Contents

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of Members of the Company will be held at the Tsui Hang Village Restaurant, 2/F., New World Tower, 18 Queen's Road Central, Hong Kong on Tuesday, 16 January 2001 at 12:30 p.m. for the following purposes:-

1. To receive and consider the financial statements and the reports of the directors and auditors for the financial year ended 30 September 2000.
2. To declare a final dividend for the year ended 30 September 2000.
3. To elect directors and to fix their remuneration.
4. To appoint joint auditors for the ensuing year and to authorise the directors to fix their remuneration.
5. As special business, to consider passing the following ordinary resolution: "That a general mandate unconditionally given to the directors to issue and dispose of additional shares not exceeding 20% of the existing issued share capital of the Company be and is hereby approved until the next annual general meeting".

By Order of the Board
CHUNG YIN SHU, FREDERICK
Secretary

Hong Kong, 15 December 2000

Notes:

(A) The Register of Members will be closed from 11 to 16 January 2001, both days inclusive.

(B) A member is entitled to appoint a proxy to attend and, on a poll, to vote on his behalf at the Meeting. A proxy need not be a member. To be valid, proxy forms must be lodged at the Company's registered office not less than 48 hours before the time for holding the Meeting.

(C) Concerning item 5 above, approval is being sought from members as a general mandate to authorise allotment of shares under Section 57B of the Companies Ordinance and the listing rules of the Stock Exchange of Hong Kong Limited. The Directors have no immediate plans to issue any new shares of the Company.

Group Structure

At 30 September 2000

PARENT COMPANY

Melbourne Enterprises Limited

SUBSIDIARY COMPANY	Equity Holding	Principal Activities
Iau On Company Limited	100%	Property investment

ASSOCIATED COMPANIES		
Chuen King Enterprises Limited	50%	Property development
Manlo Holdings Limited	33-1/3 %	Investment holding
Littlejohn Company Limited	20%	Investment holding

Corporate Information

CHAIRMAN	Cheng Yu Tung
DIRECTORS	Chung Ming Fai * Fong Yun Wah * Yuen Pak Yiu, Philip Chung Yin Shu, Frederick * Chung Wai Shu, Robert * Lo Pak Shiu * Independent non-executive director
CHIEF EXECUTIVE	Ho Tak Him
SECRETARY	Chung Yin Shu, Frederick
AUDIT COMMITTEE	Yuen Pak Yiu, Philip (Chairman) Chung Yin Shu, Frederick (Secretary) Chung Wai Shu, Robert Lo Pak Shiu
JOINT AUDITORS	PricewaterhouseCoopers H. C. Watt & Company Limited
SOLICITORS	Woo, Kwan, Lee & Lo
BANKERS	The Hongkong and Shanghai Banking Corporation Limited Hang Seng Bank Limited
REGISTRARS AND TRANSFER OFFICE	Central Registration Hong Kong Limited Hopewell Centre, 19/F 183 Queen's Road East Hong Kong
REGISTERED OFFICE	Room 2102-4, Melbourne Plaza 33 Queen's Road Central Hong Kong
WEBSITE	www.irasia.com/listco/hk/melbourne

Directors' Profile

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Dato' Dr. Cheng Yu Tung, aged 75, is the Chairman of the Company and has been appointed Executive Director of the Company since December 1967. He is the Chairman of New World Development Company Limited, NWD (Hotels Investments) Limited, Chow Tai Fook Enterprises Limited and a director of Hang Seng Bank Limited.

Mr. Chung Ming Fai, aged 80, is one of the founders of the Company and has been appointed 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 56, 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.

Non-Executive Directors

Mr. Yuen Pak Yiu, Philip, aged 63, is a Solicitor. He is the senior partner of Yung, Yu & Yuen, Solicitors. He has been appointed Non-executive Director of the Company since December 1993.

