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ANNUAL RESULTS ANNOUNCEMENT 2018/2019

The board of directors of Melbourne Enterprises Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiary (the “Group”) for the year ended 30 September 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2019

	Note	2019 HK\$'000	2018 HK\$'000
Revenue	2	226,921	220,088
Operating costs		(34,829)	(29,472)
Gross profit		192,092	190,616
Other income		2,457	778
Administrative expenses		(13,032)	(13,338)
(Decrease)/increase in fair value of investment properties		(701,000)	2,149,500
Operating (loss)/profit	3	(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	4	(29,365)	(28,970)
(Loss)/profit for the year attributable to equity holders		(548,848)	2,298,582
Other comprehensive income			
<i>Item that will not be classified subsequently to profit or loss</i>			
Fair value gain on financial asset at fair value through other comprehensive income		59,318	-
<i>Item that may be classified subsequently to profit or loss</i>			
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	6	(HK\$21.95)	HK\$91.94

CONSOLIDATED BALANCE SHEET

At 30 September 2019

	Note	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment	7	1,177	1,746
Investment properties	7	8,837,000	9,538,000
Investments accounted for using the equity method		-	317
Available-for-sale investment		-	49,763
Financial asset at fair value through other comprehensive income	8	109,081	-
Advances to an investee company		29,605	29,605
		<u>8,976,863</u>	<u>9,619,431</u>
Current assets			
Debtors, other receivables, deposits and prepayments	9	7,643	6,526
Cash and bank balances		300,581	273,961
		<u>308,224</u>	<u>280,487</u>
Current liabilities			
Creditors, accruals and deposits	10	50,997	49,296
Current tax payable		28,331	28,906
		<u>79,328</u>	<u>78,202</u>
Net current assets		<u>228,896</u>	<u>202,285</u>
Total assets less current liabilities		<u>9,205,759</u>	<u>9,821,716</u>
Non-current liabilities			
Provision for long service payments		14,564	13,491
Deferred tax liabilities		1,778	1,778
		<u>16,342</u>	<u>15,269</u>
Net assets		<u>9,189,417</u>	<u>9,806,447</u>
Equity			
Share capital		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		<u>9,189,417</u>	<u>9,806,447</u>

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They 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 have been measured at fair value.

(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 1.1 below.

(b) STANDARDS, INTERPRETATION, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS WHICH ARE NOT YET EFFECTIVE

The HKICPA has issued certain new standards, interpretations, amendments and improvements to existing standards which are not yet effective for the year ended 30 September 2019 and have not been early adopted by the Group. 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 it is not yet in a position to state whether any substantial changes to the Group’s significant accounting policies and presentation of the financial information will be resulted, except for the below new standard:

HKFRS 16 Leases

HKFRS 16 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.

1.1 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”).

(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	-	49,763	49,763
Equity			
Investment revaluation reserve	49,762	(49,762)	-
Fair value through other comprehensive income reserve	-	49,762	49,762

1.1 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 9 Financial Instruments (Continued)

(a) Equity investments and other financial assets (Continued)

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

Note:

On 1 October 2018, the Group reclassified its equity instrument (previously classified as available-for-sale financial assets 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.

(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.

2. SEGMENT INFORMATION

The Board collectively has been identified as the chief operation decision-maker. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board considers property investment 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
	<u>226,921</u>	<u>220,088</u>
(b) Contribution to (loss)/profit before taxation		
Property investment – Rental operations	181,517	178,056
(Decrease)/increase in fair value of investment properties	(701,000)	2,149,500
	<u>(519,483)</u>	<u>2,327,556</u>
Share of results of investments accounted for using the equity method	-	(4)
	<u>(519,483)</u>	<u>2,327,552</u>

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

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after crediting and charging the following:

	2019 HK\$'000	2018 HK\$'000
Crediting:		
Interest income	2,278	550
Charging:		
Outgoings in respect of investment properties	32,836	27,925
Directors' emoluments	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

4. INCOME TAX EXPENSES

	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)
	<u>29,365</u>	<u>28,970</u>

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%.

