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ANNUAL RESULTS ANNOUNCEMENT 2019/2020

The board of directors of Melbourne Enterprises Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiary (the “Group”) for the year ended 30 September 2020 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 September 2020

	Note	2020 HK\$'000	2019 HK\$'000
Revenue	2	203,704	226,921
Operating costs		(37,128)	(34,829)
Gross profit		166,576	192,092
Other income		3,207	2,457
Administrative expenses		(12,474)	(13,032)
Decrease in fair values of investment properties		(1,317,200)	(701,000)
Loss before taxation	3	(1,159,891)	(519,483)
Income tax expenses	4	(25,547)	(29,365)
Loss for the year attributable to equity holders		(1,185,438)	(548,848)
Other comprehensive (loss)/income			
<i>Item that will not be classified subsequently to profit or loss</i>			
Fair value (loss)/gain on financial asset at fair value through other comprehensive income		(22,794)	59,318
Total comprehensive loss attributable to equity holders		(1,208,232)	(489,530)
Loss per share			
Basic and diluted	6	(HK\$47.42)	(HK\$21.95)

CONSOLIDATED BALANCE SHEET*At 30 September 2020*

	Note	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment	7	616	1,177
Investment properties	7	7,519,800	8,837,000
Investment accounted for using the equity method		-	-
Financial asset at fair value through other comprehensive income	8	86,287	109,081
Advances to an investee company		29,605	29,605
Deferred rent receivables	9	966	-
		<u>7,637,274</u>	<u>8,976,863</u>
Current assets			
Debtors, other receivables, deposits and prepayments	9	13,897	7,643
Cash and bank balances		290,398	300,581
		<u>304,295</u>	<u>308,224</u>
Current liabilities			
Creditors, accruals and deposits	10	46,045	50,997
Current tax payable		25,396	28,331
		<u>71,441</u>	<u>79,328</u>
Net current assets		<u>232,854</u>	<u>228,896</u>
Total assets less current liabilities		<u>7,870,128</u>	<u>9,205,759</u>
Non-current liabilities			
Provision for long service payments		14,195	14,564
Deferred tax liabilities		2,248	1,778
		<u>16,443</u>	<u>16,342</u>
Net assets		<u>7,853,685</u>	<u>9,189,417</u>
Equity			
Share capital		125,000	125,000
Fair value through other comprehensive income reserve		86,286	109,080
Retained profits		7,642,399	8,955,337
Total equity		<u>7,853,685</u>	<u>9,189,417</u>

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties and financial asset at fair value through other comprehensive income, which have been measured at fair value.

(a) ADOPTION OF NEW STANDARD, INTERPRETATION, AMENDMENTS AND IMPROVEMENTS TO EXISTING STANDARDS

The Group has adopted the following new standard, interpretation, amendments and improvements to existing standards that are mandatory and relevant to the Group’s operation for the financial year ended 30 September 2020:

HKAS 19 Amendment	Plan Amendment, Curtailment or Settlement
HKAS 28 Amendment	Long-term Interests in Associates or Joint Ventures
HKFRS 9 Amendment	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvement Projects	Annual Improvements 2015-2017 Cycle

The adoption of these new standard, interpretation, amendments and improvements to existing standards does not have any significant effect on the results and financial position of the Group.

The Group leases out various properties under non-cancellable operating lease arrangements and classified these leases as operating leases. The accounting policies applicable to the Group as a lessor in the comparative period are not different from HKFRS 16. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor.

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

The HKICPA has issued certain new standard, amendments and improvements to existing standards which are not yet effective for the year ended 30 September 2020 and have not been early adopted by the Group. The Group will apply these new standard, amendments and improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the related impact to the Group and it is not yet in a position to state whether any substantial changes to the Group’s significant accounting policies and presentation of the financial information will be resulted.

2. SEGMENT INFORMATION

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

The Board considers property investment as the sole operating segment of the Group.