Dr. Fong Yun Wah, M.B.E., J.P., aged 76. He is the Managing Director of Hip Shing Hong Development Company Limited and Kam Wah Investment Company Limited. He has been appointed Non-executive Director of the Company since November 1994.

Mr. Chung Wai Shu, Robert, aged 52, was appointed Executive Director of the Company in December 1975 and became 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.

Mr. Lo Pak Shiu, aged 46, was appointed Executive Director of the Company in March 1989 and became Non-executive Director in June 1999. He is a director of Foo Hang Jewellery Limited.

Directors' Report

The Directors present their annual report together with the audited financial statements for the financial year ended 30 September 2000.

PRINCIPAL ACTIVITIES

The Company continues to carry on the business of investment holding and property investment in Hong Kong. Activities of the subsidiary company and associated companies are set out in notes 10 and 11 to the financial statements respectively.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2000 are set out in the consolidated profit and loss account on page 13. A commentary on annual results is included in the chairman's business review on page 10.

An interim dividend of HK$0.50 per share was paid in July 2000 absorbing HK$12,500,000. The directors propose the payment of a final dividend of HK$0.80 per share, totalling HK$20,000,000 and recommend that the retained profit of the Company, amounting to HK$25,232,000 at 30 September 2000 be carried forward.

DONATIONS

The Group made charitable donations during the year of HK$2,000.

FIXED ASSETS

Details of the movements in fixed assets and particulars regarding the investment properties held by the Group are shown in note 9 to the financial statements.

RESERVES

Details of the movements in reserves are set out in note 17 to the financial statements.

DIRECTORS

The Directors during the financial year and at the date of this report are:-
Dato' Dr. Cheng Yu Tung
Mr. Chung Ming Fai
Mr. Yuen Pak Yiu, Philip
Dr. Fong Yun Wah
Mr. Chung Yin Shu, Frederick
Mr. Chung Wai Shu, Robert
Mr. Lo Pak Shiu

In accordance with Article 103 of the Articles of Association of the Company, Dato' Dr. Cheng Yu Tung and Mr. Yuen Pak Yiu, Philip retire by rotation and, being eligible, offer themselves for re-election.

Directors' Report (Cont'd)

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance in relation to the Group's business to which the Company or its subsidiary company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year.

No loan was made during the financial year to the Company's directors or officers or bodies corporate controlled by them either by the Company or by its subsidiary company or by a third party on the security or guarantee of the Company or its subsidiary company.

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 Rules Governing the Listing of Securities on the Stock Exchange ("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
Dato' Dr. Cheng Yu Tung	Shun Tak Holdings Limited group of companies	Property investment	Director
	Chow Tai Fook Enterprises Limited group of companies	Property investment	Director
	New World Development Company Limited group of companies	Property investment	Director
Mr. Chung Ming Fai	Aik San Realty Limited group of companies	Property investment	Director
	Fu Hop Investment Company Limited	Property investment	Director Shareholder
	Good Earning Investment Company Limited	Property investment	Director Shareholder
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

As the board of Directors of the Company is independent of the board 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' Report (Cont'd)

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the financial year was the Company or its subsidiary company a party to any arrangements to enable the Directors or Chief Executive (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 company not terminable within one year without the payment of a compensation (other than statutory compensation).

DISCLOSURE OF INTERESTS

At 30 September 2000, the interests of the Directors and Chief Executive in the share capital of the Company which have to be notified to the Company and the Stock Exchange of Hong Kong Limited pursuant to section 28 of the Securities (Disclosure of Interests) Ordinance of Hong Kong (including interests which they are deemed or taken to have under section 31 or Part I of the Schedule to that Ordinance) or which are required, pursuant to section 29 of that Ordinance, to be entered in the register referred to therein were as follows:-

	Number of shares held		
	Personal Interests	**Corporate Interests**	
Directors			
Dato' Dr. Cheng Yu Tung (Note a)	–	–	
Mr. Chung Ming Fai	12,000,500	1,000	(Note b)
Mr. Chung Yin Shu, Frederick	1,875	–	
Chief Executive			
Mr. Ho Tak Him	1,000	–	

Notes:

(a) Dato' Dr. Cheng Yu Tung is a shareholder of Chow Tai Fook Enterprises Limited, which, together with its associated companies, has a beneficial interest in 6,762,750 shares of the Company.

