednesday, 22 January 2020, both days inclusive, during which period no transfer of shares will be effected. In order to determine the entitlement to attend and vote at the Annual General Meeting, all share transfers accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 16 January 2020.

(4) Pursuant to Rule 13.39(4) of the Listing Rules, at any general meeting, a resolution put to the vote of the meeting must be taken by poll.

(5) In accordance with Article 103(A) of the Company's Articles of Association, Mr. Chung Ming Fai and Dr. Fong Yun Wah, G.B.S., J.P. retire by rotation and, being eligible, offer themselves for re-election.

(6) Details of all retiring Directors, their interests in the shares of the Company and their remuneration are set out under the headings "Management Profile", "Directors' Interests in Shares, Underlying Shares and Debentures" and "Directors' Emoluments" in the Annual Report 2019.