5. DIVIDENDS

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

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.

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

7. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

	Investment properties HK\$'000	Property, plant and equipment HK\$'000	Total HK\$'000
Net book value at 30 September 2018	9,538,000	1,746	9,539,746
Decrease in fair value	(701,000)	-	(701,000)
Depreciation	-	(569)	(569)
	<hr/>	<hr/>	<hr/>
Net book value at 30 September 2019	<u>8,837,000</u>	<u>1,177</u>	<u>8,838,177</u>

The investment properties are held under long leases (over 50 years) in Hong Kong and were revalued at 30 September 2019 and 2018 on an open market value basis by an independent professionally qualified valuer, C S Surveyors Limited.

8. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	HK\$'000
At 1 October 2018	49,763
Fair value gain recognised for the year	59,318
	<hr/>
At 30 September 2019	<u>109,081</u>

As at 30 September 2019 and 2018, financial asset at fair value through other comprehensive income/available-for-sale investment represents the Group's equity interest in an unlisted company, Billion Park Investment Limited, which invests in a project for the construction of commercial and residential properties and the operation of a golf course in Foshan through its associated companies.

9. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

	2019 HK\$'000	2018 HK\$'000
Trade debtors		
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
	<hr/>	<hr/>
	<u>5,062</u>	<u>4,560</u>

Trade debtors represent rental and service income receivables. The Group normally does not grant credit period to trade debtors. During the year, an impairment loss on trade debtors of HK\$145,312 (2018: HK\$130,098) was recognised in the statement of comprehensive income.

10. CREDITORS, ACCRUALS AND DEPOSITS

	2019	2018
	HK\$'000	HK\$'000
Trade creditors	1,380	785
Accruals and deposits	49,617	48,195
Amounts due to an associate	-	316
	<u>50,997</u>	<u>49,296</u>

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

	2019	2018
	HK\$'000	HK\$'000
Trade creditors		
Within 30 days	1,098	559
31 to 60 days	48	-
61 to 90 days	-	-
Over 90 days	234	226
	<u>1,380</u>	<u>785</u>

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

BUSINESS REVIEW

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 in 2018. Besides, the Group carried out certain renovation work on Melbourne Plaza and incurred approximately HK\$6.5 million as operating costs 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 investments accounted for using the equity method during the year except for dissolution of an associate. There are no other plans for material capital investments or future developments.

BOOK CLOSE DATES FOR 2019 AGM

Book close dates (both days inclusive) : Friday, 17 January 2020 to Wednesday, 22 January 2020

Latest time to lodge transfers with Share Registrar : 4:30 p.m. on Thursday, 16 January 2020

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

RECORD DATE FOR PROPOSED FINAL DIVIDEND

Record date and latest time to lodge transfers with Share Registrar : 4:30 p.m. on Friday, 31 January 2020

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

Payment date : on or about Tuesday, 11 February 2020

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 purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee has reviewed the framework and policies of risk management, the systems of internal control and the financial statements for the year ended 30 September 2019. The Audit Committee consists of three Independent Non-executive Directors and one Non-executive Director.

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 September 2019 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 on the preliminary announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on 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.

REQUIREMENT IN CONNECTION WITH PUBLICATION OF “NON-STATUTORY ACCOUNTS” UNDER SECTION 436 OF THE HONG KONG COMPANIES ORDINANCE CAP. 622

The financial information relating to the years ended 30 September 2019 and 30 September 2018 included in this preliminary announcement of annual results of 2018/2019 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company had delivered the financial statements for the year ended 30 September 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 30 September 2019 in due course.

The Company’s auditor had reported on the financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

PUBLICATION OF ANNUAL REPORT ON THE INTERNET

The annual report will be available from the Group’s website at www.irasia.com/listco/hk/melbournweb and the Stock Exchange’s website at www.hkexnews.hk on or before 22 January 2020.

Chung Yin Shu, Frederick
Executive Director

Hong Kong, 13 December 2019

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