(b) 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.

Save for the shares referred to the above, no other person is recorded in the register kept pursuant to section 16(1) of the Securities (Disclosure of Interests) Ordinance as having an interest in ten percent or more of the issued share capital of the Company as at 30 September 2000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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.

Directors' Report (Cont'd)

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.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate turnover during the year attributable to the Group's five largest customers was less than 30%.

The aggregate purchase of revenue items during the year attributable to the Group's five largest suppliers was 44%, of which 18% 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 suppliers or customers noted above.

AUDIT COMMITTEE

An Audit Committee has been established for the purpose of reviewing and providing supervision of the Company's financial reporting process and internal controls. The composition of the Audit Committee is shown on page 4.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited throughout the year except that the Non-executive Directors are not appointed for a specific term as they are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

THE YEAR 2000 ISSUE

The computer systems used by the Group are not complex and are fully Year 2000 compliant since 4 November 1998.

AUDITORS

The financial statements have been audited by Messrs. PricewaterhouseCoopers and H. C. Watt & Company Limited, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Dato' Dr. Cheng Yu Tung
Chairman

Hong Kong, 15 December 2000

Chairman's Business Review

I am pleased to report to shareholders that the Group's profit after taxation for the financial year ended 30 September 2000 amounted to HK$33.6 million (1999: HK$51.6 million). The Board has decided to recommend a final dividend of HK$0.80 per share payable to the shareholders registered on 16 January 2001. Together with the interim dividend of HK$0.50 per share paid in July 2000, total distribution for the year amounted to HK$1.30 per share (1999: HK$2.00 per share).

The Group's investment properties held for rental are Melbourne Plaza at 33 Queen's Road Central and Kimley Commercial Building at 142-146 Queen's Road Central. About 78% and 60% of shops and office units at Melbourne Plaza and Kimley Commercial Building respectively were let throughout the year. Although the economy was improving, it had not been fully recovered. The Group still had to continuing its efforts in order to maintain the letting of the Group's investment properties for steady rental income. In view of the above, the occupancy rate remained stable apart from slight reduction in total rental income. As the Group always takes a conservative view on investment especially on investment properties with steady rental income, the Group continues to produce steady rental income under such economic condition.

The Group has participated with Wing Shan Group in a property development project in Foshan, the People's Republic of China in which the Group has an effective interest of 5%. (The total investment cost up to current financial year amounted to HK$29.7 million). The property development project has a total site area of 30,500,000 sq.ft. and involves construction of two golf courses of which the first stage has been completed. The golf club is available for use. Ancillary club house, restaurant, swimming pool and other recreation facilities are also in full operation. In respect of construction of residential buildings, mid-size apartments with floor area from 330 sq. ft. to 1,600 sq. ft. are planned beside the golf courses.

The Group always has a conservative view on other investments and always focuses on investment properties with steady rental income. Therefore, the unfavourable economic conditions do not constitute a significant impact to the Group. Besides, the Group's investment properties are all located in Central District with steady rental income and the Group does not have any borrowing. Accordingly, I am happy to report to shareholders that the Group will continue to produce satisfactory return.

Finally, I would like to take this opportunity to thank my fellow directors and staff members for their loyal services and hard work.

Dato' Dr. Cheng Yu Tung
Chairman

Hong Kong, 15 December 2000

Management Discussion and Analysis

GROUP RESULTS

Net profit for the year amounted to HK$33.6 million (1999: HK$51.6 million). Turnover for the year amounted to HK$79.7 million, representing a decrease of 20% as compared to last year.

SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building were approximately 78% and 60% let.

