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Corporate Information

BOARD OF DIRECTORS

Executive directors

Or Wai Sheun *(Chairman)*
Yeung Kwok Kwong
Wong Yuk Ching
Lam Chi Chung, Tommy
Chio Koc Ieng

Non-executive directors

Lai Ka Fai
Anthony Francis Martin Conway#
Siu Leung Yau#
Liu Kwong Sang#

Independent non-executive directors

COMPANY SECRETARY

Lau Sui Cheung

AUTHORISED REPRESENTATIVES

Yeung Kwok Kwong
Lai Ka Fai

AUDITORS

KPMG

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Harbour Trust Co., Ltd.
P.O. Box 897GT
George Town
Grand Cayman KY1-1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKERS

Bank of China
Hang Seng Bank

STOCK CODE

Hong Kong Stock Exchange: 208

WEBSITE

www.polytecasset.com

Five-Year Financial Summary

The following is a summary of the published results, and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated or reclassified as appropriate.

RESULTS

	2010 HK$'000	2009 HK$'000 (Restated)	2008 HK$'000 (Restated)	2007 HK$'000 (Restated)	2006 HK$'000 (Restated)
Turnover	**963,905**	1,034,405	2,592,538	3,050,768	560,831
Profit from operations	**406,064**	904,865	390,458	427,057	141,827
Change in fair value of investment properties	**–**	(14,000)	(50,000)	–	–
Unwinding cost for contingent forward transactions	**–**	–	(485,068)	–	–
Loss on disposals of available-for-sale financial investments	**–**	–	(506,655)	–	–
Share of results of jointly controlled entities	**45,641**	3,981	(51,758)	14,714	4,166
Finance costs	**(15,721)**	(4,729)	(34,077)	(104,073)	(81,188)
Profit/(loss) before tax	**435,984**	890,117	(737,100)	337,698	64,805
Income tax expenses	**(47,417)**	(4,397)	832	(65,058)	(16,914)
Profit/(loss) after tax	**388,567**	885,720	(736,268)	272,640	47,891
Non-controlling interests	**(141,548)**	(1,349)	202,747	(50,508)	(18,366)
Profit/(loss) attributable to equity holders of the Company	**247,019**	884,371	(533,521)	222,132	29,525

Five-Year Financial Summary

ASSETS AND LIABILITIES

	2010 **HK$'000**	2009 HK$'000 (Restated)	2008 HK$'000 (Restated)	2007 HK$'000 (Restated)	2006 HK$'000 (Restated)
Total assets	**12,663,646**	11,779,659	13,627,797	14,458,340	11,319,874
Total liabilities	**(2,309,352)**	(1,654,721)	(3,290,689)	(3,712,619)	(3,524,744)
Non-controlling interests	**(46,700)**	(14,352)	(15,363)	(67,792)	(57,602)
Equity attributable to equity holders of the Company	**10,307,594**	10,110,586	10,321,745	10,677,929	7,737,528

FINANCIAL HIGHLIGHTS

	2010	2009 (Restated)	2008 (Restated)	2007 (Restated)	2006 (Restated)
Increase/(decrease) in turnover (%)	**(7)**	(60)	(15)	444	185
Increase/(decrease) in profit attributable to equity holders of the Company (%)	**(72)**	N/A	N/A	652	(94)
Return on equity (%)	**2.40**	8.75	(5.17)	2.08	0.38
Basic earnings/(loss) per share (HK cents)	**5.56**	19.92	(12.02)	5.06	1.03
Dividends per share (HK cents)	**2.40**	2.30	1.90	1.80	1.00
Net asset value attributable to equity holders of the Company per ordinary share (HK cents)	**232.21**	227.77	232.53	240.55	179.26
Current ratio	**1.42**	1.48	1.18	2.39	2.79
Bank borrowings to equity ratio	**0.02**	0.01	0.00	0.01	0.01
Total debts to equity ratio	**0.19**	0.09	0.10	0.14	0.40

Note: In compliance with the Hong Kong Financial Reporting Standards, the Group has adopted certain new accounting policies during the year and certain comparative amounts in the years 2006, 2007, 2008 and 2009 have been restated to conform with current presentation.

GROUP RESULTS AND DIVIDENDS

For the year ended 31 December 2010, the Group's net profit attributable to shareholders amounted to HK$247 million compared to a net profit of HK$884 million in 2009. The basic earnings per share amounted to 5.56 HK cents.

Excluding revaluation gains for the Group's investment properties, the underlying net profit and earnings per share for 2010 amounted to HK$225 million and 5.07 HK cents respectively.

The Board of Directors has proposed the payment of a final dividend of 1.5 HK cents per share for the year ended 31 December 2010. Together with the interim dividend of 0.9 HK cent per share, the full year dividend per share for 2010 amounts to 2.4 HK cents, representing an increase of 4.3% over 2009.

The final dividend will be payable on 19 July 2011 to the shareholders whose names appear on the register of members of the Company on 6 July 2011.

BUSINESS REVIEW

For the year under review, the decrease in the Group's net profit for 2010 compared to that in 2009 was mainly due to a lack of major property development project completion. The main source of the Group's earnings for 2010 came from final income recognition from Pacifica Garden, its 58%-owned property development project in Taipa, Macau, with total sales proceeds and a recognized operating profit attributable to the Group being HK$469 million and HK$211 million respectively. We had pre-sold 100% of the residential units of Pacifica Garden and over 60% of the available carparking spaces of the project. The project was completed in the first half of 2010 and all residential units have been delivered to the buyers.

On 1 April 2010, the Group exercised a call option granted by Ufex Advisors Corp. to acquire its 100% owned subsidiary, Caspi Neft TME ("Caspi Neft"), an oil company which is engaged in the business of the production and exploration of oil from hydrocarbon deposits in Kazakhstan, at a cash consideration of approximately US$139 million. Caspi Neft entered a 25-year tax and royalty contract for the production of oil at South Alibek Oilfield with the Ministry of Energy and Mineral Resources of Kazakhstan in December 2006.

Property Development

As of 31 December 2010, the development landbank in Macau attributable to the Group amounted to approximately 713,000 sq. m. gross floor area. All of the Group's existing development sites are located adjacent to the Hong Kong-Zhuhai-Macau Bridge. The status of the Group's major projects under development in Macau is set out below.

Lote P, The Orient Pearl District

Lote P, which is the Group's 80%-owned development project, covers an aggregate site area of approximately 68,000 sq. m. and will be developed by phases into various luxury residential towers, together with a large shopping arcade, a club house and numerous car parking spaces, with an aggregate gross floor area of approximately 699,800 sq. m.. The architectural plan has just been approved and construction work will be commenced once we obtain the final approval from the relevant government authority.

Lotes T & T1, The Orient Pearl District

Lotes T & T1 combined covers an aggregate site area of approximately 17,900 sq. m.. This project, in which the Group owns an 80% interest, will be developed into a number of high-end residential blocks with retail shops and car parking spaces, having an aggregate gross floor area of approximately 191,600 sq. m.. The master plan has been approved and the architectural plan has been submitted to relevant government authorities for approval.

Property Investment

During the period under review, the Group disposed of an office space and a number of carparking spaces at China Plaza, the Group's 70.5%-owned property in Macau, with a total recognized gain of HK$8.2 million. The Group intends to continue to dispose of the rest of the non-core investment properties in the coming years.

Despite the disposal of some investment properties over the past year, gross rental income generated from the Group's investment properties rose to HK$37.8 million for the year ended 31 December 2010, an increase of 3.3% over 2009. The increase in total rental income was mainly due to overall improvement in occupancy rates of both the office and retail portions of The Macau Square, with total rental income for the investment property rising 10.0% to HK$31 million in 2010.

Oil

For the period under review, total revenue generated from the oil segment amounted to HK$80 million, with a segment profit of HK$9.8 million including a gain from the bargain purchase of our oil business in Kazakhstan. Excluding the gain from the bargain purchase, there was an operating loss of HK$13.8 million for 2010. The loss in operation was mainly due to the temporary suspension of production of most production wells since November 2010 as the gas flaring permit for the oil field was expired at the end of October last year. Since a new Law on Subsoil and Subsoil Use of the Republic of Kazakhstan, adopted on 24 June 2010, substantially reduces gas flaring quotas and imposes harsher penalties for environmental violations, the approval of the Group's application for an extension for its gas flaring permit was delayed. Nevertheless, following substantial effort made to tackle this issue, the government has agreed to grant a new gas flaring permit in the near future and oil production will be resumed immediately after we obtain the permit.

The Group's South Alibek Oilfield is located in the Pre-Caspian Basin, an oil and gas rich area in Kazakhstan. This oil field is still at an early stage of development. Following an extensive study on the oil field, we believe there are good prospects for finding more oil. Therefore we have planned to drill more production, as well as exploration, wells aiming to raise the overall future production capacity and oil reserves.

Ice and cold Storage

The performance of both the cold storage and ice manufacturing businesses was encouraging during the year under review, with total operating profit from the segment rising 53.3% to HK$21 million for 2010. Indeed, the cold storage and ice manufacturing business has been substantially benefited from the strong recovery in the local economy over the course of 2010, with total revenue for cold storage rising 23.5% and for ice manufacturing increasing 17.5%.

Finance and Investments

As of 31 December 2010, total remaining value of the Group's investment portfolio amounted to HK$13.1 million compared to HK$8.4 million at end-December 2009, representing 0.1% of the Group's gross assets. The finance and investments segment recorded a gain of HK$4.7 million in fair value from its holdings of equity securities in 2010.

FINANCIAL REVIEW

As of 31 December 2010, total book value of the Group's assets amounted to HK$12,664 million as compared with HK$11,780 million at end-2009, with the increase is mainly attributable to the acquisition of an oil production asset in Kazakhstan. Net asset value of the Group as of 31 December 2010 amounted to HK$10,354 million, with cash and cash equivalents of HK$330 million, mainly denominated in Hong Kong dollars.

As of 31 December 2010, the trade and other payables of the Group decreased to HK$152 million and the decrease was mainly due to the transfer of sale deposits for Pacifica Garden to revenue during the period under review.

The Group's gearing ratio, expressed as a percentage of total borrowings, which include total bank borrowings and the total amounts due to the holding companies of the Company, over the equity attributable to equity holders of the Company, increased to 19.0% at end-2010 from 9.1% at end-2009. The increase was mainly due to the financing of the acquisition of the oil production asset by loans from our holding companies. All the amounts due to the holding companies are unsecured, denominated in Hong Kong dollars, bearing interest at prevailing market rates and with no fixed terms of repayment. The bank borrowings are secured by the Group's land and buildings, denominated in Hong Kong dollars and bearing interest at prevailing market rates and subject to review from time to time.

Since the acquisition of the oil business in Kazakhstan during the year, the Group has been exposed to the exchange fluctuations in the Kazakhstan Tenge ("KZT"), the local currency of Kazakhstan. While the majority of the operating expenses, as well as capital expenditure, of the Group's oil business is denominated in the KZT, over 80% of its revenue generated from this segment is denominated in the USD. However, this business represents a relatively small portion of the Group's overall business and therefore the fluctuation in the KZT is unlikely to substantially affect the Group's financial position.

As of 31 December 2010, certain assets of the Group, with total book value of approximately HK$131 million, were pledged to secure the banking facilities to the Group.

