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, 6 February 2004 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 2003.
2. To declare a final dividend for the year ended 30 September 2003.
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, 18 December 2003

Notes:

(A) The Register of Members will be closed from 4 to 6 February 2004, 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 2003

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 trading
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 REGISTRAR AND TRANSFER OFFICE	Computershare Hong Kong Investor Services Limited Rooms 1901-5, 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

Directors' Profile

BIOGRAPHICAL DETAILS OF DIRECTORS

Executive Directors

Dato' Dr. Cheng Yu Tung, aged 78, 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 83, 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 59, 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 66, 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 79. 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 55, 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 49, was appointed Executive Director of the Company in March 1989. He is presently a Non-executive Director of the Company. He is also 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 2003.

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 11 and 12 to the financial statements respectively.

RESULTS AND APPROPRIATIONS
The results of the Group for the year ended 30 September 2003 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$0.70 per share was paid in July 2003 absorbing HK$17,500,000. 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$25,052,000 at 30 September 2003 be carried forward.

DONATIONS
The Group made charitable donations of HK$5,000 (2002: HK$2,000) during the year.

FIXED ASSETS
Details of the movements in fixed assets and particulars regarding the investment properties held by the Group are shown in note 10 to the financial statements.

RESERVES
Details of the movements in reserves are set out in note 18 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. Chung Wai Shu, Robert 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	Chow Tai Fook Enterprises Limited group of companies	Property investment	Director
	New World Development Company Limited group of companies	Property investment	Director
	Shun Tak Holdings 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
Mr. Chung Wai Shu, Robert	Aik San Realty Limited group of companies	Property investment	Director
	Fu Hop Investment Company Limited	Property investment	Director
	Good Earning Investment Company Limited	Property investment	Director
Dr. Fong Yun Wah	Hip Shing Hong Development Company Limited	Property investment	Director
	Kam Wah 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 2003, the interests or short positions of the Directors and Chief Executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:-

	Number of shares held			Approximate
	Personal interests	Corporate interests		percentage of shareholding
Directors				
Dato' Dr. Cheng Yu Tung (note a)	–	–		–
Mr. Chung Ming Fai	12,000,500	1,000	(note b)	48.00%
Mr. Chung Yin Shu, Frederick	1,875	–		0.01%
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 interests in shares referred to above, no other person is recorded in the register kept pursuant to Section 336 of the SFO as having an interest in 5% or more of the issued share capital of the Company as at 30 September 2003.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor its subsidiary company has purchased, sold or redeemed 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 54%, of which 22% 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 on 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 at annual general meeting 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, 18 December 2003

Chairman's Business Review

I would report to shareholders that the Group's profit after taxation for the financial year ended 30 September 2003 amounted to HK$25.8 million (2002: HK$46.4 million). The Board of Directors recommend a final dividend of HK$0.80 per share payable to the shareholders registered on 6 February 2004. In addition to the interim dividend of HK$0.70 per share paid in July 2003, the total dividend for the year amounted to HK$1.50 per share (2002: HK$1.50 per share).

The Group's investment properties, Melbourne Plaza at 33 Queen's Road Central attained 73% occupancy while Kimley Commercial Building at 142-146 Queen's Road Central was 67% leased. The economy seems to have stablised but an all-round recovery is yet to come. While rental has dropped slightly, steady occupancy rate has been secured through close liaison with tenants. The Group has always been prudent in investment strategies and has primarily relied on steady rental income. Even though the economy has not been revitalised, the Group could still derive stable earnings during the year.

The Group participates in a property development project in Foshan, China with Wing Shan Group. The project which includes two golf courses, covers a total site area of 30.5 million square feet. The Group's investment of HK$29.7 million represents a 5% share in the project. Construction work for Phase I of the golf club has been completed. While the ancillary clubhouse, restaurants, swimming pool and other facilities are all open, the Club's operation has yet to improve. Property sales remained meagre due to ample supply of new residential units. Construction of properties has come to a halt until conditions become favourable.

The Group has always been cautious about new investment opportunities. Its emphasis on stable rental income as the main source of revenue has showed resilience in the prevailing weak economic environment. The investment properties in Central will continue to earn sturdy income for the Group. Without any debt or commitment, the Group will undoubtedly keep on bringing optimum return for all shareholders.

Taking this opportunity, I would like to thank my fellow directors and staff members for their loyal services and continuing efforts.