LIQUIDITY AND FINANCIAL RESOURCES

Basically, the Group's working capital requirement was financed by its rental income. As at 30 September 2000, the Group possessed cash and bank balances totalling HK$29.9 million (1999: HK$34.8 million). During the year, the Group does not need any borrowings or overdraft facilities.

EMPLOYEE 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. Pay rates of employees are maintained at competitive levels and promotion and salary increments are assessed on a performance related basis.

Report of the Auditors

TO THE SHAREHOLDERS OF
MELBOURNE ENTERPRISES LIMITED
(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 13 to 27 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors
The Hong Kong Companies Ordinance requires the Directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion
In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

H. C. WATT & COMPANY LIMITED
Certified Public Accountants

HENRY C. H. CHUI, AUDITOR
Practising Certificate No. P599

PRICEWATERHOUSECOOPERS
Certified Public Accountants

Hong Kong, 15 December 2000

Consolidated Profit and Loss Account

Year Ended 30 September

	NOTE	2000 HK$'000	1999 HK$'000
Turnover	3	79,757	99,869
Operating costs		33,547	32,954
Gross profit		46,210	66,915
Other revenue	4	1,795	2,774
Administrative expenses		7,519	10,826
Operating profit	5	40,486	58,863
Share of profits less losses of associated companies		21	29
Profit before taxation		40,507	58,892
Taxation	7	6,893	7,271
Profit attributable to shareholders		33,614	51,621
Retained profit brought forward		25,299	23,678
Profit available for appropriations		58,913	75,299
Appropriations:			
Interim dividend paid of HK$0.50 per share (1999: HK$1.00)		12,500	25,000
Proposed final dividend of HK$0.80 per share (1999: HK$1.00)		20,000	25,000
		32,500	50,000
Retained profit carried forward		26,413	25,299
Retained by:			
Company and subsidiary company		25,365	24,272
Associated companies		1,048	1,027
		26,413	25,299
Earnings per share	8	HK$1.34	HK$2.06

Consolidated Balance Sheet

At 30 September

	NOTE	2000 HK$'000	1999 HK$'000
Assets			
Non-current assets			
Fixed assets	9	1,370,779	1,512,751
Associated companies	11	1,297	1,250
Unlisted investments	12	29,749	29,749
		1,401,825	1,543,750
Current assets			
Staff loans, secured		3,884	3,793
Accounts receivable, deposits and prepayments	13	5,515	7,503
Cash and bank balances		29,990	34,886
		39,389	46,182
Current liabilities			
Creditors, accruals, deposits and temporary receipts	14	14,816	16,559
Taxation		6,645	5,918
Proposed final dividend		20,000	25,000
		41,461	47,477
Net current liabilities		(2,072)	(1,295)
Total assets less current liabilities		1,399,753	1,542,455
Non-current liabilities			
Provision for long service payments	15	5,683	7,499
Net assets		1,394,070	1,534,956
Capital and reserves			
Share capital	16	125,000	125,000
Reserves	17	1,269,070	1,409,956
		1,394,070	1,534,956

Chung Ming Fai
Director

Cheng Yu Tung
Director

Balance Sheet

At 30 September

	NOTE	2000 HK$'000	1999 HK$'000
Assets			
Non-current assets			
Fixed assets	9	1,250,279	1,380,251
Subsidiary company	10	11,299	11,208
Associated companies	11	248	222
Unlisted investments	12	29,749	29,749
		1,291,575	1,421,430
Current assets			
Staff loans, secured		3,884	3,793
Accounts receivable, deposits and prepayments	13	5,128	6,885
Cash and bank balances		29,632	34,366
		38,644	45,044
Current liabilities			
Creditors, accruals, deposits and temporary receipts	14	13,810	15,364
Taxation		6,120	5,034
Proposed final dividend		20,000	25,000
		39,930	45,398
Net current liabilities		(1,286)	(354)
Total assets less current liabilities		1,290,289	1,421,076
Non-current liabilities			
Provision for long service payments	15	5,683	7,499
Net assets		1,284,606	1,413,577
Capital and reserves			
Share capital	16	125,000	125,000
Reserves	17	1,159,606	1,288,577
		1,284,606	1,413,577