PROSPECTS

The Macau economy has recovered strongly, with real gross domestic product growing at 26.2% for 2010 compared to 1.5% in 2009. This robust growth rate has been mainly driven by its gaming industry, with total revenue from the gaming activities rising over 57% in 2010 to reach US$23 billion in 2010. However, the tourism industry in Macau has become increasingly important to the Macau economy, with total spending of tourists from Mainland China having been rising rapidly over the past few years. Total tourist arrivals rose 14.8% in 2010, with total number of tourists from China accounting for over 50% of total arrivals. More encouragingly, the number of tourists from other countries in Asia has started to increase considerably, with tourists from South Korea and India rising over 50% in 2010.

Indeed, as an effort to build Macau into an international gaming and tourist hub, the government ended the casino gaming monopoly in 2002 and this policy has since attracted substantial overseas interests in investing in Macau. After 8 years of rapid development, with recent completion of a number of private large hotel or resort development projects in the gaming industry as well as the government's infrastructure projects and facilities, Macau's tourism industry has become more mature and increasingly competitive and attractive in the region. We expect that the gaming and tourism industry in Macau will continue to add impetus to its economy in the coming years.

As the MOP, Macau's local currency, traditionally links to the HKD and therefore to Hong Kong interest rates, the interest rates in Macau have stayed at historic-low levels. Together with the strong economic recovery, the overall demand in the property market has remained robust and housing prices have stayed elevated during 2010, despite the fact that the government imposed a series of property cooling measures. However, we believe that the housing market will be well supported by on-going investments in some large development projects in the gaming industry and the government's various planned mega infrastructure projects over the coming years.

In Macau, we have recently made significant progress by obtaining approval for the architectural plan of the Group's 80%-owned mega luxury residential and commercial development project at Lote P. We will submit the final plan of the project to the relevant government authority shortly. Construction work will be commenced once we obtain a final approval, which is expected in the second half of this year. This large-scale project, which is located adjacent to the landing point of the Hong Kong-Zhuhai-Macau Bridge and covers an aggregate gross floor area of approximately 700,000 sq.m. comprises over 5,000 luxury residential units, a sizeable shopping arcade, a five-star club house as well as over 4,000 car parking spaces. It will be developed in phases in the coming years and we are confident that this project will provide substantial cashflow and earnings for the Group over the medium-and long-term.

Nevertheless, due to the delay in obtaining approvals for the Lote P project, there exits an earnings shortfall over the next couple of years before the completion of the first phase of the residential development. Management is now looking into business opportunities which may provide income to the Group over the short-term.

As previously mentioned in our Interim Report 2010, the Group completed the acquisition of Caspi Neft, an oil company in Kazakhstan, in July last year. This acquisition allows the Group to extend its business to the oil industry in order to diversify its sources of recurrent income. The Group's professional oil team is currently striving to further explore the potential of the oil field in order to strengthen the future production capacity and oil reserves.

I would like to take this opportunity to express my gratitude to my fellow directors for their support and all staff for their dedication.

Or Wai Sheun
Chairman

Hong Kong, 30 March 2011

The directors present their report and the audited financial statements of the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the Group has expanded its business to oil exploration and production. Details of the principal activities of the Company's subsidiaries are set out in note 37 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 25 to 82.

An interim dividend of HK$0.009 per share was paid on 15 October 2010. The directors now recommend the payment of a final dividend of HK$0.015 per share to the shareholders whose names appear on the register of members of the Company on 6 July 2011, estimated to be HK$66,584,000.

FIXED ASSETS

Details of the movements in the fixed assets of the Group during the year are set out in notes 13 and 15 to the financial statements.

SHARE CAPITAL

Details of the movements in issued share capital of the Company during the year are set out in note 28 to the financial statements.

RESERVES

Details of the movements in the reserves of the Company and of the Group during the year are set out in note 38(d) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the retained profits of the Company available for cash distribution and/or distribution in specie as computed in accordance with the Companies Law of the Cayman Islands amounted to HK$2,383,667,000. Further, the share premium account of the Company may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at 31 December 2010, the Company's share premium account amounted to HK$5,912,600,000.

DIRECTORS

The directors of the Company during the year were:

Executive directors

Mr. Or Wai Sheun *(Chairman)*
Mr. Yeung Kwok Kwong
Ms. Wong Yuk Ching
Mr. Lam Chi Chung, Tommy
Ms. Chio Koc Ieng

Non-executive director

Mr. Lai Ka Fai

Independent non-executive directors

Mr. Anthony Francis Martin Conway
Mr. Siu Leung Yau
Mr. Liu Kwong Sang

The directors of the Company, including the non-executive director and independent non-executive directors, are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provisions of the Company's articles of association.

In accordance with articles 108(A) and (B) and 112 of the Company's articles of association, Mr. Lam Chi Chung, Tommy, Mr. Anthony Francis Martin Conway and Mr. Siu Leung Yau will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to rule 3.13 of the Rules Governing the Securities Listing on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and considers all the independent non-executive directors to be independent.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

The directors' interests in contracts with the Group during the year are set out in notes 17 and 33(a), (b), (c), and (d) to the financial statements.

Save as disclosed above, no director had a significant interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2010, the interests and short positions of the directors and chief executive in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules were as follows:

Long positions in shares of the Company

Name	Capacity and nature of interests	Number of shares held	Percentage of the issued ordinary share capital (Note 1)
Mr. Or Wai Sheun (Note 2)	Founder and beneficiary of a trust	3,260,004,812	73.44%
Mr. Yeung Kwok Kwong	Directly beneficially owned	2,000,000	0.05%
Ms. Wong Yuk Ching	Directly beneficially owned	6,655,000	0.15%
Mr. Lam Chi Chung, Tommy	Directly beneficially owned	230,000	0.01%
Ms. Chio Koc Ieng	Directly beneficially owned	270,000	0.01%
Mr. Lai Ka Fai	Directly beneficially owned	430,000	0.01%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Long positions in shares of associated corporation – Kowloon Development Company Limited ("KDC")

Name	Capacity and nature of interests	Number of shares held	Percentage of the issued ordinary share capital (Note 3)
Mr. Or Wai Sheun (Note 2)	Founder and beneficiary of a trust	823,160,124	71.54%
	Through controlled corporation	277,500	0.02%
Mr. Yeung Kwok Kwong	Directly beneficially owned	165,000	0.01%
Ms. Wong Yuk Ching	Directly beneficially owned	1,110,000	0.10%
Mr. Lam Chi Chung, Tommy	Directly beneficially owned	15,000	0.00%
Ms. Chio Koc Ieng	Directly beneficially owned	210,000	0.02%
Mr. Lai Ka Fai	Directly beneficially owned	701,000	0.06%

Save as disclosed above, as at 31 December 2010, none of the directors and chief executive had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that were required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Notes:

1. As at 31 December 2010, the total number of issued shares in the Company was 4,438,967,838 ordinary shares.
2. Mr. Or Wai Sheun was deemed to be interested in 823,160,124 ordinary shares in KDC as the founder and one of the beneficiaries of a discretionary family trust. Mr. Or Wai Sheun was also deemed to be interested in 277,500 ordinary shares in KDC owned by China Dragon Limited due to his corporate interest therein.

   Mr. Or Wai Sheun was also deemed to be interested in 3,260,004,812 ordinary shares in the Company through his interest in KDC.

   The interest in 3,260,004,812 ordinary shares in the Company as disclosed above by Mr. Or Wai Sheun is the same interests in the Company as disclosed by KDC, The Or Family Trustee Limited Inc. and HSBC International Trustee Limited under the heading of "Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares" below.
3. As at 31 December 2010, the total number of issued shares in KDC was 1,150,681,275 ordinary shares.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2010, the following interests of 5% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions

Name	Capacity and nature of interests	Number of shares held	Percentage of the issued ordinary share capital (Note 1)
The Or Family Trustee Limited Inc. (Notes 2 and 4)	Through controlled corporation	3,260,004,812	73.44%
HSBC International Trustee Limited (Notes 3 and 4)	Trustee	3,260,004,812	73.44%
Kowloon Development Company Limited (Note 4)	Through controlled corporation	3,260,004,812	73.44%

Save as disclosed above, as at 31 December 2010, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Notes:

1. As at 31 December 2010, the total number of issued shares in the Company was 4,438,967,838 ordinary shares.
2. The Or Family Trustee Limited Inc. holds 823,160,124 ordinary shares in KDC (being 71.54% of the issued ordinary share capital of KDC) and, therefore was deemed to be interested in 3,260,004,812 ordinary shares in the Company.
3. Based on information available to the Company, HSBC International Trustee Limited holds 825,474,474 ordinary shares in KDC (being 71.74% of the issued ordinary share capital of KDC) and therefore was deemed to be interested in 3,260,004,812 ordinary shares in the Company.
4. The interest in 3,260,004,812 ordinary shares in the Company as disclosed above by KDC, The Or Family Trustee Limited Inc. and HSBC International Trustee Limited (the "Disclosed Shareholders") respectively and by Mr. Or Wai Sheun under the heading of "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above are the same interests in the Company.

   According to the register of the Company, as at 31 December 2010, the Disclosed Shareholders were interested in 3,245,004,812 ordinary shares in the Company (being 73.10% of the issued ordinary share capital of the Company). On specific enquiries made, the Disclosed Shareholders have confirmed that the Disclosed Shareholders were interested in 3,260,004,812 ordinary shares in the Company. There is a difference of 15,000,000 ordinary shares between the actual numbers of shares interested in of the Disclosed Shareholders and the number of shares interested in as disclosed by the Disclosed Shareholders because the Disclosed Shareholders do not have any obligations pursuant to the SFO to disclose such interest in 15,000,000 ordinary shares of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

SHARE OPTION SCHEME

Detailed disclosures relating to the Company's share option schemes are set out in note 29 to the financial statements.

EMPLOYEES

As at 31 December 2010, the total number of employees of the Group was about 270. The Group remunerates its employees by means of salary and bonus based on their performance, working experience, degree of hardship and prevailing market practice. The emolument policy of the Group is reviewed by the members of the Remuneration Committee and approved by the Board.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 29 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained the prescribed public float under the Listing Rules as at the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to HK$10,000.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, less than 30% of the Group's turnover were attributable to the Group's five largest customers.

During the year, less than 30% of the Group's purchases were attributable to the Group's five largest suppliers.

OIL RESERVE

Saved as the production during the period under review, there is no material change in the oil reserve of the Group.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 5 July 2011 to Wednesday, 6 July 2011 (both days inclusive) in order to determine entitlements of shareholders to the final dividend in respect of the year ended 31 December 2010. In order to qualify for the entitlement of the final dividend, the shareholders must ensure that all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 July 2011.

AUDITORS

Messrs. KPMG will retire at the forthcoming annual general meeting and a resolution for the reappointment of Messrs. KPMG as auditors of the Company will be proposed at the forthcoming annual general meeting.

On Behalf of the Board

Or Wai Sheun
Chairman

Hong Kong
30 March 2011

The Company acknowledges the importance of good corporate governance practices and believes that maintaining high standard of corporate governance practices is crucial to the development of the Company.

The Company has complied with all the code provisions of the Code on Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year, save for the few exceptions mentioned below.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and overseeing the Group's affairs. The Board formulates the overall strategic direction and review and approves major transaction of the Group, while the management is delegated with the power to implement policies and strategies as set out by the Board. The Board also acknowledges its responsibilities for preparing the financial statements of the Company.