Dato' Dr. Cheng Yu Tung
Chairman

Hong Kong, 18 December 2003

Management Discussion and Analysis

GROUP RESULTS

Net profit for the year amounted to HK$25.8 million (2002: HK$46.4 million), a decrease of 44%. The decrease was mainly due to irrecoverable rents and provision for advances to an unlisted investment. Turnover for the year amounted to HK$69.6 million, representing a decrease of 10% as compared to last year.

SIGNIFICANT INVESTMENTS

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 73% and 67% let.

LIQUIDITY AND FINANCIAL RESOURCES

Basically, the Group's working capital requirement was financed by its rental income. As at 30 September 2003, the Group had cash and bank balances totalling HK$41.2 million (2002: HK$44.8 million). During the year, the Group does not need any borrowings or overdraft facilities.

EMPLOYEES AND REMUNERATION POLICIES

The Group employs a total of 18 employees. The Group recognises the importance of the strength of its human resources for its success. 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 solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 judgements 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 2003 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, 18 December 2003

Consolidated Profit and Loss Account

Year Ended 30 September

	Note	2003 HK$'000	2002 HK$'000
Turnover	3	69,609	77,245
Operating costs		(21,384)	(20,322)
Gross profit		48,225	56,923
Other revenues	4	792	4,781
Administrative expenses		(7,010)	(7,166)
Provision for advances to an unlisted investment		(9,180)	–
Operating profit	5	32,827	54,538
Share of results of associated companies		63	351
Profit before taxation		32,890	54,889
Taxation	7	(7,123)	(8,474)
Profit attributable to shareholders		25,767	46,415
Dividends	8	37,500	37,500
Earnings per share	9	HK$1.03	HK$1.86

Consolidated Balance Sheet

At 30 September

	Note	2003 HK$'000	2002 HK$'000
Assets			
Non-current assets			
Fixed assets	10	988,192	1,072,232
Associated companies	12	1,288	1,212
Unlisted investment	13	20,568	29,748
		1,010,048	1,103,192
Current assets			
Staff loans, secured		3,970	4,724
Debtors, deposits and prepayments	14	5,413	8,113
Cash and bank balances		41,160	44,800
		50,543	57,637
Current liabilities			
Creditors, accruals and deposits	15	13,726	13,967
Taxation		9,177	8,585
		22,903	22,552
Net current assets		27,640	35,085
Total assets less current liabilities		1,037,688	1,138,277
Non-current liabilities			
Provision for long service payments	16	6,140	5,996
Net assets		1,031,548	1,132,281
Capital and reserves			
Share capital	17	125,000	125,000
Reserves	18	886,548	982,281
Proposed final dividend		20,000	25,000
Shareholders' funds		1,031,548	1,132,281

Chung Ming Fai
Director

Cheng Yu Tung
Director

Balance Sheet

At 30 September

	Note	2003 HK$'000	2002 HK$'000
Assets			
Non-current assets			
Fixed assets	10	900,192	980,232
Subsidiary company	11	11,804	11,919
Associated companies	12	79	57
Unlisted investment	13	20,568	29,748
		932,643	1,021,956
Current assets			
Staff loans, secured		3,970	4,724
Debtors, deposits and prepayments	14	4,557	7,322
Cash and bank balances		40,988	44,676
		49,515	56,722
Current liabilities			
Creditors, accruals and deposits	15	12,785	12,992
Taxation		8,807	8,419
		21,592	21,411
Net current assets		27,923	35,311
Total assets less current liabilities		960,566	1,057,267
Non-current liabilities			
Provision for long service payments	16	6,140	5,996
Net assets		954,426	1,051,271
Capital and reserves			
Share capital	17	125,000	125,000
Reserves	18	809,426	901,271
Proposed final dividend		20,000	25,000
Shareholders' funds		954,426	1,051,271

Chung Ming Fai
Director

Cheng Yu Tung
Director

Consolidated Statement of Changes in Equity
Year Ended 30 September

	Note	2003 HK$'000	2002 HK$'000
Total equity at beginning of year		1,132,281	1,243,666
Losses not recognised in the consolidated profit and loss account:			
Investment properties revaluation deficit	18	(84,000)	(125,300)
Profit attributable to shareholders	18	25,767	46,415
Dividends paid		(42,500)	(32,500)
Total equity at end of year		1,031,548	1,132,281

