

**MELBOURNE ENTERPRISES LIMITED**  
**(Incorporated in Hong Kong with limited liability) (Stock Code: 158)**

**ANNUAL RESULTS ANNOUNCEMENT 2005/2006**

The Board of Directors is pleased to announce the audited consolidated results of the Group for the year ended 30 September 2006 as follows:

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

*For the year ended 30 September 2006*

	Note	<u>2006</u> HK\$'000	<u>2005</u> HK\$'000 (Restated)
<b>Turnover</b>	2	87,922	72,800
Operating costs		<u>( 24,321)</u>	<u>( 19,831)</u>
Gross profit		63,601	52,969
Other income		1,851	683
Write back of provision against advances to an investee company		24,000	-
Administrative expenses		( 7,360)	( 7,611)
Changes in fair value of investment properties		<u>268,200</u>	<u>-</u>
Operating profit	3	350,292	46,041
Share of results of associated companies		<u>( 513)</u>	<u>( 8)</u>
<b>Profit before taxation</b>		349,779	46,033
Taxation	4	<u>( 56,827)</u>	<u>( 8,012)</u>
<b>Profit attributable to shareholders</b>		<u>292,952</u>	<u>38,021</u>
<b>Dividends</b>	5	<u>50,000</u>	<u>40,000</u>
<b>Earnings per share</b>			
Basic and diluted	6	<u>HK\$11.72</u>	<u>HK\$1.52</u>

**CONSOLIDATED BALANCE SHEET***At 30 September 2006*

	<b>Note</b>	<b><u>2006</u></b> <b>HK\$'000</b>	<b><u>2005</u></b> <b>HK\$'000</b> (Restated)
<b>Non-current assets</b>			
Property, plant and equipment	7	107	140
Investment properties	7	1,961,200	1,693,000
Associated companies		840	1,329
Unlisted investment		-	1
Available-for-sale investment		1	-
		<u>1,962,148</u>	<u>1,694,470</u>
<b>Current assets</b>			
Advances to an investee company		24,000	-
Staff loans, secured		1,509	1,789
Debtors, deposits and prepayments	8	6,510	5,691
Cash and bank balances		61,802	53,460
		<u>93,821</u>	<u>60,940</u>
<b>Current liabilities</b>			
Creditors, accruals and deposits	9	19,763	16,653
Taxation		10,277	8,029
		<u>30,040</u>	<u>24,682</u>
<b>Net current assets</b>		<u>63,781</u>	<u>36,258</u>
<b>Total assets less current liabilities</b>		<u>2,025,929</u>	<u>1,730,728</u>
<b>Non-current liabilities</b>			
Provision for long service payments		6,278	6,132
Deferred tax liabilities		321,305	274,202
		<u>327,583</u>	<u>280,334</u>
<b>Net assets</b>		<u>1,698,346</u>	<u>1,450,394</u>
<b>Equity</b>			
Share capital		125,000	125,000
Investment property revaluation reserve		-	1,291,255
Retained profits		1,540,846	6,639
Proposed final dividend		32,500	27,500
<b>Total equity</b>		<u>1,698,346</u>	<u>1,450,394</u>

## 1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

The Group has changed certain of its accounting policies following its adoption of the new and revised HKFRSs which are effective for accounting periods beginning on or after 1 January 2005. The following is a summary of the material changes to the Group’s principal accounting policies or presentation of accounts as a result of the adoption of the new or revised HKFRSs. Certain comparative figures have been reclassified to conform with the current year presentation.

(a) HKAS 1 Presentation of financial statements

The adoption of HKAS 1 has affected certain presentation and disclosures in the financial statements.

(b) HKAS 40 Investment properties

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair value of investment properties are recognised in the profit and loss account. In prior years, increases in valuation of investment properties were credited to the investment property revaluation reserve; decreases were first set off against earlier revaluation surpluses on a portfolio basis and thereafter charged to the profit and loss account. The Group has applied the relevant transitional provisions under HKAS 40 and elected to apply HKAS 40 from 1 October 2005 onwards. As a result, investment property revaluation reserve as at 1 October 2005 has been transferred to retained profits. Comparative information has not been restated.

(c) HK(SIC)-Int 21 Income taxes – Recovery of revalued non-depreciable assets

The adoption of Hong Kong (SIC) Interpretation 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of the Group’s leasehold investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from the recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

## 2. SEGMENT INFORMATION

	<b>2006</b> <b>HK\$'000</b>	<b>2005</b> <b>HK\$'000</b>
<b>(a) Turnover</b>		
Property investment	87,922	72,800
	<u>87,922</u>	<u>72,800</u>
<b>(b) Contribution to operating profit</b>		
Property investment	326,292	46,041
Unallocated item - Write back of provision against advances to an investee company	24,000	-
	<u>350,292</u>	<u>46,041</u>

Turnover represents gross rental and service income from investment properties.

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

## 3. OPERATING PROFIT

Operating profit is stated after crediting and charging the followings:

	<b>2006</b> <b>HK\$'000</b>	<b>2005</b> <b>HK\$'000</b>
Crediting:		
Interest income	1,609	336
	<u>1,609</u>	<u>336</u>
Charging:		
Depreciation	33	50
	<u>33</u>	<u>50</u>

## 4. TAXATION

	<b>2006</b> <b>HK\$'000</b>	<b>2005</b> <b>HK\$'000</b> (Restated)
Hong Kong profits tax	9,724	7,838
Deferred taxation	47,103	174
	<u>56,827</u>	<u>8,012</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the year. Deferred taxation has been provided on temporary differences using the current applicable rate.