The Board has a balanced composition of executive and non-executive directors. Currently, the Board comprises five Executive Directors, being Mr. Or Wai Sheun (Chairman of the Board), Mr. Yeung Kwok Kwong (Managing Director), Ms. Wong Yuk Ching, Mr. Lam Chi Chung, Tommy and Ms. Chio Koc Ieng, one Non-executive Director, being Mr. Lai Ka Fai, and three Independent Non-executive Directors, being Mr. Anthony Francis Martin Conway, Mr. Siu Leung Yau and Mr. Liu Kwong Sang. The Directors have no financial, business, family or other material/relevant relationship. The profiles of the Directors, which are set out on pages 21 to 22, demonstrate a balance of skills and experience of the Board.

The Board has established an executive committee to delegate its management and administration functions and has formalised the function reserved by the Board and those delegated to the management. Clear direction has also been given as to the power of the management.

During the year, the Board has held four board meetings. The attendance of the Directors at the board meetings was as follows:

Directors	Number of attendance
Mr. Or Wai Sheun *(Chairman of the Board)*	4/4
Mr. Yeung Kwok Kwong	4/4
Ms. Wong Yuk Ching	4/4
Mr. Lam Chi Chung, Tommy	4/4
Ms. Chio Koc Ieng	4/4
Mr. Lai Ka Fai	4/4
Mr. Anthony Francis Martin Conway	3/4
Mr. Siu Leung Yau	4/4
Mr. Liu Kwong Sang	4/4

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The responsibility of the Chairman of the Board is to lead the Board to provide high-level guidance and oversight to the Group, while the Managing Director is delegated with the power to implement policies and strategies as set out by the Board.

AUDIT COMMITTEE

The present members of the Audit Committee are two Independent Non-executive Directors, being Mr. Liu Kwong Sang (Chairman) and Mr. Siu Leung Yau and one Non-executive Director, being Mr. Lai Ka Fai. During the year, the Audit Committee has held two meetings. The attendance of the Audit Committee members at the audit committee meetings was as follows:

Directors	Number of attendance
Mr. Liu Kwong Sang *(Chairman of the Audit Committee)*	2/2
Mr. Siu Leung Yau	2/2
Mr. Lai Ka Fai	2/2

The responsibility of the Audit Committee is to assist the Board in fulfilling its audit duties through the review and supervision of the Company's financial reporting and internal control system. The roles of the Audit Committee include maintaining a close relationship with the external auditors, reviewing of financial information of the Company and overseeing of the Company's financial reporting system and internal control procedure.

During the year, the Audit Committee reviewed the audited financial statements for 2009 and the interim financial statements for 2010 and met with the external auditors and the management of the Company to discuss issues arising from the audit of the financial statements. The Audit Committee also reviewed the effectiveness of the system of internal control of the Group, the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and relevant training programmes and budget.

REMUNERATION OF DIRECTORS

The present members of the Remuneration Committee are one Executive Director, Mr. Yeung Kwok Kwong (Chairman) and three Independent Non-executive Directors, Mr. Anthony Francis Martin Conway, Mr. Siu Leung Yau and Mr. Liu Kwong Sang. During the year, the Remuneration Committee has held three committee meeting. The attendance of the Remuneration Committee members at the Remuneration Committee meeting was as follows:

Directors	Number of attendance
Mr. Yeung Kwok Kwong *(Chairman of the Remuneration Committee)*	3/3
Mr. Anthony Francis Martin Conway	2/3
Mr. Siu Leung Yau	3/3
Mr. Liu Kwong Sang	3/3

The roles of the Remuneration Committee include formulating remuneration policy for approval by the Board, which shall take into consideration factors such as salaries paid by comparable companies, employment conditions, time commitment and responsibilities, desirability of performance based remuneration, and individual performance of the Directors and Senior Management, and implement the remuneration policy laid down by the Board.

During the year, the Remuneration Committee has reviewed the remuneration policy of the Company, the directors' fees to the Non-executive Directors and the remuneration package of the Executive Directors.

NOMINATION OF DIRECTORS

The Company currently does not have a nomination committee. To maintain high quality of the Board with a balance of skills and experience, the Board will identify individuals suitably qualified to become Directors when necessary. The Board will consider the experience, qualification and other relevant factors, including the standards set out in rules 3.08 and 3.09 of the Listing Rules and rule 3.13 of the Listing Rules in case of Independent Non-executive Directors, of the eligible candidates.

NON-EXECUTIVE DIRECTORS

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The Non-executive Directors do not have a specific term of appointment, but subject to rotation in accordance with article 108(A) of the articles of association of the Company. As the Non-executive Directors are subject to rotation in accordance with the articles of association of the Company, the Board considers that the Non-executive Directors so appointed with no specific term will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in A.4 of the Code on Corporate Governance Practices.

APPOINTMENTS, RE-ELECTION AND REMOVAL OF DIRECTORS

The first sentence of Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In accordance with article 112 of the articles of association of the Company, any Director appointed to fill a casual vacancy shall hold office until the next following annual general meeting of the Company.

As the Director appointed to fill a casual vacancy shall subject to re-election in the next following annual general meeting of the Company in accordance with the articles of association of the Company which complies with paragraph 4(2) of the Appendix 3 of the Listing Rules, the Board considers that the Directors so appointed subject to election by shareholders at the next following annual general meeting of the Company after their appointment will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in A.4 of the Code on Corporate Governance Practices.

The Company did not have any deviation from the first sentence of Code Provision A.4.2 during the year.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 of the Listing Rules. On specific enquiries made, all Directors have confirmed that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the year.

INTERNAL CONTROLS

The Board has the overall responsibilities of maintaining a sound and effective internal control system for the Group. The Group's system of internal control includes a defined management structure with limits of authority. The system is designed to help the Group to achieve business objectives, safeguard assets against unauthorised use, ensure the maintenance of proper accounting records for the provision of reliable financial information, and ensure compliance with relevant legislation and regulations. The system is designed to manage risks of failure in operational systems and foster achievement of corporate objectives. The internal control system is subject to the review of the Audit Committee.

AUDITORS' REMUNERATION

During the year, the remuneration paid to KPMG, the Company's auditors, are set out below:

	HK$'000
Services rendered	
— audit services	2,000
— non audit services	824

Profile of Directors

EXECUTIVE DIRECTORS

Mr. Or Wai Sheun, aged 59, joined the Company in April 2006 as the Chairman of the Board. Mr. Or has over 30 years of experience in property development, industrial and financial investment business in Hong Kong, Macau and the Mainland China. Mr. Or is responsible for the development of corporate strategies, corporate planning and general management of the Company. Mr. Or is also the chairman of the board of directors of Kowloon Development Company Limited whose shares are listed in the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), Intellinsight Holdings Limited, Polytec Holdings International Limited and a director of Marble King International Limited and Or Family Trustee Limited Inc., all five companies being substantial shareholders of the Company.

Mr. Yeung Kwok Kwong, aged 52, joined the Company in September 2000 as the Chairman of the Board and Managing Director. With effect from 1 April 2006, Mr. Yeung ceased to act as the Chairman of the Board but remained to act as the Managing Director. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 25 years of experience in finance, accounting, financial management and corporate planning. He is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group. Mr. Yeung is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Mr. Yeung is also a non-executive director of Kowloon Development Company Limited and a director of Marble King International Limited, both companies being substantial shareholders of the Company.

Ms. Wong Yuk Ching, aged 54, joined the Company in January 2002 as Executive Director. Prior to joining the Company, she held managerial and director positions in a number of large garment trading and manufacturing companies. She has over 20 years of experience in the garments industry. She is currently responsible for the development of corporate strategies, corporate planning and the day-to-day management of the Group.

Mr. Lam Chi Chung, Tommy, aged 56, joined the Company in October 2005 as Executive Director. Prior to joining the Company, he previously held executive director positions in other listed companies in Hong Kong. He has expertise and extensive experience in the banking, international finance, project advisory and fund management fields. He is currently responsible for the development of corporate strategies, corporate planning and corporate finance of the Group. Mr. Lam graduated from the University of Windsor, Canada with a bachelor degree of science in computer science and mathematics and also attained a master's degree of business administration in accounting and management sciences from Long Island University, U.S.A.

Ms. Chio Koc Ieng, aged 44, joined the Group in December 2004 and was appointed as Executive Director in April 2006. She has attained 20 years of working experience in various prominent and well-established property development companies in Macau. She is responsible for development of corporate strategies, corporate planning and general management of the Group.

NON-EXECUTIVE DIRECTOR

Mr. Lai Ka Fai, aged 46, joined the Company in September 2000 as Executive Director, and was re-designated as Non-executive Director in January 2002. Prior to joining the Company, he worked for a large international accountancy firm and also held managerial and director positions in a number of large companies. He has over 20 years of experience in finance, accounting, financial and operational management, and corporate planning. Mr. Lai graduated from the University of East Anglia in the United Kingdom with a bachelor's degree in science. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Lai is also an executive director of Kowloon Development Company Limited and a director of Marble King International Limited and Intellinsight Holdings Limited, all three companies being substantial shareholders of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anthony Francis Martin Conway, aged 70, joined the Company in September 2000 as Independent Non-executive Director. Mr. Conway has over 40 years' experience in information technology and telecommunications, having held director and senior management positions in various renowned telecommunication and information technology companies. He is currently the chairman of both I.Tel Holdings Ltd., an investment holding company for information technology related activities, and the Hong Kong Management Association I.T. Management Committee. Mr. Conway is an independent non-executive director of Wing On Company International Limited whose shares are listed in the Main Board of the Stock Exchange and was also an independent non-executive director of Armitage Technologies Holding Limited and PME Group Limited whose shares are listed in the GEM Board and in Main Board of the Stock Exchange respectively. Mr. Conway is a fellow member of the Hong Kong Institute of Directors, the Hong Kong Management Association, the British Computer Society and the Hong Kong Institution of Engineers.

Mr. Siu Leung Yau, aged 57, joined the Company in September 2000 as Independent Non-executive Director. Mr. Siu has over 25 years' experience in real estate investment, development, asset management, sale and marketing management. He is currently the managing director of Pan Win Holdings Limited. Mr. Siu is a member of Guangzhou Tianhe Political Consultative Committee and the Deputy Head of the Hong Kong and Macau Committee. He is also a vice governor of the Hong Kong Association for the Advancement of Real Estate and Construction Technology Limited, a vice president of Hong Kong Chamber of Commerce in China Guangdong and the chairman of its real estate committee, a member of the Hong Kong Institute of Real Estate Administrators and a senior consultant of Guangzhou International Bioisland.

Mr. Liu Kwong Sang, aged 49, joined the Company in July 2000 as Independent Non-executive Director. He has been practising as a certified public accountant in Hong Kong with more than 18 years' experience. Mr. Liu graduated with honours from the Hong Kong Polytechnic University with a bachelor degree in accountancy and obtained the Master in Business Administration degree from the University of Lincoln, the United Kingdom. He is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants and a fellow member of the Institute of Financial Accountants, of the National Institute of Accountants, Australia, of the Hong Kong Institute of Certified Public Accountants, of the Taxation Institute of Hong Kong and of the Society of Registered Financial Planners. Mr. Liu acts as an independent non-executive director of China Railsmedia Corporation Limited and Dragonite International Limited, whose shares are listed on the Main Board of the Stock Exchange, abc Multiactive Limited whose securities are listed on the GEM Board of the Stock Exchange, and Pacific CMA, Inc. whose securities were previously listed on the American Stock Exchange. Mr. Liu was also an independent non-executive director of Tack Fat Group International Limited, whose shares are listed on the Main Board of the Stock Exchange.