Consolidated Cash Flow Statement

Year Ended 30 September

	2003 HK$'000	2002 HK$'000
Operating activities		
Operating profit	32,827	54,538
Adjustments for:		
Depreciation	49	50
Provision for advances to an unlisted investment	9,180	–
Operating profit before working capital changes	42,056	54,588
Decrease in staff loans	754	91
Decrease/(increase) in debtors, deposits and prepayments	2,700	(2,358)
Decrease in creditors, accruals and deposits	(241)	(254)
Increase in provision for long service payments	144	149
Net cash inflow generated from operations	45,413	52,216
Hong Kong profits tax paid	(6,521)	(6,448)
Net cash from operating activities	38,892	45,768
Investing activities		
Dividend received from an associated company	–	270
Purchases of fixed assets	(9)	(24)
(Increase)/decrease in net amount due by associated companies	(23)	61
Net cash (used in)/from investing activities	(32)	307
Financing activities		
Dividends paid	(42,500)	(32,500)
Net cash used in financing activities	(42,500)	(32,500)
Net (decrease)/increase in cash and bank balances	(3,640)	13,575
Cash and bank balances at beginning of year	44,800	31,225
Cash and bank balances at end of year	41,160	44,800

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 11 and 12 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.

In the current year, the Group has changed certain of its accounting policies following the adoption of new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") which became effective during the current accounting period:

SSAP 1 (revised)	Presentation of financial statements
SSAP 15 (revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these new and revised SSAPs has no material effect on the accounts except for certain reclassification of the comparative figures of the consolidated cash flow statement into operating, investing and financing activities and the presentation of the consolidated statement of changes in equity.

(b) Basis of consolidation

The Group accounts incorporate the accounts of the Company and its subsidiary company made up to 30 September and include the Group's share of the results for the year and undistributed post-acquisition reserves of associated companies.

All material intra-group transactions and balances have been eliminated on consolidation.

(c) Subsidiary company

A company is a subsidiary company if the Group controls more than half of the voting power, controls the composition of the board of directors or holds more than half of the issued equity capital. Provision is made when, in the opinion of the Directors, there is impairment other than temporary in nature.

The Company's investment in the subsidiary company is carried at cost less provision. The results of the subsidiary company are accounted for by the Company on the basis of dividend income.

(d) Associated companies

An associated company is a company other than a subsidiary company, in which the Group's interest is held for the long term and substantial and significant influence is exercised through representatives on the board of directors.

The Group's investments in associated companies are stated at the Group's share of net assets and goodwill/negative goodwill (net of accumulated amortisation) on acquisition. The Company's investments in associated companies are carried at cost less provision. The results of associated companies are accounted for by the Company on the basis of dividend income.

(e) Unlisted investment

Unlisted investment is stated at cost less provision.

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

(f) 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 carried in the balance sheet at their open market value based on professional valuation. Increases in valuation are credited to the investment property revaluation reserve; decreases are first set off against earlier revaluation surpluses on a portfolio basis and thereafter charged to the profit and loss account. Upon sale of an investment property, the revaluation surplus realised is transferred to operating profit. No depreciation is provided on investment properties held on leases with unexpired period of more than twenty years.

Fixtures and equipment are stated at cost less accumulated depreciation and provision for impairment. 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. Improvements are capitalised and depreciated over their expected useful lives.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised in the profit and loss account to reduce the asset to its recoverable amount.

The 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.

(g) Revenue recognition

Rental and service income from investment properties 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.

3. SEGMENT INFORMATION

	2003 HK$'000	2002 HK$'000
(a) Turnover		
Property investment	69,609	77,245
(b) Contribution to operating profit		
Property investment	42,007	54,538
Unallocated item - provision for advances to an unlisted investment	(9,180)	–
	32,827	54,538

Turnover represents gross rental and service income from investment properties.