Chung Ming Fai
Director

Cheng Yu Tung
Director

Consolidated Statement of Recognised Gains and Losses

Year Ended 30 September

	NOTE	2000 HK$'000	1999 HK$'000
(Deficit)/surplus on revaluation of investment properties	17	(142,000)	200
Net (losses)/gains not recognised in the profit and loss account		(142,000)	200
Profit attributable to shareholders		33,614	51,621
Total recognised (losses)/gains		(108,386)	51,821

Consolidated Cash Flow Statement

Year Ended 30 September

	NOTE	2000 HK$'000	1999 HK$'000
Net cash inflow from operating activities	18	37,149	56,439
Returns on investments and servicing of finance			
Dividend received from unlisted investments		119	65
Interest received		1,635	2,429
Dividends paid		(37,500)	(62,500)
Net cash outflow from returns on investments and servicing of finance		(35,746)	(60,006)
Taxation			
Hong Kong profits tax paid		(6,166)	(11,580)
Investing activities			
Purchases of fixed assets		(115)	(7)
Proceeds from disposal of fixed assets		8	–
Increase in amount due by an associated company		(26)	(24)
Increase in unlisted investments		–	(1,535)
Net cash outflow from investing activities		(133)	(1,566)
Decrease in cash and bank balances		(4,896)	(16,713)
Cash and bank balances at beginning of year		34,886	51,599
Cash and bank balances at end of year		29,990	34,886

Notes to the Financial Statements

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property investment in Hong Kong. Activities of the subsidiary company and associated companies are set out in notes 10 and 11 respectively.

2. PRINCIPAL ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA")

Pursuant to the revised Statement of Standard Accounting Practice 2.101 (SSAP1), "Presentation of Financial Statements", which was issued by the HKSA and became effective for accounting periods on or after 1 January 1999, certain comparative figures have been reclassified and/or extended.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary company made up to 30 September.

All significant intercompany transactions and balances are eliminated on consolidation.

(c) Fixed assets

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and are held for their investment potential. Investment properties are stated at their open market value based on an annual professional valuation at the balance sheet date. Increases in valuation are credited to the investment properties revaluation reserve; decreases are first set off against earlier revaluation surpluses and thereafter charged to the profit and loss account. Upon the disposal of an investment property, the related revaluation surplus is released from the investment properties revaluation reserve in calculating the profit and loss on disposal. No depreciation is provided on investment properties held on leases with unexpired period of more than twenty years.

Fixtures and equipment are depreciated over their estimated useful lives using the straight line method at the rate of 10% per annum.

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account as incurred. Improvements are capitalised and depreciated over their expected useful lives.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

Gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the profit and loss account.

(d) Subsidiary company

A company is a subsidiary company if more than 50% of the issued share capital is held for the long term or the composition of the board of directors is controlled. The investment in subsidiary company is carried at cost less provision.

(e) Associated companies

An associated company is a company, not being a subsidiary company, in which an equity interest is held for the long term or effectively of a partner in a consortium and, in both situations, significant influence is exercised in its management. The Group's investments in associated companies are stated at the Group's share of net assets after attributing fair value to the net assets at the time of acquisition of the interest in the associated companies plus any premium or discount on acquisition. The Company's investments in associated companies are carried at cost less provision. Results of associated companies are accounted for by the Company only to the extent of dividend income.

(f) Unlisted investments

Unlisted investments are stated at cost less any provision for diminution in value.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments will be reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account.

(g) Revenue recognition

Rental and service income is recognised on a time proportion basis. Interest income is recognised on an accrual basis. Dividend income is recognised when the right to receive payment has been established.

