Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of Members of the Company will be held at Tsui Hang Village Restaurant, 2/F., New World Tower, 18 Queen's Road Central, Hong Kong on Friday, 1 February 2002 at 12:00 noon 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 2001.
2. To declare a final dividend for the year ended 30 September 2001.
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, 20 December 2001

Notes:

(A) The Register of Members will be closed from 29 January to 1 February 2002, 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 Hong Kong 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 2001

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	33⅓%	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
SHARE REGISTRARS AND TRANSFER OFFICE	Central Registration Hong Kong Limited 19/F., Hopewell Centre 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 76, 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 81, 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 57, 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 64, 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, S.B.S., J.P., aged 77. 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 53, 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 47, 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 2001.

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 2001 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 2001 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$28,061,000 at 30 September 2001 be carried forward.

DONATIONS
The Group made charitable donations during the year of HK$13,000.

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, Mr. Chung Yin Shu, Frederick and Mr. Lo Pak Shiu retire by rotation and, being eligible, offer themselves for re-election.

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
	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

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' 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 2001, 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 2001.

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.

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 41%, of which 11% 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.

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, 20 December 2001

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 2001 amounted to HK$35.3 million (2000: HK$33.6 million). The Board has decided to recommend a final dividend of HK$0.80 per share payable to the shareholders registered on 1 February 2002. Together with the interim dividend of HK$0.50 per share paid in July 2001, total distribution for the year amounted to HK$1.30 per share (2000: HK$1.30 per share).

The Group's investment properties at Melbourne Plaza at 33 Queen's Road Central and Kimley Commercial Building at 142-146 Queen's Road Central continued to generate steady rental income. Occupancy rate at Melbourne Plaza maintained at 80% while rental remained at comparable level as that of last year.

The Group has participated in a property development project in Foshan, China with Wing Shan Group. The project, covering a site area of 30.5 million sq.ft., consists of two golf courses which are already in full operation. Foundation work on ancillary properties has almost been completed. A survey of the property market in China is currently being conducted. Construction of the properties for sale will continue if conditions are favourable.

The recent terrorist attack in the United States on September 11 had a significant impact on the global and Southeast Asian economies. Hong Kong will not be immune. However, with China's accession to the World Trade Organisation and staging of the 2008 Olympic Games in Beijing, there will be an influx of direct foreign investments in China including participation in its massive nation-wide infrastructure projects. In the next five years, China is expected to sustain her pace of economic growth in the Asian region. Hong Kong is poised to benefit from the emerging investment opportunities and the Group will be able to maintain its stable rental income from property investment.

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, 20 December 2001

Management Discussion and Analysis

GROUP RESULTS

Net profit for the year amounted to HK$35.3 million (2000: HK$33.6 million). Turnover for the year amounted to HK$81.1 million, representing an increase of 2% as compared to last year.

SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 80% and 62% let.

LIQUIDITY AND FINANCIAL RESOURCES

Basically, the Group's working capital requirement was financed by its rental income. As at 30 September 2001, the Group had cash and bank balances totalling HK$31.2 million (2000: HK$29.9 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 circumstances of the Company and the Group, 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 2001 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, 20 December 2001

Consolidated Profit and Loss Account

Year Ended 30 September

	Note	2001 HK$'000	2000 HK$'000
Turnover	3	81,122	79,757
Operating costs		(33,643)	(33,547)
Gross profit		47,479	46,210
Other revenues	4	1,730	1,795
Administrative expenses		(7,557)	(7,519)
Operating profit	5	41,652	40,486
Share of results of associated companies		26	21
Profit before taxation		41,678	40,507
Taxation	7	(6,382)	(6,893)
Profit attributable to shareholders		35,296	33,614
Retained profit brought forward		26,413	25,299
Profit available for appropriations		61,709	58,913
Appropriations:			
Interim dividend paid of HK$0.50 per share (2000: HK$0.50)		12,500	12,500
Proposed final dividend of HK$0.80 per share (2000: HK$0.80)		20,000	20,000
		32,500	32,500
Retained profit carried forward		29,209	26,413
Retained by:			
Company and subsidiary company		28,135	25,365
Associated companies		1,074	1,048
		29,209	26,413
Earnings per share	8	HK$1.41	HK$1.34