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

4. OTHER REVENUES

	2003 HK$'000	2002 HK$'000
Bank deposit and other interest income	491	581
Bad and doubtful debts recovered	–	3,897
Sundry income	301	303
	792	4,781

5. OPERATING PROFIT

	2003 HK$'000	2002 HK$'000
Operating profit is stated after charging:		
Directors' emoluments (note 6(a))	858	871
Auditors' remuneration	438	438
Depreciation	49	50
Bad and doubtful debts	1,995	350
Staff costs (excluding Directors' emoluments)		
Salaries and other emoluments	3,514	3,712
Long service payments	246	263
Contributions to mandatory provident fund scheme	139	141

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

	2003 HK$'000	2002 HK$'000
Fees	140	140
Salaries and other emoluments	668	680
Long service payments	38	39
Contributions to mandatory provident fund scheme	12	12
	858	871

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 (2002: 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 (2002: one Director) whose emoluments are reflected in the analysis presented above. Details of the emoluments paid to the remaining four (2002: four) individuals during the year are as follows:

	2003 HK$'000	2002 HK$'000
Salaries and other emoluments	1,383	1,409
Long service payments	56	57
Contributions to mandatory provident fund scheme	48	48
	1,487	1,514

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

Notes to the Financial Statements (Cont'd)

7. TAXATION

	2003 HK$'000	2002 HK$'000
Hong Kong profits tax		
Company and subsidiary company	7,113	8,474
Associated companies	10	–
	7,123	8,474

Hong Kong profits tax is provided at the rate of 17.5% (2002: 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 which will give rise to a liability or an asset to be payable or recoverable in the foreseeable future. The surpluses arising from the revaluation of the Group's investment properties do not constitute timing differences.

8. DIVIDENDS

	2003 HK$'000	2002 HK$'000
Interim dividend paid of HK$0.70 (2002: HK$0.50) per share	17,500	12,500
Final dividend proposed of HK$0.80 (2002: HK$1.00) per share	20,000	25,000
	37,500	37,500

At a meeting held on 18 December 2003, the Board of Directors proposed a final dividend of HK$0.80 per share. This proposed dividend will be accounted for as an appropriation of retained profit in the year ending 30 September 2004.

9. EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK$25,767,000 (2002: HK$46,415,000) and the 25,000,000 shares in issue throughout the two years ended 30 September 2003.

10. FIXED ASSETS

	Investment properties HK$'000	Fixtures and equipment HK$'000	Total HK$'000
Group			
Cost or valuation			
At 30 September 2002			
Cost	–	1,545	1,545
Professional valuation	1,072,000	–	1,072,000
Additions	–	9	9
Revaluation deficit (note 18)	(84,000)	–	(84,000)
At 30 September 2003	988,000	1,554	989,554
Accumulated depreciation			
At 30 September 2002	–	1,313	1,313
Charge for the year	–	49	49
At 30 September 2003	–	1,362	1,362
Net book value			
At 30 September 2003	988,000	192	988,192
At 30 September 2002	1,072,000	232	1,072,232
Company			
Cost or valuation			
At 30 September 2002			
Cost	–	1,516	1,516
Professional valuation	980,000	–	980,000
Additions	–	9	9
Revaluation deficit (note 18)	(80,000)	–	(80,000)
At 30 September 2003	900,000	1,525	901,525
Accumulated depreciation			
At 30 September 2002	–	1,284	1,284
Charge for the year	–	49	49
At 30 September 2003	–	1,333	1,333
Net book value			
At 30 September 2003	900,000	192	900,192
At 30 September 2002	980,000	232	980,232

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 leases (over 50 years) in Hong Kong and were revalued on 30 September 2003 on an open market value basis by CS Surveyors Limited.

11. SUBSIDIARY COMPANY

	2003 HK$'000	2002 HK$'000
Unlisted shares, at cost	10,000	10,000
Amount receivable	1,804	1,919
	11,804	11,919

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.

12. ASSOCIATED COMPANIES

	Group		Company	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Unlisted shares, at cost	70	70	70	70
Share of undistributed post-acquisition profits less losses	(3,926)	(3,979)	–	–
Group's share of net (liabilities)/assets	(3,856)	(3,909)	70	70
Amount receivable	5,369	5,346	5,368	5,346
Less: Provision	–	–	(5,134)	(5,134)
	5,369	5,346	234	212
Less: Amount payable	(225)	(225)	(225)	(225)
	5,144	5,121	9	(13)
	1,288	1,212	79	57

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 trading
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

13. UNLISTED INVESTMENT

	Group and Company 2003 HK$'000	Group and Company 2002 HK$'000
Unlisted shares, at cost	143	143
Advances	29,605	29,605
Less: Provision	(9,180)	–
	20,568	29,748

Unlisted investment represents 14.29% equity interest in Billion Park Investment Limited ("Billion Park"), a private company incorporated in Hong Kong. The principal activity of Billion Park is to participate in Foshan 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.