(h) Turnover

Turnover comprises property rental and service income.

(i) Deferred taxation

Deferred taxation is accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(j) Foreign currencies

Transactions in foreign currencies during the year are converted at exchange rates ruling at the transaction dates. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at exchange rates ruling at that date. All exchange differences are included in the determination of operating profit.

(k) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Notes to the Financial Statements (Cont'd)

3. TURNOVER AND CONTRIBUTION TO OPERATING PROFIT

	2000 HK$'000	1999 HK$'000
(a) Turnover		
Property investment	79,757	99,869
(b) Contribution to operating profit		
Property investment	40,486	58,863

The activities of the Group are primarily conducted in Hong Kong.

Interest income of HK$2,311,000 and dividend income of HK$65,000 previously included in the turnover for the year ended 30 September 1999 have been excluded from the turnover in accordance with SSAP 1(revised) as they did not arise from the principal activities of the Group.

4. OTHER REVENUE

	2000 HK$'000	1999 HK$'000
Bank deposit and other interest income	1,441	2,311
Dividend income from unlisted investments	119	65
Gain on disposal of fixed assets	8	–
Sundry income	227	398
	1,795	2,774

5. OPERATING PROFIT

	2000 HK$'000	1999 HK$'000
Operating profit is stated after charging:		
Directors' emoluments (note 6)	931	2,092
Auditors' remuneration	438	438
Depreciation	87	99
Bad and doubtful debts	57	502
Staff costs	6,252	10,038

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

	2000 HK$'000	1999 HK$'000
Fees	140	140
Salaries and other emoluments	680	680
Discretionary bonuses	–	–
Long service payments	111	1,272
	931	2,092

Each non-executive director receives a fixed fee of HK$20,000 per annum and fees paid to independent non-executive directors amounted to HK$80,000 (1999: HK$80,000) for the year. None of the directors has waived the right to receive their emoluments.

Emoluments of the Directors are within the following bands:

	No. of Directors 2000	1999
Nil - HK$1,000,000	7	6
HK$1,500,001 - HK$2,000,000	–	1
	7	7

(b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one director (1999: one director) whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining four (1999: four) individuals during the year are as follows:

	2000 HK$'000	1999 HK$'000
Salaries and other emoluments	1,409	1,518
Discretionary bonuses	–	–
Long service payments	110	1,798
	1,519	3,316

Their emoluments are within the following bands:

	2000	1999
Nil - HK$1,000,000	4	3
HK$1,000,001 - HK$1,500,000	–	1
	4	4

Notes to the Financial Statements (Cont'd)

7. TAXATION

	2000	1999
	HK$'000	HK$'000
Hong Kong profits tax		
Company and subsidiary company	6,893	7,271

Hong Kong profits tax has been provided at the rate of 16% (1999: 16%) on the estimated assessable profits for the year.

No provision for deferred taxation has been made as there are no material timing differences between profit as stated in the financial statements and profit as computed for taxation purposes. The surpluses arising from the revaluation of the Group's investment properties do not constitute timing differences.

8. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK$33,614,000 (1999: HK$51,621,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2000.

9. FIXED ASSETS

	Investment properties HK$'000	Fixtures and equipment HK$'000	Total HK$'000
Group			
Cost or valuation			
At 30 September 1999			
Cost	–	1,428	1,428
Professional valuation	1,512,500	–	1,512,500
Additions	–	115	115
Disposal	–	(18)	(18)
Revaluation deficit (note 17)	(142,000)	–	(142,000)
At 30 September 2000	1,370,500	1,525	1,372,025
Accumulated depreciation			
At 30 September 1999	–	1,177	1,177
Charge for the year	–	87	87
Write-back	–	(18)	(18)
At 30 September 2000	–	1,246	1,246
Net book value			
At 30 September 2000	1,370,500	279	1,370,779
At 30 September 1999	1,512,500	251	1,512,751
Company			
Cost or valuation			
At 30 September 1999			
Cost	–	1,399	1,399
Professional valuation	1,380,000	–	1,380,000
Additions	–	115	115
Disposal	–	(18)	(18)
Revaluation deficit (note 17)	(130,000)	–	(130,000)
At 30 September 2000	1,250,000	1,496	1,251,496
Accumulated depreciation			
At 30 September 1999	–	1,148	1,148
Charge for the year	–	87	87
Write-back	–	(18)	(18)
At 30 September 2000	–	1,217	1,217
Net book value			
At 30 September 2000	1,250,000	279	1,250,279
At 30 September 1999	1,380,000	251	1,380,251