Consolidated Balance Sheet

At 30 September

	Note	2001 HK$'000	2000 HK$'000
Assets			
Non-current assets			
Fixed assets	9	1,197,558	1,370,779
Associated companies	11	1,192	1,297
Unlisted investments	12	29,748	29,749
		1,228,498	1,401,825
Current assets			
Staff loans, secured		4,815	3,884
Accounts receivable, deposits and prepayments	13	5,755	5,515
Cash and bank balances		31,225	29,990
		41,795	39,389
Current liabilities			
Creditors, accruals, deposits and temporary receipts	14	14,221	14,816
Taxation		6,559	6,645
Proposed final dividend		20,000	20,000
		40,780	41,461
Net current assets / (liabilities)		1,015	(2,072)
Total assets less current liabilities		1,229,513	1,399,753
Non-current liabilities			
Provision for long service payments	15	5,847	5,683
Net assets		1,223,666	1,394,070
Capital and reserves			
Share capital	16	125,000	125,000
Reserves	17	1,098,666	1,269,070
		1,223,666	1,394,070

Chung Ming Fai
Director

Cheng Yu Tung
Director

Balance Sheet
At 30 September

	Note	2001 HK$'000	2000 HK$'000
Assets			
Non-current assets			
Fixed assets	9	1,100,258	1,250,279
Subsidiary company	10	11,595	11,299
Associated companies	11	117	248
Unlisted investments	12	29,748	29,749
		1,141,718	1,291,575
Current assets			
Staff loans, secured		4,815	3,884
Accounts receivable, deposits and prepayments	13	5,397	5,128
Cash and bank balances		31,059	29,632
		41,271	38,644
Current liabilities			
Creditors, accruals, deposits and temporary receipts	14	13,260	13,810
Taxation		6,447	6,120
Proposed final dividend		20,000	20,000
		39,707	39,930
Net current assets / (liabilities)		1,564	(1,286)
Total assets less current liabilities		1,143,282	1,290,289
Non-current liabilities			
Provision for long service payments	15	5,847	5,683
Net assets		1,137,435	1,284,606
Capital and reserves			
Share capital	16	125,000	125,000
Reserves	17	1,012,435	1,159,606
		1,137,435	1,284,606

Chung Ming Fai
Director

Cheng Yu Tung
Director

Consolidated Statement of Recognised Gains and Losses

Year Ended 30 September

	Note	2001 HK$'000	2000 HK$'000
Deficit on revaluation of investment properties	17	(173,200)	(142,000)
Loss not recognised in the profit and loss account		(173,200)	(142,000)
Profit attributable to shareholders		35,296	33,614
Total recognised losses		(137,904)	(108,386)

Consolidated Cash Flow Statement

Year Ended 30 September

	Note	2001 HK$'000	2000 HK$'000
Net cash inflow from operating activities	19	38,979	37,149
Returns on investments and servicing of finance			
Dividend received from unlisted investments		–	119
Interest received		1,123	1,635
Dividends paid		(32,500)	(37,500)
Net cash outflow from returns on investments and servicing of finance		(31,377)	(35,746)
Taxation			
Hong Kong profits tax paid		(6,468)	(6,166)
Investing activities			
Purchases of fixed assets		(34)	(115)
Proceeds from disposal of fixed assets		3	8
Decrease /(increase) in amount due by an associated company		131	(26)
Decrease in unlisted investments		1	–
Net cash inflow / (outflow) from investing activities		101	(133)
Increase / (decrease) in cash and bank balances		1,235	(4,896)
Cash and bank balances at beginning of year		29,990	34,886
Cash and bank balances at end of year		31,225	29,990

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.

(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.

Notes to the Financial Statements (Cont'd)

(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 if the composition of the board of directors is controlled by the Group. The Company's investment in subsidiary company is carried at cost less provision. Provision is made when, in the opinion of the directors, there is a diminution in value other than temporary in nature. The results of subsidiary company are accounted for by the Company on the basis of dividend income.

(e) Associated companies
An associated company is a company, other than a subsidiary company, in which an equity interest is held for the long term and 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. Provision is made when, in the opinion of the directors, there is a diminution in value other than temporary in nature. 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) 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.

(i) 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.

(j) 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.

3. TURNOVER AND CONTRIBUTION TO OPERATING PROFIT

	2001 HK$'000	2000 HK$'000
(a) Turnover		
Property investment	81,122	79,757
(b) Contribution to operating profit		
Property investment	41,652	40,486

Turnover comprises property rental and service income. The activities of the Group are primarily conducted in Hong Kong.