Independent Auditor's Report to the Shareholders of
Polytec Asset Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Polytec Asset Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 25 to 82, which comprise the consolidated and Company's balance sheets as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidation financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (Restated)
Turnover	5	**963,905**	1,034,405
Cost of sales		**(495,759)**	(99,792)
Gross profit		**468,146**	934,613
Other income	5	**50,648**	31,868
Selling and distribution costs		**(31,699)**	(4,286)
Administrative expenses		**(54,452)**	(28,723)
Other operating expenses		**(26,579)**	(28,607)
Profit from operations		**406,064**	904,865
Loss arising from change in fair value of investment properties		**—**	(14,000)
Share of results of jointly controlled entity		**45,641**	3,981
Finance costs	6	**(15,721)**	(4,729)
Profit before tax	7	**435,984**	890,117
Income tax expenses	9	**(47,417)**	(4,397)
Profit for the year		**388,567**	885,720
Attributable to			
— Equity holders of the Company	10	**247,019**	884,371
— Non-controlling interests		**141,548**	1,349
		388,567	885,720
Earnings per share — basic/diluted	11	**5.56 HK cents**	19.92 HK cents

The notes on pages 33 to 82 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 HK$'000	2009 HK$'000 (Restated)
Profit for the year	**388,567**	885,720
Other comprehensive income:		
Gain/(loss) on fair value changes of interests in property development	**56,524**	(134,112)
Transfer to income statement upon recognition from interests in property development	**—**	(872,639)
Other comprehensive income for the year, net of tax	**56,524**	(1,006,751)
Total comprehensive income for the year	**445,091**	(121,031)
Attributable to		
— Equity holders of the Company	**303,543**	(122,380)
— Non-controlling interests	**141,548**	1,349
	445,091	(121,031)

The notes on pages 33 to 82 form part of these financial statements.

	Note	2010 HK$'000	2009 HK$'000 (Restated)	2008 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	13	**1,203,558**	138,482	143,632
Oil exploitation assets	14	**123,144**	—	—
Investment properties	15	**56,000**	86,000	100,000
Interest in jointly controlled entity	16	**434,040**	388,399	384,418
Interests in property development	17	**10,173,404**	10,116,880	10,251,062
Other deposit		**2,527**	—	—
Deferred taxation	27	**2,195**	—	—
Goodwill	18	**16,994**	16,994	16,994
		12,011,862	10,746,755	10,896,106
Current assets				
Amount due from jointly controlled entity	19	**149,984**	174,693	196,004
Held for trading investments	20	**13,095**	8,385	28,688
Derivative financial instrument	21	**—**	7,800	—
Inventories	22	**125,138**	525,753	461,152
Interests in property development	17	**—**	—	1,601,329
Trade and other receivables	23	**33,588**	36,032	32,234
Margin deposits		**—**	—	17,847
Cash and cash equivalents	24	**329,979**	280,241	394,437
		651,784	1,032,904	2,731,691
Current liabilities				
Trade and other payables	25	**151,748**	607,505	540,969
Amount received from interests in property development	17	**—**	—	1,613,516
Derivative financial instruments		**—**	—	19,903
Bank loans	26	**180,000**	—	36,700
Current taxation		**127,401**	92,257	92,744
Amount due to minority shareholder		**—**	—	1,622
		459,149	699,762	2,305,454
Net current assets		**192,635**	333,142	426,237
Total assets less current liabilities		**12,204,497**	11,079,897	11,322,343

Consolidated Balance Sheet

At 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (Restated)	2008 HK$'000 (Restated)
Non-current liabilities				
Bank loan	26	—	60,000	—
Amount due to immediate holding company	33(a)	1,152,822	291,807	263,185
Amount due to ultimate holding company	33(b)	627,901	566,374	686,497
Other payables		46,872	—	—
Deferred taxation	27	22,608	36,778	35,553
		1,850,203	954,959	985,235
Net assets		10,354,294	10,124,938	10,337,108
Capital and reserves				
Share capital	28	443,897	443,897	443,897
Reserves		9,863,697	9,666,689	9,877,848
Equity attributable to equity holders of the Company		10,307,594	10,110,586	10,321,745
Non-controlling interests		46,700	14,352	15,363
Total equity		10,354,294	10,124,938	10,337,108

The financial statements were approved and authorised for issue by the board of directors on 30 March 2011.

Or Wai Sheun
Director

Yeung Kwok Kwong
Director

The notes on pages 33 to 82 form part of these financial statements.

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries	37 & 38(a)	**1**	1
		1	1
Current assets			
Amounts due from subsidiaries	38(b)	**11,070,983**	9,437,741
Other receivables		**569**	757
Cash and cash equivalents	24	**293,385**	253,819
		11,364,937	9,692,317
Current liabilities			
Other payables		**15,102**	10,020
Amounts due to subsidiaries	38(c)	**828,949**	530,566
		844,051	540,586
Net current assets		**10,520,886**	9,151,731
Total assets less current liabilities		**10,520,887**	9,151,732
Non-current liabilities			
Amount due to immediate holding company	33(a)	**1,152,822**	291,807
Amount due to ultimate holding company	33(b)	**627,901**	—
		1,780,723	291,807
Net assets		**8,740,164**	8,859,925
Capital and reserves			
Share capital	28	**443,897**	443,897
Reserves	38(d)	**8,296,267**	8,416,028
Total equity		**8,740,164**	8,859,925

The financial statements were approved and authorised for issue by the board of directors on 30 March 2011.

Or Wai Sheun
Director

Yeung Kwok Kwong
Director

The notes on pages 33 to 82 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Attributable to equity holders of the Company					Non-controlling interests	Total equity
	Share capital	Share premium account	Fair value reserve	Retained profits	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2010	443,897	5,912,600	2,820,880	913,066	10,090,443	14,352	10,104,795
Impact of change in accounting policies (note 2)	—	—	—	20,143	20,143	—	20,143
Restated balance at 1 January 2010	443,897	5,912,600	2,820,880	933,209	10,110,586	14,352	10,124,938
Profit for the year	—	—	—	247,019	247,019	141,548	388,567
Other comprehensive income for the year	—	—	56,524	—	56,524	—	56,524
Total comprehensive income for the year	—	—	56,524	247,019	303,543	141,548	445,091
Repayment of loans from minority shareholders	—	—	—	—	—	(109,200)	(109,200)
Dividends paid to equity holders of the Company (note 12)	—	—	—	(106,535)	(106,535)	—	(106,535)
At 31 December 2010	443,897	5,912,600	2,877,404	1,073,693	10,307,594	46,700	10,354,294
At 1 January 2009	443,897	5,912,600	3,827,631	116,082	10,300,210	15,363	10,315,573
Impact of change in accounting policies (note 2)	—	—	—	21,535	21,535	—	21,535
Restated balance at 1 January 2009	443,897	5,912,600	3,827,631	137,617	10,321,745	15,363	10,337,108
Profit for the year (restated)	—	—	—	884,371	884,371	1,349	885,720
Other comprehensive income for the year	—	—	(1,006,751)	—	(1,006,751)	—	(1,006,751)
Total comprehensive income for the year	—	—	(1,006,751)	884,371	(122,380)	1,349	(121,031)
Dividends paid to equity holders of the Company (note 12)	—	—	—	(88,779)	(88,779)	—	(88,779)
Dividends paid to minority shareholders	—	—	—	—	—	(2,360)	(2,360)
At 31 December 2009	443,897	5,912,600	2,820,880	933,209	10,110,586	14,352	10,124,938

The notes on pages 33 to 82 form part of these financial statements.

	Note	2010 HK$'000	2009 HK$'000 (Restated)
Cash flows from operating activities			
Profit before tax		435,984	890,117
Adjustments for:			
Gain from bargain purchase		(23,579)	—
Loss arising from change in fair value of investment properties		—	14,000
Share of results of jointly controlled entity		(45,641)	(3,981)
Dividend income from listed securities		—	(190)
Interest income		(54)	(61)
Income from interests in property development	31(a)	—	(872,639)
Gain on disposal of investment properties		(681)	—
Gain arising from change in fair value of held for trading investments		(4,710)	(4,785)
Gain arising from change in fair value of derivative financial instruments, net		—	(19,903)
Depreciation and amortisation		22,863	5,870
Loss/(gain) on disposal of property, plant and equipment		263	(10)
Finance costs		15,721	4,729
Operating cash flow before working capital changes		400,166	13,147
Decrease in held for trading investments		—	25,088
Decrease/(increase) in inventories		417,720	(64,601)
Decrease/(increase) in trade and other receivables		13,456	(3,798)
Decrease in margin deposits		—	17,847
(Decrease)/increase in trade and other payables		(545,488)	65,651
Cash generated from operations		285,854	53,334
Amount refunded under interests in property development	31(a)	—	(12,117)
Interest received		54	61
Interest paid		(3,677)	(563)
Dividends received from listed securities		—	190
Tax paid		(19,843)	(3,659)
Net cash generated from operating activities		262,388	37,246

Consolidated Cash Flow Statement

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000 (Restated)
Cash flows from investing activities			
Purchases of property, plant and equipment		(21,617)	(720)
Repayment of advance to jointly controlled entity		24,709	21,311
Proceeds from disposal of property, plant and equipment		221	10
Net proceeds from disposal of investment properties		30,681	—
Acquisition of derivative financial instrument		—	(7,800)
Acquisition of a subsidiary	31(b)	(1,061,407)	—
Net cash (used in)/generated from investing activities		(1,027,413)	12,801
Cash flows from financing activities			
Amounts advanced from immediate holding company	31(a)	1,027,295	597,041
Amounts advanced from ultimate holding company	31(a)	894,203	—
Repayments of amount due to immediate holding company	31(a)	(941,000)	(568,714)
Repayments of amount due to ultimate holding company	31(a)	(70,000)	(123,981)
Inception of bank loans		760,000	87,000
Repayments of bank loans		(640,000)	(63,700)
Repayments of amounts due to minority shareholders		(109,200)	(3,110)
Dividend paid to equity holders of the Company		(106,535)	(88,779)
Net cash generated from/(used in) financing activities		814,763	(164,243)
Net increase/(decrease) in cash and cash equivalents		49,738	(114,196)
Cash and cash equivalents at beginning of the year		280,241	394,437
Cash and cash equivalents at end of the year		329,979	280,241
Analysis of balances of cash and cash equivalents at 31 December			
Cash and bank balances		329,979	280,241

The notes on pages 33 to 82 form part of these financial statements.

1. CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands with limited liability and its ordinary shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at the balance sheet date, the parent of the Company (the "Immediate Holding Company") is Marble King International Limited, a company incorporated in the British Virgin Islands, and the ultimate holding company of the Company (the "Ultimate Holding Company") is Polytec Holdings International Limited, a company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in page 2 of the annual report.