14. DEBTORS, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Trade debtors				
Below 60 days	2,589	3,147	2,146	2,715
61 to 90 days	232	728	117	604
91 days and above	152	1,749	–	1,660
	2,973	5,624	2,263	4,979
Deposits and prepayments	2,440	2,489	2,294	2,343
	5,413	8,113	4,557	7,322

Trade debtors represent rental income which is due one month in advance.

15. CREDITORS, ACCRUALS AND DEPOSITS

	Group		Company	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
Trade creditors				
Below 60 days	121	122	26	26
Accruals and deposits	13,605	13,845	12,759	12,966
	13,726	13,967	12,785	12,992

16. 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$151,000 (2002: HK$153,000).

Apart from the MPF Scheme, the Group does not operate any other retirement schemes for its employees. A provision of HK$6,140,000 (2002: HK$5,996,000) has been made in respect of the Group'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.

17. SHARE CAPITAL

	Group and Company	
	2003	**2002**
	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

18. RESERVES

	Group		Company	
	2003	**2002**	**2003**	**2002**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Investment properties revaluation reserve				
At beginning of year	944,157	1,069,457	864,374	984,374
Deficit on revaluation (note 10)	(84,000)	(125,300)	(80,000)	(120,000)
At end of year	860,157	944,157	784,374	864,374
Retained profit				
At beginning of year	38,124	29,209	36,897	28,061
Profit for the year	25,767	46,415	25,655	46,336
Dividends	(37,500)	(37,500)	(37,500)	(37,500)
At end of year	26,391	38,124	25,052	36,897
	886,548	982,281	809,426	901,271

	Company and subsidiary company	Associated companies	Total
	HK$'000	**HK$'000**	**HK$'000**
Retained profit			
At 30 September 2003	30,317	(3,926)	26,391
At 30 September 2002	42,103	(3,979)	38,124
Investment properties revaluation reserve			
At 30 September 2003	860,157	–	860,157
At 30 September 2002	944,157	–	944,157

Distributable reserves of the Company at 30 September 2003, calculated under Section 79B of the Hong Kong Companies Ordinance, amounted to HK$45,052,000 (2002: HK$61,897,000).

19. FUTURE MINIMUM RENTAL PAYMENTS RECEIVABLE

The future minimum rental payments receivable under non-cancellable operating leases are as follows:

	Group		Company	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
First year	41,920	39,881	38,756	37,408
Second to fifth year inclusive	19,848	19,269	19,384	17,821
	61,768	59,150	58,140	55,229

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

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$2,930,000 (2002: HK$3,454,000).

21. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors on 18 December 2003.

Five-Year Financial Summary

	2003 HK$'000	2002 HK$'000	2001 HK$'000	2000 HK$'000	1999 HK$'000
Fixed assets	988,192	1,072,232	1,197,558	1,370,779	1,512,751
Associated companies	1,288	1,212	1,192	1,297	1,250
Unlisted investment	20,568	29,748	29,748	29,749	29,749
Current assets	50,543	57,637	41,795	39,389	46,182
Total assets	1,060,591	1,160,829	1,270,293	1,441,214	1,589,932
Current liabilities	(22,903)	(22,552)	(20,780)	(21,461)	(22,477)
Non-current liabilities	(6,140)	(5,996)	(5,847)	(5,683)	(7,499)
Net assets	1,031,548	1,132,281	1,243,666	1,414,070	1,559,956
Share capital	125,000	125,000	125,000	125,000	125,000
Reserves	886,548	982,281	1,098,666	1,269,070	1,409,956
Proposed final dividend	20,000	25,000	20,000	20,000	25,000
Shareholders' funds	1,031,548	1,132,281	1,243,666	1,414,070	1,559,956
Turnover	69,609	77,245	81,122	79,757	99,869
Operating profit	32,827	54,538	41,652	40,486	58,863
Share of results of associated companies	63	351	26	21	29
Profit before taxation	32,890	54,889	41,678	40,507	58,892
Taxation	(7,123)	(8,474)	(6,382)	(6,893)	(7,271)
Profit attributable to shareholders	25,767	46,415	35,296	33,614	51,621
	HK$	**HK$**	**HK$**	**HK$**	**HK$**
Earnings per share	1.03	1.86	1.41	1.34	2.06
Dividends per share	1.50	1.50	1.30	1.30	2.00