4. OTHER REVENUES

	2001 HK$'000	2000 HK$'000
Bank deposit and other interest income	1,164	1,441
Dividend income from unlisted investments	–	119
Gain on disposal of fixed assets	3	8
Sundry income	563	227
	1,730	1,795

5. OPERATING PROFIT

	2001 HK$'000	2000 HK$'000
Operating profit is stated after charging:		
Directors' emoluments (note 6(a))	871	931
Auditors' remuneration	438	438
Depreciation	55	87
Bad and doubtful debts	4,569	57
Staff costs	3,924	6,252

Notes to the Financial Statements (Cont'd)

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

	2001 HK$'000	2000 HK$'000
Fees	140	140
Salaries and other emoluments	680	680
Discretionary bonuses	–	–
Long service payments	41	111
Contributions to mandatory provident fund scheme	10	–
	871	931

Each non-executive director receives a fixed fee of HK$ 20,000 per annum and fees paid to non-executive directors for the year amounted to HK$80,000 (2000: HK$80,000). None of the directors has waived the right to receive their emoluments.

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

(b) Senior executives' emoluments

The five individuals whose emoluments were the highest in the Group for the year include one director (2000: one director) whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining four (2000: four) individuals during the year are as follows:

	2001 HK$'000	2000 HK$'000
Salaries and other emoluments	1,409	1,409
Discretionary bonuses	–	–
Long service payments	65	110
Contributions to mandatory provident fund scheme	40	–
	1,514	1,519

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

7. TAXATION

	2001 HK$'000	2000 HK$'000
Hong Kong profits tax		
Company and subsidiary company	6,382	6,893

Hong Kong profits tax has been provided at the rate of 16% (2000: 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$35,296,000 (2000: HK$33,614,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2001.

Notes to the Financial Statements (Cont'd)

9. FIXED ASSETS

	Investment properties HK$'000	Fixtures and equipment HK$'000	Total HK$'000
Group			
Cost or valuation			
At 30 September 2000			
Cost	–	1,525	1,525
Professional valuation	1,370,500	–	1,370,500
Additions	–	34	34
Disposal	–	(38)	(38)
Revaluation deficit (note 17)	(173,200)	–	(173,200)
At 30 September 2001	1,197,300	1,521	1,198,821
Accumulated depreciation			
At 30 September 2000	–	1,246	1,246
Charge for the year	–	55	55
Write-back	–	(38)	(38)
At 30 September 2001	–	1,263	1,263
Net book value			
At 30 September 2001	1,197,300	258	1,197,558
At 30 September 2000	1,370,500	279	1,370,779
Company			
Cost or valuation			
At 30 September 2000			
Cost	–	1,496	1,496
Professional valuation	1,250,000	–	1,250,000
Additions	–	34	34
Disposal	–	(38)	(38)
Revaluation deficit (note 17)	(150,000)	–	(150,000)
At 30 September 2001	1,100,000	1,492	1,101,492
Accumulated depreciation			
At 30 September 2000	–	1,217	1,217
Charge for the year	–	55	55
Write-back	–	(38)	(38)
At 30 September 2001	–	1,234	1,234
Net book value			
At 30 September 2001	1,100,000	258	1,100,258
At 30 September 2000	1,250,000	279	1,250,279

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 2001 on an open market value basis by CS Surveyors Limited.

10. SUBSIDIARY COMPANY

	2001 HK$'000	2000 HK$'000
Unlisted shares, at cost	10,000	10,000
Amount receivable	1,595	1,299
	11,595	11,299

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		Company	
	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000
Unlisted shares, at cost	70	70	70	70
Share of undistributed post-acquisition profits less losses	(4,060)	(4,086)	–	–
Group's share of net (liabilities)/assets	(3,990)	(4,016)	70	70
Amount receivable	5,327	5,458	5,326	5,457
Less: Provision	–	–	(5,134)	(5,134)
	5,327	5,458	192	323
Less: Amount payable	(145)	(145)	(145)	(145)
	5,182	5,313	47	178
	1,192	1,297	117	248

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 2001.

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

	2001 HK$'000	2000 HK$'000
Loss brought forward	(4,086)	(4,107)
Share of profit after taxation	26	21
Loss carried forward	(4,060)	(4,086)

Notes to the Financial Statements (Cont'd)

12. UNLISTED INVESTMENTS

	Group and Company	
	2001	2000
	HK$'000	HK$'000
Unlisted shares, at cost	143	144
Advances	29,605	29,605
	29,748	29,749

Unlisted investments comprise of 14.29% equity interest in Billion Park Investment Limited ("Billion Park") and 7.49% equity interest in Granmap Company Limited. Both private companies were 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. Granmap Company Limited was dissolved during the financial year.