During the year, the Company's principal activity was investment holding. The principal activities of the Company's subsidiaries are investment holding, properties investment, development and trading, securities investment and trading, manufacturing of ice and provision of cold storage service and oil exploration and production.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS(s)") and Interpretations (hereinafter collectively referred to as "HKFRS(s)") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the investment properties and certain financial instruments, which are measured at fair values, as explained in the accounting policies set out in note 3.

The preparation of the financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 35.

The HKICPA has issued a number of new and revised HKFRSs that are effective for the current accounting period of the Group. The adoption of these new or revised HKFRSs has no material impact on the Group's financial statements, excepted the following areas.

As a result of the adoption of HKFRS 3 (revised 2008) "Business Combinations", where a business combination is achieved in stages, the existing interest in the acquiree should be re-measured at fair value at the acquisition date and any resulting gain or loss recognised in the consolidated income statement. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of acquisition. In accordance with the transitional provision in HKFRS 3 (revised 2008), this new accounting policy has been applied prospectively to any business combination in the current or future periods.

2. BASIS OF PREPARATION *(continued)*

As a result of the amendments to HKAS 27 "Consolidated and Separate Financial Statements", any losses incurred by a non-wholly owned subsidiary will be allocated between the Company and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

As a result of the amendments to HKAS 17 "Leases", the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate, with the exception of those interests which are registered and transferable ownership interests in land located in Hong Kong. The Group has reclassified these leasehold interests from operating leases to finance leases retrospectively, as the Group considers that it is in a position economically similar to that of a purchaser. Accordingly, the Group has reclassified its prepaid lease payments with a carrying amount of HK$105,757,000 at 1 January 2010 (1 January 2009: HK$108,577,000) to property, plant and equipment.

The Group has early adopted the amendments to HKAS 12 "Income Taxes" in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 "Investment Property" which are effective for annual periods beginning on or after 1 January 2012. As a result of the change in policy, the Group now measures any deferred tax liability in respect of its investment properties with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the balance sheet date. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use. The change in policy has been applied retrospectively by restating the opening balances at 1 January 2009 and 2010 with consequential adjustments to comparatives for the year ended 31 December 2009.

2. BASIS OF PREPARATION *(continued)*

	As previously reported HK$'000	Effect of adoption of amendments to HKAS 12 HK$'000	As restated HK$'000
Consolidated income statement for the year ended 31 December 2009			
— Share of results of jointly controlled entity	4,701	(720)	3,981
— Income tax expenses	3,725	672	4,397
— Profit for the year	887,112	(1,392)	885,720
— Earnings per share (basic/diluted) — HK cents	19.95	(0.03)	19.92
Consolidated balance sheet as at 31 December 2009			
— Interest in jointly controlled entity	370,226	18,173	388,399
— Deferred taxation (liability)	38,748	(1,970)	36,778
— Retained profits	913,066	20,143	933,209
Consolidated balance sheet as at 31 December 2008			
— Interest in jointly controlled entity	365,525	18,893	384,418
— Deferred taxation (liability)	38,195	(2,642)	35,553
— Retained profits	116,082	21,535	137,617

The Group has not early adopted the following new or revised HKFRSs, which are not yet effective, in the financial statements for the year ended 31 December 2010. The Group has not completed the process of evaluating the impact that will result from the adopting these new or revised HKFRSs. The Group is therefore unable to disclose the impact that adopting these new or revised HKFRSs will have on its financial position and the results of operations when such new or revised HKFRSs are adopted.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendments)	Classification of Rights Issues[3]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) — Int 14 (Amendments)	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[2]
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

[2] Effective for annual periods beginning on or after 1 January 2011.

[3] Effective for annual periods beginning on or after 1 February 2010.

[4] Effective for annual periods beginning on or after 1 July 2011.

[5] Effective for annual periods beginning on or after 1 January 2013.

[6] Effective for annual periods beginning on or after 1 July 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December, together with the Group's share of the results for the year and net assets of its jointly controlled entity. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All intercompany transactions and balances within the Group are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Subsidiaries are entities controlled by the Group. Control exists when the Group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Non-controlling interests at the balance sheet date, being the equity in subsidiaries not attributable to the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in the subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in jointly controlled entity or associate.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale. The results of the subsidiaries are included in the Company's income statement to the extent of dividends received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill represents the excess of (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over (ii) the fair value of the identifiable assets and liabilities of the acquiree at the date of acquisition and is stated at cost less accumulated impairment losses and presented separately in the balance sheet. When (ii) is greater than (i), then the excess is recognised immediately in profit or loss as a gain from bargain purchase.

Goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired. For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 January 2005 was amortised on a straight-line basis over its useful economic life at a rate of 5% per annum up to 31 December 2004. From 1 January 2005 onwards, the Group has discontinued amortisation of such goodwill and such goodwill is subject to impairment testing.

On subsequent disposal of a subsidiary, the carrying amount of goodwill attributable to the relevant subsidiary is included in the determination of the amount of profit or loss on disposal.

Oil exploitation assets

Costs incurred for the acquisition and maintenance of the exploitation rights of the Group's oil exploration and production activities are capitalised as oil exploitation assets. Oil exploitation assets are stated at cost less accumulated amortisation and impairment losses. The amortisation is calculated on unit of production method based upon the estimated proved and probable oil reserves.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Saved as certain oil production assets, depreciation is calculated on the straight-line basis to write off the cost of each asset, less any estimated residual value, over its estimated useful life as follows:

Leasehold land	over the unexpired term of lease
Buildings situated on leasehold land	over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of acquisition/completion
Other assets	2 to 10 years

Depreciation of certain oil production assets is calculated on unit of production method based upon the estimated proved and probable oil reserves to write off the cost of each asset, less any estimated residual value.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of a property, plant and equipment included in profit or loss is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Leasing

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Investment properties

Interests in land and buildings held for rental purposes are recorded as investment properties. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint ventures

A joint venture is a contractual arrangement, whereby the Group and other parties undertake an economic activity in which the Group and the other parties control, directly or indirectly, the financial and operating policies of such economic activity so as to obtain benefits from its activities.

Jointly controlled assets

When the Group undertakes its activities under joint venture arrangements directly, constituted as jointly controlled assets, the Group's share of the jointly controlled assets and share of any liabilities incurred jointly with other venturers are recognised in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities. The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting unless a jointly controlled entity is classified as held for sale. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity. When the Group transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Interests in property development

Interests in property development are stated at fair value. Changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, unless there is objective evidence that the interests in property development have been impaired, any amount held in fair value reserve in respect of the interests in property development are transferred to profit or loss for the period in which the impairment is identified. Any reversal of impairment losses are recognised in profit or loss. The fair value of interests in property development is determined based on the estimated entitlement on the interests in property development. When the interests in property development are derecognised, the cumulative gain or loss is transferred from equity to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bank balances, margin deposits and amount due from jointly controlled entity) are carried at amortised cost using the effective interest method, less any identified impairment losses.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated future cash flow such as significant financial difficulty of the debtors.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. At each balance sheet date subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed on initial recognition. Objective evidence of impairment includes observable data that comes to the attention of the Group about events that have an impact on the asset's estimated future cash flow such as significant financial difficulty of the debtors and significant changes in technological, market, economic or legal environment that have an adverse effect on the debtors. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Available-for-sale financial assets

Non-derivative financial assets which do not fall into any of the above categories are classified as available-for-sale financial assets and are initially recognised at fair value plus transaction costs. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated in the fair value reserve, except for impairment losses. When these investments are derecognised or impaired, the cumulative gain or loss is transferred from equity to profit or loss.

For available-for-sale equity financial assets, an impairment loss is not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

For available-for-sale debt financial assets, reversal of an impairment loss is recognised in profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Other financial liabilities

Financial liabilities other than financial liabilities at fair value through profit or loss including bank loans, amount due to minority shareholder, trade and other payables and balances with group companies and are subsequently measured at amortised cost, using the effective interest rate method.

Derivatives

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised in profit or loss.

Inventories

Inventories, other than consumables, are stated at the lower of cost and net realisable value. Consumables are stated at cost less any provision for obsolescence.

Cost of inventories, other than properties, is determined using the weighted average method. Net realisable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

Net realisable value of properties held for sale represents the estimated selling price less costs to be incurred in selling of property. Net realisable value of properties held under development for sale represents the estimated selling price less estimated costs to be incurred in development and selling of property.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets other than goodwill and financial instruments

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised for an asset in prior periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its fair value less costs to sell.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to profit or loss in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates of the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is credited to profit or loss in the period in which it arises.

Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities.

Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income, in which case they are recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference can be utilised. Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which cases, the exchange differences are also recognised in other comprehensive income.

These financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and relevant costs can be measured reliably, on the following bases:

— from the sale of goods and crude oil, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither continuous managerial involvement to the degree usually associated with ownership, nor effective control over the goods and crude oil sold;

— from the sale of completed properties, upon the execution of a binding sale agreement;

— from the sale of development properties sold in advance of completion, upon completion of the development. Deposits and instalments received from purchasers prior to this stage are included in current liabilities;

— income from interests in property development, when the distribution in respect of the investment is entitled;

— interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;

— from the sale of investments, on a trade date basis or on the date on which the relevant sales contracts become or are deemed unconditional, where appropriate;

— service income, when service is rendered to the customers;

— dividends, when the shareholders' right to receive payment has been established; and

— rental income, on straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions or has joint control over the Group; the Group and the party are subject to common control; the party is an associated company of the Group or a joint venture in which the Group is a venturer. Related parties may be individuals or other entities.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities.

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate portions of expenses and assets mainly comprise corporate administrative and financing expenses and corporate financial assets respectively.

4. SEGMENT INFORMATION

The Group had four (2009: three) operating segments for the year which included properties investment, trading and development related activities ("Properties"), oil exploration and production related activities ("Oil"), manufacturing of ice and provision of cold storage and related services ("Ice and Cold Storage") and financial investment and related activities ("Financial Investments").

	Properties HK$'000	Oil HK$'000	Ice and Cold Storage HK$'000	Financial Investments HK$'000	2010 Total HK$'000
Turnover	822,160	80,444	61,301	—	963,905
Segment result	386,558	9,798	21,005	4,435	421,796
Corporate portion					(15,732)
Profit from operations					406,064
Share of results of jointly controlled entity	45,641	—	—	—	45,641
Finance costs					(15,721)
Profit before tax					435,984
Segment assets	10,353,091	1,220,557	159,796	13,095	11,746,539
Interest in and amount due from jointly controlled entity	584,024	—	—	—	584,024
Corporate assets					333,083
					12,663,646
Capital expenditure incurred	—	21,230	357	—	21,617
Gain from bargain purchase	—	23,579	—	—	23,579
Depreciation and amortisation	4	17,753	5,084	—	22,863
Gain arising from change in fair value of held for trading investments	—	—	—	4,710	4,710

4. SEGMENT INFORMATION *(continued)*

	Properties HK$'000	Ice and Cold Storage HK$'000	Financial Investments HK$'000	2009 Total HK$'000 (Restated)
Turnover	887,282	51,157	95,966	1,034,405
Segment result	879,953	13,701	30,442	924,096
Corporate portion				(19,231)
Profit from operations				904,865
Loss arising from change in fair value of investment properties	(14,000)	—	—	(14,000)
Share of results of jointly controlled entity	3,981	—	—	3,981
Finance costs				(4,729)
Profit before tax				890,117
Segment assets	10,755,229	163,518	8,385	10,927,132
Interest in and amount due from jointly controlled entity	563,092	—	—	563,092
Corporate assets				289,435
				11,779,659
Capital expenditure incurred	—	716	—	720
Gain arising from change in fair value of derivative financial instruments, net	—	—	19,903	19,903
Depreciation and amortisation	7	5,817	—	5,870
Gain arising from change in fair value of held for trading investments	—	—	4,785	4,785

4. SEGMENT INFORMATION *(continued)*

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than financial instruments and deferred assets. The geographical location of revenue is based on the location which the goods were delivered or the services were provided. The geographical location of non-current assets is based on the physical location of the assets, in case of interest in jointly controlled entity, the location of operations.