	2020 HK\$'000	2019 HK\$'000
(a) Revenue		
Property investment		
Rental income	183,919	205,784
Property management fee income	19,785	21,137
	<u>203,704</u>	<u>226,921</u>
(b) Contribution to loss before taxation		
Property investment – Rental operations	157,309	181,517
Decrease in fair values of investment properties	<u>(1,317,200)</u>	<u>(701,000)</u>
Loss before taxation	<u>(1,159,891)</u>	<u>(519,483)</u>

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

3. LOSS BEFORE TAXATION

Loss before taxation is stated after crediting and charging the following:

	2020 HK\$'000	2019 HK\$'000
Crediting:		
Interest income	<u>3,037</u>	<u>2,278</u>
Charging:		
Outgoings in respect of investment properties	35,471	32,836
Directors' emoluments	2,461	2,421
Auditor's remuneration	887	807
Depreciation	567	569
Impairment loss on trade debtors	56	145
Staff costs (excluding Directors' emoluments)		
Salaries and other emoluments (Note)	4,870	5,627
Long service payments	938	807
Contributions to mandatory provident fund scheme	<u>133</u>	<u>131</u>

Note:

For the year ended 30 September 2020, wages subsidies of HK\$540,000 from the Employment Support Scheme ("ESS") under the Anti-epidemic Fund of the Hong Kong Government are net off in salaries and other emoluments. Wage subsidies for October and November 2020 from ESS of HK\$270,000 are to be net off for the year ending 30 September 2021. The ESS aims to retain employment and combat the coronavirus disease 2019 ("COVID-19").

4. INCOME TAX EXPENSES

	2020 HK\$'000	2019 HK\$'000
Current income tax		
- Hong Kong profits tax	25,157	29,365
- Over-provision in respect of prior year	(80)	-
	<u>25,077</u>	<u>29,365</u>
Deferred income tax	470	-
	<u>25,547</u>	<u>29,365</u>

For the years ended 30 September 2020 and 2019, the provision for Hong Kong profits tax has been calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of a qualifying corporation of the Group will be taxed at 8.25%, and assessable profits above HK\$2 million of the qualifying corporation will be taxed at 16.5%. The assessable profits of the other entity of the Group in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

5. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Interim dividend paid of HK\$2.30 (2019: HK\$2.30) per share	57,500	57,500
Final dividend proposed of HK\$2.80 (2019: HK\$2.80) per share	70,000	70,000
	<u>127,500</u>	<u>127,500</u>

At a meeting held on 10 December 2020, the Directors recommended a final dividend of HK\$2.80 per share. This proposed dividend will be accounted for as an appropriation of retained profits for the year ending 30 September 2021.

6. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity holders of HK\$1,185,438,000 (2019: HK\$548,848,000) and the 25,000,000 shares in issue throughout the years ended 30 September 2020 and 2019.

Diluted loss per share equals basic loss per share because there were no potential dilutive shares outstanding during the years ended 30 September 2020 and 2019.

7. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

	Investment properties HK\$'000	Property, plant and equipment HK\$'000	Total HK\$'000
Net book value at 30 September 2019	8,837,000	1,177	8,838,177
Additions	-	6	6
Decrease in fair value	(1,317,200)	-	(1,317,200)
Depreciation	-	(567)	(567)
	<u>7,519,800</u>	<u>616</u>	<u>7,520,416</u>

The investment properties are held under long leases (over 50 years) in Hong Kong and were revalued at 30 September 2020 and 2019 on an open market value basis by an independent professionally qualified valuer, C S Surveyors Limited.

8. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	HK\$'000
At 1 October 2019	109,081
Change in fair value	<u>(22,794)</u>
At 30 September 2020	<u><u>86,287</u></u>

As at 30 September 2020 and 2019, financial asset at fair value through other comprehensive income represents the Group's equity interest in an unlisted company, Billion Park Investment Limited, which invests in a project for the construction of commercial and residential properties and the operation of a golf course in Foshan through its associated companies.

9. DEBTORS, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK\$'000	2019 HK\$'000
Trade debtors	4,362	5,062
Deferred rent receivables (Note)	7,277	-
Prepayment and deposits	1,487	1,514
Other receivables	771	1,067
	<u>13,897</u>	<u>7,643</u>

Note:

Deferred rent receivables represent the accumulated difference between effective rental revenue and actual rental receipts. Deferred rent receivables amounted HK\$966,000 which are expected to be realised twelve months after the balance sheet date are classified as non-current assets.