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

The investment properties are held under long term leases (over 50 years) in Hong Kong and were revalued on 30 September 2000 on an open market value basis by Chung Sen Surveyors Limited.

Notes to the Financial Statements (Cont'd)

10. SUBSIDIARY COMPANY

	2000 HK$'000	1999 HK$'000
Unlisted shares, at cost	10,000	10,000
Amount receivable	1,299	1,208
	11,299	11,208

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

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

11. ASSOCIATED COMPANIES

	Group 2000 HK$'000	Group 1999 HK$'000	Company 2000 HK$'000	Company 1999 HK$'000
Unlisted shares, at cost	70	70	70	70
Share of undistributed post-acquisition profits less losses	(4,086)	(4,107)	–	–
Group's share of net (liabilities)/assets	(4,016)	(4,037)	70	70
Amount receivable	5,458	5,432	5,457	5,431
Less: Provision	–	–	(5,134)	(5,134)
	5,458	5,432	323	297
Less: Amount payable	(145)	(145)	(145)	(145)
	5,313	5,287	178	152
	1,297	1,250	248	222

Details of the associated companies are as follows:

Private companies incorporated in Hong Kong and directly owned by the Company	Paid up ordinary share capital	Equity holding	Principal activities (in Hong Kong)
Chuen King Enterprises Limited	1,000 shares of HK$100 each	50%	Property development
Manlo Holdings Limited	6 shares of HK$10 each	33 ⅓ %	Investment holding
Littlejohn Company Limited	100,000 shares of HK$1 each	20%	Investment holding

The accounting year ends of Manlo Holdings Limited and Littlejohn Company Limited are 31 March and 30 June respectively. The results of these companies included in the consolidated financial statements are based on their management financial statements made up to 30 September 2000.

The Group's share of the associated companies' results are:

	2000 HK$'000	1999 HK$'000
Loss brought forward	(4,107)	(4,136)
Share of profit after taxation	21	29
Loss carried forward	(4,086)	(4,107)

12. UNLISTED INVESTMENTS

	Group and Company	
	2000	1999
	HK$'000	HK$'000
Unlisted shares, at cost	144	144
Advances	29,605	29,605
	29,749	29,749

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

The advances are unsecured, interest free and have no specific repayment terms.

13. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2000	1999	2000	1999
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivable				
Below 60 days	2,390	3,870	2,163	3,502
61 to 90 days	257	963	225	831
91 days and above	1,444	1,128	1,444	1,128
	4,091	5,961	3,832	5,461
Deposits and prepayments	1,424	1,542	1,296	1,424
	5,515	7,503	5,128	6,885

Trade receivable represents rental income which is due one month in advance.

14. CREDITORS, ACCRUALS, DEPOSITS AND TEMPORARY RECEIPTS

	Group		Company	
	2000	1999	2000	1999
	HK$'000	HK$'000	HK$'000	HK$'000
Trade creditors				
Below 60 days	94	31	–	–
Accruals, deposits and temporary receipts	14,722	16,528	13,810	15,364
	14,816	16,559	13,810	15,364

15. PROVISION FOR LONG SERVICE PAYMENTS

The Group does not operate any retirement schemes for its employees. A provision of HK$5,683,000 (1999: HK$7,499,000) has been made in respect of the Company's liability under the Hong Kong Employment Ordinance on the basis that all employees are eligible for long service payments and their employments are terminated as of the balance sheet date.