	Revenue		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
The People's Republic of China	**883,461**	1,034,405	**640,644**	629,875
Kazakhstan	**80,444**	—	**1,195,619**	—
	963,905	1,034,405	**1,836,263**	629,875

In addition to the above non-current assets, the Group has interests in property development of HK$10,173,404,000 (2009: HK$10,116,880,000) in the People's Republic of China.

5. TURNOVER AND OTHER INCOME

An analysis of the Group's turnover and other income is as follows:

	2010 HK$'000	2009 HK$'000
Turnover		
Sale of properties	819,258	10,470
Sale of crude oil	73,935	—
Sale of goods	36,882	31,391
Service income	30,928	19,766
Rental income from investment properties	2,902	4,173
Income from interests in property development	—	872,639
Proceeds from sale of trading securities	—	95,966
	963,905	1,034,405
Other income		
Rental income from properties held for sale	5,692	6,155
Dividend income from listed securities	—	190
Bank and other interest income	54	61
Gain on disposal of investment properties	681	—
Gain arising from change in fair value of held for trading investments	4,710	4,785
Gain arising from change in fair value of derivative financial instruments, net	—	19,903
Gain from bargain purchase	23,579	—
Others	15,932	774
	50,648	31,868

6. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest expense on		
— Bank and other borrowings wholly repayable within five years	**1,504**	563
— Amount due to a minority shareholder with no fixed repayment terms	**—**	13
— Amount due to immediate holding company with no fixed repayment terms	**7,084**	295
— Amount due to ultimate holding company with no fixed repayment terms	**4,960**	3,858
	13,548	4,729
Other finance costs	**2,173**	—
	15,721	4,729

7. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	2010 HK$'000	2009 HK$'000 (Restated)
Staff costs (excluding directors' remuneration):		
Wages and salaries	32,751	13,112
Contributions to retirement benefit scheme	575	524
	33,326	13,636
Depreciation of property, plant and equipment	16,947	5,870
Amortisation of oil exploitation assets (included in cost of sales)	5,916	—
Minimum lease payments under operating leases in respect of land and buildings	1,363	1,278
Auditors' remuneration	2,102	1,140
Exchange (gain)/loss	(5,847)	25
Direct operating expenses arising from investment properties that generated rental income	383	457
Gain arising from change in fair value of held for trading investments	(4,710)	(4,785)
Share of tax of a jointly controlled entity (included in share of results of jointly controlled entity)	8,185	2,960

8. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonuses HK$'000	Provident fund contributions HK$'000	2010 Total HK$'000
Mr. Or Wai Sheun	—	—	—	—	—
Mr. Yeung Kwok Kwong	—	1,802	450	166	2,418
Ms. Wong Yuk Ching	—	1,068	200	98	1,366
Mr. Lam Chi Chung, Tommy	—	1,569	250	16	1,835
Ms. Chio Koc Ieng	—	1,068	420	—	1,488
Mr. Lai Ka Fai	140	—	—	—	140
Mr. Anthony Francis Martin Conway	140	—	—	—	140
Mr. Siu Leung Yau	140	—	—	—	140
Mr. Liu Kwong Sang	140	—	—	—	140
	560	5,507	1,320	280	7,667

	Fees HK$'000	Salaries and other benefits HK$'000	Performance bonuses HK$'000	Provident fund contributions HK$'000	2009 Total HK$'000
Mr. Or Wai Sheun	—	—	—	—	—
Mr. Yeung Kwok Kwong	—	1,755	405	175	2,335
Ms. Wong Yuk Ching	—	1,040	160	104	1,304
Mr. Lam Chi Chung, Tommy	—	1,528	235	12	1,775
Ms. Chio Koc Ieng	—	1,040	240	—	1,280
Mr. Lai Ka Fai	120	—	—	—	120
Mr. Anthony Francis Martin Conway	120	—	—	—	120
Mr. Siu Leung Yau	120	—	—	—	120
Mr. Liu Kwong Sang	120	—	—	—	120
	480	5,363	1,040	291	7,174

8. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID INDIVIDUALS *(continued)*

The five highest paid individuals during the year ended 31 December 2010 included four (2009: four) directors, details of whose remuneration are set out above. Details of the remuneration of the remaining one (2009: one) non-director highest paid individual are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	**1,250**	884
Performance bonuses	**—**	170
Provident fund contributions	**—**	12
	1,250	1,066

9. INCOME TAX EXPENSES

	2010 HK$'000	2009 HK$'000 (Restated)
Current tax		
— Hong Kong Profits Tax	**2,410**	1,054
— Overseas income tax	**51,876**	2,118
	54,286	3,172
Deferred tax	**(6,869)**	1,225
	47,417	4,397

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits for the year. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdiction.

9. INCOME TAX EXPENSES *(continued)*

The tax charge for the year can be reconciled to the profit before tax per the income statement as follows:

	2010 HK$'000	2009 HK$'000 (Restated)
Profit before tax	**435,984**	890,117
Tax charges at the average income tax rate	**43,400**	8,867
Tax effect of share of results of jointly controlled entity	**(8,185)**	(2,960)
Tax effect of expenses not deductible in determining taxable profit	**4,012**	366
Tax effect of income not taxable in determining taxable profit	**(3)**	(33)
Utilisation of tax losses previously not recognised	**(776)**	(5,461)
Tax effect of tax losses not recognised	**8,964**	13
Others	**5**	3,605
Income tax expense for the year	**47,417**	4,397

The average income tax rate represents the weighted average tax rate of the operations in different jurisdictions on the basis of the relative amounts of profit before tax and the relevant statutory rates.

10. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company for the year ended 31 December 2010 dealt with in the financial statements of the Company was loss of HK$13,226,000 (2009: profit of HK$872,792,000).

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2010 HK$'000	2009 HK$'000 (Restated)
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**247,019**	884,371
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings per share	**4,438,967,838**	4,438,967,838

12. DIVIDENDS

(a) Dividends payable to equity holders of the Company attributable to the year:

	2010 HK$'000	2009 HK$'000
Interim dividend declared and paid of HK$0.009 per ordinary share (2009: HK$0.008)	**39,951**	35,512
Final dividend proposed after the balance sheet date of HK$0.015 per ordinary share (2009: HK$0.015)	**66,584**	66,584
	106,535	102,096

The final dividend declared after the year end has not been recognised as a liability at 31 December.

(b) Dividends payable to equity holders of the Company attributable to the previous financial year, approved and paid during the year:

	2010 HK$'000	2009 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.015 per ordinary share (2009: HK$0.012)	**66,584**	53,267

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land HK$'000	Buildings HK$'000	Oil production assets HK$'000	Other assets HK$'000	Total HK$'000
Cost:					
At 1 January 2010	**120,210**	**32,790**	**—**	**12,170**	**165,170**
Acquisition of a subsidiary	**—**	**—**	**1,060,890**	**—**	**1,060,890**
Additions	**—**	**—**	**21,230**	**387**	**21,617**
Disposals	**—**	**—**	**(516)**	**(1,457)**	**(1,973)**
At 31 December 2010	**120,210**	**32,790**	**1,081,604**	**11,100**	**1,245,704**
At 1 January 2009	120,210	32,790	—	11,473	164,473
Additions	—	—	—	720	720
Disposals	—	—	—	(23)	(23)
At 31 December 2009	120,210	32,790	—	12,170	165,170
Accumulated depreciation:					
At 1 January 2010	**14,453**	**3,942**	**—**	**8,293**	**26,688**
Charge for the year	**2,820**	**769**	**11,837**	**1,521**	**16,947**
Disposals	**—**	**—**	**(181)**	**(1,308)**	**(1,489)**
At 31 December 2010	**17,273**	**4,711**	**11,656**	**8,506**	**42,146**
At 1 January 2009	11,633	3,173	—	6,035	20,841
Charge for the year	2,820	769	—	2,281	5,870
Disposals	—	—	—	(23)	(23)
At 31 December 2009	14,453	3,942	—	8,293	26,688
Carrying values:					
At 31 December 2010	**102,937**	**28,079**	**1,069,948**	**2,594**	**1,203,558**
At 31 December 2009	105,757	28,848	—	3,877	138,482

14. OIL EXPLOITATION ASSETS

	2010 HK$'000	2009 HK$'000
At cost:		
Additions through acquisition of a subsidiary	129,060	—
Amortisation during the year	(5,916)	—
At 31 December	123,144	—

15. INVESTMENT PROPERTIES

	2010 HK$'000	2009 HK$'000
Fair value:		
At 1 January	86,000	100,000
Disposal	(30,000)	—
Change in fair value	—	(14,000)
At 31 December	56,000	86,000

All investment properties of the Group are property interests including leasehold interest in land, held under medium-term operating leases outside Hong Kong for the purposes of earning rentals or capital appreciation and are measured using the fair value model.

All properties held under operating lease that would otherwise meet the definition of investment property are classified as investment property.

The fair value of the Group's investment properties at 31 December 2010 have been arrived at on a market value basis calculated by reference to net rental income allowing for reversionary income potential carried out on that date by DTZ Debenham Tie Leung Limited. DTZ Debenham Tie Leung Limited is an independent qualified professional valuers not connected with the Group and has among its staff members of the Hong Kong Institute of Surveyors and has appropriate qualifications and experiences in the valuation of similar properties in the relevant locations.

16. INTEREST IN JOINTLY CONTROLLED ENTITY

	2010 HK$'000	2009 HK$'000 (Restated)
Investment cost	12	12
Share of post acquisition profit	434,028	388,387
Share of net assets	434,040	388,399

Particulars of the jointly controlled entity at 31 December 2010 are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of equity interest attributable to the Group	Principal activities
South Bay Centre Company Limited	Corporate	Macau	50%	Property investment and trading

The above investment in jointly controlled entity is indirectly held by the Company.

The followings are the financial information for the Group's jointly controlled entity:

	2010 HK$'000	2009 HK$'000 (Restated)
Income	126,918	70,786
Expenses	(35,636)	(62,824)
Profit for the year	91,282	7,962
Non-current assets	1,290,379	1,241,113
Current assets	12,083	17,105
Current liabilities	(338,819)	(391,857)
Non-current liabilities	(95,563)	(89,563)
Net assets	868,080	776,798

17. INTERESTS IN PROPERTY DEVELOPMENT

	2010 HK$'000	2009 HK$'000
At 1 January	**10,116,880**	11,852,391
Change in fair value recognised in other comprehensive income	**56,524**	(134,112)
Settlements	**—**	(1,601,399)
At 31 December	**10,173,404**	10,116,880

Interests in property development represent the Group's interests in the development of various properties in Macau under two co-investment agreements with two wholly owned subsidiaries of the Ultimate Holding Company respectively. The basis and estimations for arriving at the fair value of the interests in property development is further described in note 35.