## 5. DIVIDENDS

	<b>2006</b> <b>HK\$'000</b>	<b>2005</b> <b>HK\$'000</b>
Interim dividend paid of HK\$0.70 (2005: HK\$0.50) per share	17,500	12,500
Final dividend proposed of HK\$1.30 (2005: HK\$1.10) per share	<u>32,500</u>	<u>27,500</u>
	<u><u>50,000</u></u>	<u><u>40,000</u></u>

The Board proposes a final dividend of HK\$1.30 per share for the year ended 30 September 2006. Dividend warrants will be posted to shareholders by 14 February 2007.

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$292,952,000 (2005: HK\$38,021,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2006 and 2005.

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

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

	<b>Investment properties HK\$'000</b>	<b>Property, plant and equipment HK\$'000</b>	<b>Total HK\$'000</b>
Net book value at 30 September 2005	1,693,000	140	1,693,140
Changes in fair value	268,200	-	268,200
Depreciation	<u>-</u>	<u>( 33)</u>	<u>( 33)</u>
Net book value at 30 September 2006	<u><u>1,961,200</u></u>	<u><u>107</u></u>	<u><u>1,961,307</u></u>

The investment properties are held under long leases (over 50 years) in Hong Kong and were revalued on 30 September 2006 on an open market value basis by CS Surveyors Limited.

## 8. DEBTORS, DEPOSITS AND PREPAYMENTS

	2006 HK\$'000	2005 HK\$'000
Trade debtors		
Below 60 days	3,979	2,456
61 to 90 days	336	242
Over 90 days	320	272
	<hr/>	<hr/>
	4,635	2,970
Deposits and prepayments	1,875	2,721
	<hr/>	<hr/>
	6,510	5,691
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Trade debtors represent rental income which is due one month in advance.

## 9. CREDITORS, ACCRUALS AND DEPOSITS

	2006 HK\$'000	2005 HK\$'000
Trade creditors		
Below 60 days	620	908
Accruals and deposits	19,143	15,745
	<hr/>	<hr/>
	19,763	16,653
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## BUSINESS REVIEW

### Group Results

Net profit for the year amounted to HK\$293.0 million (2005: HK\$38.0 million). Turnover for the year amounted to HK\$87.9 million, representing an increase of 21% as compared to last year. In addition, the net profit for the year was positively impacted by the HK\$24.0 million write-back of provision against the Group's advances to Billion Park Investment Limited, an investee company, and the adoption of HKAS 40, whereby changes in the fair value of investment properties are recognised in the profit and loss account. The increase in net profit in 2006 as a result of the fair value uplift amounted to HK\$268.2 million, which was partially offset by its related deferred tax effect of HK\$46.9 million.

### Significant Investments

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 95% and 90% let respectively.

**Liquidity and Financial Resources**

Basically, the Group's working capital requirement was financed by its rental income. As at 30 September 2006, the Group had cash and bank balances totalling HK\$61.8 million (2005: HK\$53.5 million). During the year, the Group did not need any borrowings or overdraft facilities.

**Employees and Remuneration Policies**

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

**Material Acquisitions and Disposals**

There were no acquisitions or disposals of subsidiaries and associated companies during the year. In addition, there are no future plans for material investments in capital assets.

**CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 6 to 9 February 2007, both days inclusive, during which period no transfer of shares will be registered. To ensure their entitlement to the final dividend, shareholders are reminded to lodge their transfers not later than 4:00 p.m. on Monday, 5 February 2007 with Computershare Hong Kong Investor Services Limited, Rooms 1712-6, 17/F., Hopewell Centre, 183 Queen's Road East, Hong Kong.

**PURCHASE, SALE OR REDEMPTION OF SHARES**

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

**AUDIT COMMITTEE**

The Audit Committee was established in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee consists of 3 independent non-executive directors of the Company.

The Audit Committee has reviewed the annual results for the year ended 30 September 2006 and has discussed the financial related matters with management. The figures in respect of this preliminary announcement of the Group's results for the year ended 30 September 2006 have been agreed by the Group's joint auditors, PricewaterhouseCoopers and H. C. Watt & Company Limited, to the amounts set out in the Group's consolidated accounts for the year. The work performed by PricewaterhouseCoopers and H. C. Watt & Company Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers and H. C. Watt & Company Limited on the preliminary announcement.

**CODE OF CORPORATE GOVERNANCE PRACTICES**

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

**PUBLICATION OF ANNUAL REPORT ON THE INTERNET**

This annual results announcement is published on the Stock Exchange's website at [www.hkex.com.hk](http://www.hkex.com.hk) and the annual report will be available from the same website in due course.

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

Hong Kong, 20 December 2006

As at the date of this announcement, the Board comprises Dato' Dr. CHENG Yu Tung, Mr. CHUNG Ming Fai, Mr. CHUNG Yin Shu, Frederick who are Executive Directors; Mr. CHUNG Wai Shu, Robert who is a Non-executive Director; and Mr. YUEN Pak Yiu, Philip, Dr. FONG Yun Wah, SBS, JP, Mr. LO Pak Shiu and Mr. YUEN Sik Ming, Patrick who are Independent Non-executive Directors.