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

13. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivable				
Below 60 days	1,961	2,390	1,755	2,163
61 to 90 days	262	257	246	225
91 days and above	1,202	1,444	1,194	1,444
	3,425	4,091	3,195	3,832
Deposits and prepayments	2,330	1,424	2,202	1,296
	5,755	5,515	5,397	5,128

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

14. CREDITORS, ACCRUALS, DEPOSITS AND TEMPORARY RECEIPTS

	Group		Company	
	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000
Trade creditors				
Below 60 days	122	94	26	–
Accruals, deposits and temporary receipts	14,099	14,722	13,234	13,810
	14,221	14,816	13,260	13,810

Notes to the Financial Statements (Cont'd)

15. PROVISION FOR LONG SERVICE PAYMENTS

Effective 1 December 2000, the Group joined the Mandatory Provident Fund ("MPF") Scheme established under the MPF Schemes Ordinance for all of its employees. Mandatory contributions to the MPF scheme are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK$20,000. The amount charged to the profit and loss account in respect of the scheme was HK$127,000 (2000: nil).

Apart from the MPF scheme, the Group does not operate any other retirement schemes for its employees. A provision of HK$5,847,000 (2000: HK$5,683,000) 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	
	2001	2000
	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	
	2001	2000	2001	2000
	HK$'000	HK$'000	HK$'000	HK$'000
Investment properties revaluation reserve				
At 30 September 2000	1,242,657	1,384,657	1,134,374	1,264,374
Deficit on revaluation (note 9)	(173,200)	(142,000)	(150,000)	(130,000)
At 30 September 2001	1,069,457	1,242,657	984,374	1,134,374
Retained profit				
At 30 September 2000	26,413	25,299	25,232	24,203
Profit for the year	35,296	33,614	35,329	33,529
Dividends	(32,500)	(32,500)	(32,500)	(32,500)
At 30 September 2001	29,209	26,413	28,061	25,232
	1,098,666	1,269,070	1,012,435	1,159,606

Distributable reserves of the Company at 30 September 2001, calculated under section 79B of the Hong Kong Companies Ordinance, amounted to HK$28,061,000 (2000: HK$25,232,000).

18. FUTURE MINIMUM RENTAL RECEIVABLE

The future minimum rental under non-cancellable operating leases are receivable in the following years:

	Group		Company	
	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000
First year	56,253	44,396	53,201	42,015
Second to fifth year inclusive	22,068	19,560	21,099	18,958
	78,321	63,956	74,300	60,973

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

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

	2001 HK$'000	2000 HK$'000
Operating profit	41,652	40,486
Depreciation	55	87
Gain on disposal of fixed assets	(3)	(8)
Interest income	(1,164)	(1,441)
Dividend income from unlisted investments	–	(119)
Increase in staff loans	(931)	(91)
(Increase) / decrease in accounts receivable, deposits and prepayments	(199)	1,794
Decrease in creditors, accruals, deposits, temporary receipts and provision for long service payments	(431)	(3,559)
Net cash inflow from operating activities	38,979	37,149

20. 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$3,356,000 (2000: HK$3,326,000).

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 20 December 2001.

Five-Year Financial Summary

	2001 HK$'000	2000 HK$'000	1999 HK$'000	1998 HK$'000	1997 HK$'000
Fixed assets	1,197,558	1,370,779	1,512,751	1,512,643	2,138,425
Associated companies	1,192	1,297	1,250	1,197	1,147
Unlisted investments	29,748	29,749	29,749	28,214	19,127
Current assets	41,795	39,389	46,182	66,069	93,649
Total assets	1,270,293	1,441,214	1,589,932	1,608,123	2,252,348
Current liabilities	(40,780)	(41,461)	(47,477)	(74,988)	(92,682)
Non-current liabilities	(5,847)	(5,683)	(7,499)	–	–
Net assets	1,223,666	1,394,070	1,534,956	1,533,135	2,159,666
Share capital	125,000	125,000	125,000	125,000	125,000
Reserves	1,098,666	1,269,070	1,409,956	1,408,135	2,034,666
Shareholders' funds	1,223,666	1,394,070	1,534,956	1,533,135	2,159,666
Turnover	81,122	79,757	99,869	130,892	146,727
Operating profit	41,652	40,486	58,863	87,351	105,664
Share of results of associated companies	26	21	29	20	17
Profit before taxation	41,678	40,507	58,892	87,371	105,681
Taxation	(6,382)	(6,893)	(7,271)	(13,202)	(16,752)
Profit attributable to shareholders	35,296	33,614	51,621	74,169	88,929

	HK$	HK$	HK$	HK$	HK$
Earnings per share	1.41	1.34	2.06	2.97	3.56
Dividends per share	1.30	1.30	2.00	3.00	3.6