During the year ended 31 December 2006, the Group has acquired from the Ultimate Holding Company the entire interests in New Bedford Properties Limited, which holds the co-investment agreements, in turn to acquire 80% interest in three property projects located at Lotes P, V and T & T1, The Orient Pearl District, Novos Aterros da Areia Preta, Macau for a consideration of HK$8,448,000,000.

During the year ended 31 December 2009, pursuant to one of the co-investment agreements, a distribution of HK$1,601,399,000 was made by a wholly owned subsidiary of the Ultimate Holding Company in relation to the property project at Lote V, The Orient Pearl District, Novos Aterros da Areia Preta, Macau which were applied against the amount received from interests in property development. Income from interests in property development recognised in profit or loss from the distribution during the year ended 31 December 2009 amounted to HK$872,639,000.

Amount received from interests in property development, which was unsecured, interest free and with no fixed repayment terms, represents the advances received from a subsidiary of the Ultimate Holding Company in respect of the Group's interests in the property development.

18. GOODWILL

For the purposes of impairment testing, the goodwill has been allocated to an individual cash-generating unit (the "CGU") in the ice and cold storage segment. During the year ended 31 December 2010, management of the Group determines that there are no impairments of the CGU containing goodwill.

The recoverable amount of the CGU have been determined based on a value in use calculation. The value in use calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10%. Cash flow projections during the budget period for the CGU are based on the expected gross margins during the budget period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate recoverable amount of the CGU.

19. AMOUNT DUE FROM JOINTLY CONTROLLED ENTITY

The amount is unsecured, interest-free and repayable within one year. The carrying amount approximates its fair value at the balance sheet date.

20. HELD FOR TRADING INVESTMENTS

	2010	2009
	HK$'000	HK$'000
Equity securities held for trading listed in Hong Kong	**13,095**	8,385

The fair values of the above equity securities held for trading are determined based on the quoted market bid prices available on the relevant exchanges.

21. DERIVATIVE FINANCIAL INSTRUMENT

The carrying value of the asset arising from derivative financial instrument as at 31 December 2009 represented the fair value of a deed of call option (the "Deed") entered into by the Group and an independent third party (the "Seller") on 7 December 2009. Pursuant to the Deed, the Group has an irrevocable option (the "Option") to require the Seller to (i) sell all of the issued share capital of Caspi Neft TME to the Group and (ii) assign any and all of the outstanding debt owed by Caspi Neft TME to the Seller as at the date of the Deed and such other amount that may be extended or granted by the Seller to Caspi Neft TME subsequent to the date of the Deed to the Group at a total consideration of US$139,600,000. Caspi Neft TME is a joint stock company registered under the laws of Kazakhstan and is principally engaged in the business of the production and exploration of oil from hydrocarbon deposits in Kazakhstan. The Option might be exercised at the discretion of the Group at any time within four months from the date of the Deed. In April 2010, the Group exercised the Option to acquire Caspi Neft TME. The acquisition was completed in July 2010.

22. INVENTORIES

	2010 HK$'000	2009 HK$'000
Properties held for sale	**89,202**	34,116
Properties under development for sale (Note)	**23,472**	491,637
Crude oil	**1,624**	—
Consumables	**10,840**	—
	125,138	525,753

Note: The Group has entered into a joint venture agreement in the form of a jointly controlled asset to construct certain low-rise houses in Hong Kong. At 31 December 2010, the aggregate amount of assets recognised in the financial statements in relation to interests in jointly controlled assets is HK$23,472,000 (2009: HK$22,189,000).

23. TRADE AND OTHER RECEIVABLES

	2010 HK$'000	2009 HK$'000
Ageing analysis of trade receivables:		
Within 30 days	**2,906**	1,187
31 days to 60 days past due	**1,311**	1,756
61 days to 90 days past due	**1,016**	1,101
Over 90 days past due	**4,424**	479
Amounts past due	**6,751**	3,336
Trade receivables	**9,657**	4,523
Other receivables	**23,931**	31,509
	33,588	36,032

The Group has established different credit policies for each of the Group's businesses and allows a credit period of not more than 90 days to its trade customers.

23. TRADE AND OTHER RECEIVABLES *(continued)*

Trade and other receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Trade and other receivables that were past due but not impaired relate to a number of independent customers that have good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The fair value of the Group's trade and other receivables at the balance sheet date was approximate to the corresponding carrying amount.

24. CASH AND CASH EQUIVALENTS

The carrying amount of cash and cash equivalents approximates their fair value at the balance sheet date.

25. TRADE AND OTHER PAYABLES

	2010	2009
	HK$'000	HK$'000
Ageing analysis of trade payables:		
Within 30 days	**—**	—
31 days to 60 days	**23**	—
61 days to 90 days	**4**	—
Over 90 days	**6,147**	31,825
Trade payables	**6,174**	31,825
Deposits received from sale of properties	**1,235**	532,196
Government fees and levies	**55,238**	—
Outstanding consideration payable for the acquisition of a subsidiary	**15,600**	—
Other payables	**73,501**	43,484
	151,748	607,505

Included in the Group's trade and other payables as at 31 December 2009, an amount of HK$15,864,000 was expected to be settled after more than one year. The fair value of the Group's trade and other payables at the balance sheet date was approximate to the corresponding carrying amount.

26. BANK LOANS

	2010 HK$'000	2009 HK$'000
Repayable within one year (note (a))	180,000	—
Repayable within three years (note (b))	—	60,000
	180,000	60,000

Notes:

(a) The secured bank loan was subject to review from time to time and bearing interest as determined by a premium over the Hong Kong Interbank Offering Rates (the "HIBOR"), which is equal to the effective interest rate.

(b) The secured bank loan could, as the discretion of the Group, be rollover for 3 years from the effective date of the banking facility. The loan was bearing interest as determined by a premium over the HIBOR, which is equal to the effective interest rate.

The fair value of the Group's bank loans at the balance sheet date was approximate to the corresponding carrying amount.

27. DEFERRED TAXATION

The following are the components of deferred tax (assets)/liabilities recognised and movements thereon during the current year and the prior year:

	Accelerated depreciation allowances HK$'000	Revaluation of assets HK$'000	Others HK$'000	Total HK$'000
At 1 January 2010 (restated)	2,204	34,574	—	36,778
Acquisition of a subsidiary	(1,809)	9,801	(17,488)	(9,496)
(Credit)/charge to income statement	8,345	(15,085)	(129)	(6,869)
At 31 December 2010	8,740	29,290	(17,617)	20,413
At 1 January 2009 (restated)	2,588	32,965	—	35,553
(Credit)/charge to income statement (restated)	(384)	1,609	—	1,225
At 31 December 2009	2,204	34,574	—	36,778

27. DEFERRED TAXATION *(continued)*

	2010 HK$'000	2009 HK$'000
Recapitulation:		
Deferred taxation — asset	**(2,195)**	—
Deferred taxation — liability	**22,608**	36,778
	20,413	36,778

No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. At the balance sheet date, the Group has unrecognised tax losses of HK$1,511,282,000 (2009: HK$1,133,799,000) available for offset against future profits, of which HK$377,684,000 (2009: nil) will be expired before or in 2020 and the remaining losses may be carried forward indefinitely.

28. SHARE CAPITAL

	2010 HK$'000	2009 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.1 each	**1,000,000**	1,000,000
5,000,000,000 convertible preference shares of HK$0.01 each	**50,000**	50,000
	1,050,000	1,050,000
Issued:		
4,438,967,838 fully paid ordinary shares of HK$0.1 each	**443,897**	443,897

(a) Share premium

The application of the share premium account is governed by Section 34 of the Cayman Islands Companies Law.

28. SHARE CAPITAL *(continued)*

(b) Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of bank borrowings, borrowings from holding companies, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital and maintains an appropriate gearing ratio determined as the Group's borrowings (bank borrowings plus amounts due to immediate holding company and ultimate holding company) over equity attributable to equity holders of the Company. In view of this, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as raising new debts or redemption of existing debts. The Group's overall strategy remains unchanged from prior year and the gearing ratio as at 31 December 2010 is 19.0% (2009: 9.1%).

29. SHARE OPTIONS

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Pursuant to the share option scheme adopted by the Company on 9 January 2004, eligible participants include any employees (including full-time and part-time employee), directors (including executive, non-executive and independent non-executive director), suppliers of goods and services, customers, business partners or business associates of the Group, consultant or adviser providing consultancy or advisory services in relation to the businesses, trading agents or holders of any securities issued by any member of the Group or any entity in which the Group holds an equity interest. The share option scheme became effective on 9 January 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the share option scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the share option scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Under the share option scheme, share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5,000,000, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

29. SHARE OPTIONS *(continued)*

The offer of a grant of share options under the share option scheme may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences from the date the grantee accepts the share options and ends on the expiry date of the share option scheme. The exercise price of the share options granted under the share option scheme is determinable by the directors, but may not be less than the highest of (i) closing price of the Company's shares on the Stock Exchange on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

There was no share option granted under the share option scheme during the current and prior years or remain outstanding as at 31 December 2010.

30. NOTE TO CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Loans from minority shareholders of a subsidiary of HK$55,890,000 (2009: HK$165,090,000) are classified as equity being the capital contribution on such subsidiary by those minority shareholders.

31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Major non-cash transactions

During the year ended 31 December 2010, an amount of HK$767,636,000 of the amount due to immediate holding company was received by offsetting with the settlement to the amount due to ultimate holding company.

During the year ended 31 December 2009, non-refundable distributions from interests in property development of totalling HK$1,601,399,000 were obtained by offsetting the amount received from interests in property development and accordingly, income from interests in property development of HK$872,639,000 was transferred from the fair value reserve to the profit or loss during the year ended 31 December 2009.

31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Acquisition of a subsidiary

	2010 HK$'000	2009 HK$'000
Property, plant and equipment	1,060,890	—
Oil exploitation assets	129,060	—
Inventories	17,105	—
Trade and other receivables	13,539	—
Cash and cash equivalents	4,073	—
Deferred taxation	9,496	—
Trade and other payables	(121,003)	—
Current taxation	(701)	—
Net assets acquired	1,112,459	—
Gain from bargain purchase	(23,579)	—
	1,088,880	—
Satisfied by:		
Cash and cash equivalents	1,065,480	—
Deposit paid under derivative financial instrument (note 21)	7,800	—
Deferred settlement	15,600	—
Total consideration	1,088,880	—

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

Cash consideration	(1,065,480)	—
Cash and cash equivalents	4,073	—
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(1,061,407)	—

This acquisition has been accounted for using the purchase method. Gain from bargain purchase arose from the excess of fair value of identifiable assets and liabilities of the acquired subsidiary over the cost of acquisition. The total revenue of the acquired subsidiary for the year was HK$116,526,000 which contributed HK$80,444,000 to the revenue of the Group. Loss of the acquired subsidiary for the year was HK$23,692,000. The profit attributable to the equity holders of the Company for the year included a profit of HK$10,295,000 which was related to the acquired subsidiary..