16. SHARE CAPITAL

	Group and Company	
	2000	1999
	HK$'000	HK$'000
Authorised		
30,000,000 shares of HK$5 each	150,000	150,000
Issued and fully paid		
25,000,000 shares of HK$5 each	125,000	125,000

17. RESERVES

	Group		Company	
	2000	1999	2000	1999
	HK$'000	HK$'000	HK$'000	HK$'000
Investment properties revaluation reserve				
At 30 September 1999	1,384,657	1,384,457	1,264,374	1,264,374
(Deficit)/surplus on revaluation (note 9)	(142,000)	200	(130,000)	–
At 30 September 2000	1,242,657	1,384,657	1,134,374	1,264,374
Retained profit				
At 30 September 1999	25,299	23,678	24,203	22,093
Profit for the year	33,614	51,621	33,529	52,110
Dividends	(32,500)	(50,000)	(32,500)	(50,000)
At 30 September 2000	26,413	25,299	25,232	24,203
	1,269,070	1,409,956	1,159,606	1,288,577

Distributable reserves of the Company at 30 September 2000, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK$25,232,000 (1999: HK$24,203,000).

Notes to the Financial Statements (Cont'd)

18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 HK$'000	1999 HK$'000
Operating profit	40,486	58,863
Depreciation	87	99
Gain on disposal of fixed assets	(8)	–
Interest income	(1,441)	(2,311)
Dividend income from unlisted investments	(119)	(65)
(Increase)/decrease in staff loans	(91)	1,946
Decrease in accounts receivable, deposits and prepayments	1,794	1,110
Decrease in creditors, accruals, deposits, temporary receipts and provision for long service payments	(3,559)	(3,203)
Net cash inflow from operating activities	37,149	56,439

19. RELATED PARTY TRANSACTIONS

In the normal course of business activities, certain investment properties of the Group are leased to related companies, which are controlled by certain Directors of the Company, at prices and terms no less than those contracted with other third party tenants of the Group. Rental and related income from these related companies during the year were HK$3,326,000 (1999: HK$4,765,000).

20. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 15 December 2000.

Five-Year Financial Summary

	2000 HK$'000	1999 HK$'000	1998 HK$'000	1997 HK$'000	1996 HK$'000
Fixed assets	1,370,779	1,512,751	1,512,643	2,138,425	2,152,975
Associated companies	1,297	1,250	1,197	1,147	1,111
Unlisted investments	29,749	29,749	28,214	19,127	19,127
Current assets	39,389	46,182	66,069	93,649	100,971
Total assets	1,441,214	1,589,932	1,608,123	2,252,348	2,274,184
Current liabilities	(41,461)	(47,477)*	(74,988)	(92,682)	(98,947)
Non-current liabilities	(5,683)	(7,499)	–	–	–
Net assets	1,394,070	1,534,956	1,533,135	2,159,666	2,175,237
Share capital	125,000	125,000	125,000	125,000	125,000
Reserves	1,269,070	1,409,956	1,408,135	2,034,666	2,050,237
Shareholders' funds	1,394,070	1,534,956	1,533,135	2,159,666	2,175,237
Turnover	79,757	99,869*	130,892	146,727	152,636
Operating profit	40,486	58,863	87,351	105,664	123,238
Share of profits less losses of associated companies	21	29	20	17	17
Profit before taxation	40,507	58,892	87,371	105,681	123,255
Taxation	6,893	7,271	13,202	16,752	19,724
Profit attributable to shareholders	33,614	51,621	74,169	88,929	103,531
	HK$	HK$	HK$	HK$	HK$
Earnings per share	1.34	2.06	2.97	3.56	4.14
Dividends per share	1.30	2.00	3.00	3.60	3.80

* Restated due to adoption of SSAP 1 (revised)