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

	2020 HK\$'000	2019 HK\$'000
Trade debtors		
Within 30 days	2,457	3,501
31 to 60 days	1,260	1,115
61 to 90 days	584	446
Over 90 days	61	-
	<u>4,362</u>	<u>5,062</u>

The Group normally does not grant credit period to trade debtors. As at 30 September 2020, trade debtors of HK\$56,274 (2019: HK\$145,312) were written-off.

10. CREDITORS, ACCRUALS AND DEPOSITS

	2020 HK\$'000	2019 HK\$'000
Trade creditors	1,012	1,380
Accruals and deposits	45,033	49,617
	<u>46,045</u>	<u>50,997</u>

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

	2020 HK\$'000	2019 HK\$'000
Trade creditors		
Within 30 days	1,012	1,098
31 to 60 days	-	48
61 to 90 days	-	-
Over 90 days	-	234
	<u>1,012</u>	<u>1,380</u>

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

BUSINESS REVIEW

Group Results

As a result of the outbreak of COVID-19 epidemic, the deterioration of the local economy has affected the Group's performance with rental concessions requested by tenants and shrinking demand for office and retail spaces. Loss attributable to equity holders for the year amounted to HK\$1,185.4 million (2019: HK\$548.8 million). The loss mainly resulted from the current year's decrease in fair value of investment properties of HK\$1,317.2 million compared with HK\$701.0 million fair value loss in 2019. After allowing for the effect of fair value changes of investment properties, the underlying operating profit from rental operations decreased 13.3% from HK\$181.5 million to HK\$157.3 million compared to last year. Revenue for the year amounted to HK\$203.7 million (2019: HK\$226.9 million), decreased by 10.2% year-on-year.

Significant Investments

The Group's investment properties at Melbourne Plaza and Kimley Commercial Building in Central were approximately 92% and 81% let as at 30 September 2020 respectively (2019: approximately 95% and 83% let respectively).

Liquidity and Financial Resources

The Group's working capital requirement was financed by its rental income. As at 30 September 2020, the Group had cash and bank balances totaling HK\$290.4 million (2019: HK\$300.6 million). During the year, the Group did not take up any borrowings or overdraft facilities.

Employees and Remuneration Policies

The Group employs a total of 17 employees. The Group recognises the importance of the strength of its human resources for its success. Remuneration of employees is maintained at competitive levels and promotion and salary increments are assessed on a performance basis.

Material Acquisitions, Disposals and Future Developments

There were no acquisitions or disposals of subsidiaries and investments accounted for using the equity method during the year. There are no other plans for material capital investments or future developments.

BOOK CLOSE DATES FOR 2020 AGM

Book close dates (both days inclusive) : Tuesday, 2 February 2021 to Friday, 5 February 2021

Latest time to lodge transfers with Share Registrar : 4:30 p.m. on Monday, 1 February 2021

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

RECORD DATE FOR PROPOSED FINAL DIVIDEND

Record date and latest time to lodge transfers with Share Registrar : 4:30 p.m. on Thursday, 11 February 2021

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

Payment date : on or about Wednesday, 24 February 2021

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE

The Audit Committee was established in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee has reviewed the framework and policies of risk management, the systems of internal control and the financial statements for the year ended 30 September 2020. The Audit Committee consists of three Independent Non-executive Directors and one Non-executive Director.

The figures in respect of the preliminary announcement of the Group's results for the year ended 30 September 2020 have been agreed by the Company's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

The financial information relating to the years ended 30 September 2020 and 30 September 2019 included in this preliminary announcement of annual results of 2019/2020 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company had delivered the financial statements for the year ended 30 September 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 30 September 2020 in due course.

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

PUBLICATION OF ANNUAL REPORT ON THE INTERNET

The annual report will be available from the Group’s website at www.irasia.com/listco/hk/melbournweb and the Stock Exchange’s website at www.hkexnews.hk on or before 5 February 2021.

Chung Yin Shu, Frederick
Executive Director

Hong Kong, 10 December 2020

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