32. OPERATING LEASE ARRANGEMENTS

As Lessee

The Group leases certain of its office properties and factory premises under operating lease arrangements. Leases for properties are negotiated for terms from three months to two years.

As at 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010 **HK$'000**	2009 HK$'000
Within one year	**919**	333
In the second to fifth years inclusive	**229**	—
	1,148	333

As Lessor

The Group leases certain of its inventories and investment properties under operating lease arrangements with lease terms for not exceeding six years. As at 31 December 2010, total future minimum lease receivables under non-cancellable operating leases are as follows:

	2010 **HK$'000**	2009 HK$'000
Within one year	**3,630**	5,794
In the second to fifth years inclusive	**7,733**	9,768
	11,363	15,562

33. RELATED PARTY TRANSACTIONS

During the years ended 31 December 2009 and 2010, the Group had the following transactions with related parties:

(a) The amount due to immediate holding company was unsecured, interest bearing at a premium over the HIBOR and with no fixed repayment terms. During the year, interest of HK$7,084,000 (2009: HK$295,000) was payable to the Immediate Holding Company.

(b) The amount due to ultimate holding company was unsecured, interest bearing at a premium over the HIBOR and with no fixed repayment terms. During the year, interest of HK$4,960,000 (2009: HK$3,858,000) was payable to the Ultimate Holding Company.

(c) During the year, the Group paid rental expenses and building management fees amounting to HK$1,033,000 (2009: HK$946,000) in aggregate to an intermediate holding company of the Company for the leasing of an administrative office in Hong Kong.

(d) During the year, management fees totalling HK$4,517,000 (2009: HK$2,890,000) were payable to an intermediate holding company of the Company for the administrative expenses shared by the Group.

(e) As at 31 December 2010, certain assets of a jointly controlled entity were pledged to a bank to secure banking facilities granted to the Group to the extent of HK$195,000,000 (2009: HK$195,000,000).

(f) During the year ended 31 December 2009, interest of HK$13,000 was payable to a minority shareholder of a subsidiary.

34. PLEDGE OF ASSETS

As at 31 December 2010, certain assets of the Group were pledged to secure credit facilities granted to the Group, as follows:

(a) legal charge over all of the Group's medium term leasehold land with an aggregate net book value of HK$102,937,000 (2009: nil); and

(b) legal charge over all of the Group's buildings with an aggregate net book value of HK$28,079,000 (2009: nil).

35. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation and amortisation

The Group depreciates the plant and equipment, other than certain oil production assets, on a straight-line basis over the estimated useful life of 2 to 10 years, and after taking into account of their estimated residual value, using the straight-line method, commencing from the date the plant and equipment is placed into intended use. The estimated useful life and dates that the Group places the plant and equipment into productive use reflects the management's estimate of the periods that the Group intend to derive future economic benefits from the use of the Group's plant and equipment.

Certain oil production assets and oil exploitation assets are depreciated and amortised on unit of production method based upon the estimated proved and probable oil reserves. The estimates of the Group's oil reserves are the best estimates based on the information currently available to the management and represent only approximate amounts because of the subjective judgements involved in developing such information. Oil reserve estimates are subject to revision, either upward or downward, based on new relevant information. Changes in oil reserves will affect unit of production depreciation, amortisation and depletion recorded in the Group's consolidated financial statements for property, plant and equipment and oil exploitation assets related to oil production activity. A reduction in oil reserves will increase depreciation, amortisation and depletion charges.

Estimation of fair value of investment properties

Investment properties are stated at market value at the balance sheet date, which is assessed annually by independent qualified valuers, after taking into consideration the net income for reversionary potential. The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market sales prices and the appropriate capitalisation rate.

Estimation of provision for properties under development for sale and held for sale

Management determines the net realisable value of properties under development for sale and held for sale by using the prevailing market data such as most recent sale transactions and market survey reports available from independent property valuers.

Management's assessment of net realisable value of properties under development for sale and held for sales requires judgement as to the anticipated sale prices with reference to the recent sale transaction in nearby locations, rate of new property sales, marketing costs and the expected costs to completion of properties and legal and regulatory framework and general market conditions.

35. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of the recoverable amount calculation are disclosed in note 18.

Interests in property development

Interests in property development are stated at their fair value at the balance sheet date. In determining the fair value of interests in property development, the Group estimates the future cash flows expected to arise from the interests in property development and a suitable discount rate in order to calculate the present value. Cash flow projections for the interests in property development are based on the past performance, current market conditions, development and building plans, sale and marketing plans and management's expectations for the market development and terms provided under the co-investment agreements.

Estimated impairment of oil production assets and oil exploitation assets

Oil production assets and oil exploitation assets are reviewed for possible impairments when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determination as to whether and how much an asset is impaired involves management estimates and judgements such as the future crude oil price and production profile. However, the impairment reviews and calculations are based on assumptions that are consistent with the Group's business plan. Favourable changes to some assumptions may allow the Group to avoid the need to impair any assets in these years, whereas unfavourable changes may cause the assets to become impaired.

Estimated impairment of interest in subsidiaries

In considering the impairment losses that may be required for the Company's interest in subsidiaries and amounts due from subsidiaries, recoverable amount of the assets needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the assets are discounted to their present value, which requires significant judgement relating to the subsidiaries. The Company uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items.

36. FINANCIAL RISK MANAGEMENT

The Group is exposed to interest rate, credit, liquidity, price and currency risks arisen in the normal course of the Group's business as set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner and these risks are limited by financial policies and practices undertaken by the Group.

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing bank borrowings and borrowings from holding companies. All the borrowings are on a floating rate basis. The risk is mainly concentrated on the fluctuation in Hong Kong dollar interest rates arising from the Group's Hong Kong dollar denominated borrowings.

Interest rate risk is managed by the Group's senior management with defined policies through regular review to determine the strategy as of funding in floating/fixed rate mix appropriate to its current business profile, and to engage in relevant hedging arrangements in appropriate time.

If interest rates had been increased/decreased by 100 basis points, with all other variables held constant, the Group's result attributable to the equity holders of the Company and retained profits would decrease/increase by HK$19,310,000 (2009: HK$9,182,000).

The sensitivity analysis has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared assuming the amount of interest-bearing borrowings outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease in Hong Kong dollar interest rate is used when reporting interest rate risk. The analysis is performed on the same basis for 2009.

Credit risk

The Group's maximum exposure to credit risk in the event of the counter-parties failure to perform their obligations as at 31 December 2010 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. The Group's credit risk is significantly reduced.

Cash at bank, deposits placed with financial institutions and investments are with counterparties with sound credit ratings to minimise credit exposure.

The Group has no significant concentration of credit risk, with exposure spread over a number of counter-parties and customers.

36. FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk

Cash management of the Group are centralised at the Group level. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables detail the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Contractual undiscounted cash flows					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Undated HK$'000	Total HK$'000	Balance sheet carrying amount HK$'000
At 31 December 2010						
Trade and other payables	150,513	—	—	—	150,513	150,513
Bank loans	180,111	—	—	—	180,111	180,000
Amount due to immediate holding company	—	—	—	1,152,822	1,152,822	1,152,822
Amount due to ultimate holding company	—	—	—	627,901	627,901	627,901
	330,624	—	—	1,780,723	2,111,347	2,111,236

36. FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk *(continued)*

	Contractual undiscounted cash flows					
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Undated HK$'000	Total HK$'000	Balance sheet carrying amount HK$'000
At 31 December 2009						
Trade and other payables	59,445	15,864	—	—	75,309	75,309
Bank loan	—	—	61,829	—	61,829	60,000
Amount due to immediate holding company	—	—	—	291,807	291,807	291,807
Amount due to ultimate holding company	—	—	—	566,374	566,374	566,374
	59,445	15,864	61,829	858,181	995,319	993,490

Price risks

At the balance sheet date, the Group has the following financial instruments measured at fair value across the three levels of fair value hierarchy based on the degree to which fair value is observable:

	2010 HK$'000	2009 HK$'000
Assets		
Level 1 (Notes)		
— Held for trading investments	**13,095**	8,385
Level 3 (Notes)		
— Derivative financial instrument	**—**	7,800
— Interests in property development	**10,173,404**	10,116,880

Notes:

Level 1: Assets/liabilities carrying at fair values measured using unadjusted quoted prices in active markets for identical financial instruments

Level 2: Assets/liabilities carrying at fair values using quoted prices in active markets for similar financial instruments or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

Level 3: Assets/liabilities carrying at fair values measured using valuation techniques in which any significant input is not based on observable market data

36. FINANCIAL RISK MANAGEMENT *(continued)*

Price risks *(continued)*

Equity price risk

The Group is exposed to equity security price risk through its held-for-trading investments and derivative financial instruments. Appropriate measures are implemented under risk management policies on a timely and effective manner. These measures covered macroeconomic analysis, securities analysis, trade execution control and portfolio evaluation. The Group controls this exposure by maintaining a diversified investment portfolio of securities with high market liquidity and different risk profiles.

At 31 December 2010, it is estimated that an increase/decrease of 5% in market value of the Group's held-for-trading investments, with all other variables held constant, the Group's result attributable to the equity holders of the Company and retained profits would increase/decrease by HK$655,000 (2009: HK$419,000).

The sensitivity analysis above has been determined assuming that the changes in the equity price had occurred at the balance sheet date and had been applied to the exposure to equity security price risk in existence at that date. It is also assumed that the fair values of the Group's held-for-trading investments would change in accordance with the historical correlation with the relevant equity price and that all other variable remain constant. The analysis is performed on the same basis for 2009.

Other price risk

The Group is also exposed to property price risk through its interests in property development classified as non-current assets. The Group assesses their fair value at least bi-annually through reviewing the prevailing market conditions and monitoring the progress of the property development. At 31 December 2010, it is estimated that an increase/decrease of 5% in the selling price of the underlying properties of the Group's interests in property development classified as non-current assets, with all other variables held constant, the Group's fair value reserve would increase/decrease by HK$643,122,000/HK$643,129,000 (2009: HK$644,679,000/HK$644,677,000). The analysis has been determined assuming that the changes in the selling price of the underlying properties had occurred at the balance sheet date and had been applied to the exposure to property price risk in existence at that date. The analysis is performed on the same basis for 2009.

Currency risk

The Group conducts its oil exploration and production business primarily in Kazakhstan. Currency exposure arises from sales of crude oil in currency other than the local currency of the domicile of the Group entity making the sale. The sales are substantially denominated in United States Dollars, whilst the costs are substantially denominated in Kazakhstan Tenge. Management considers this risk is insignificant to the Group as a whole but still manages and monitors this risk to ensure that its net exposure is kept to an acceptable low level.

37. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries at 31 December 2010 are as follow:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held:				
City Power Services Limited	British Virgin Islands	US$1	100%	Inactive
Newcott Limited	British Virgin Islands	US$10,000	100%	Inactive
Noble Prime International Limited	British Virgin Islands	US$1	100%	Investment holding
Power Charm International Limited	British Virgin Islands	US$1	100%	Investment holding
Power Mighty Limited	British Virgin Islands	US$1	100%	Investment holding
Sinocharm Trading Limited	British Virgin Islands	US$1	100%	Investment holding
Indirectly held:				
Acestart Investments Limited	British Virgin Islands/Macau	US$1	70.5%	Property trading and investment
Caspi Neft TME *	Kazakhstan	50,000,000 Tenge	100%	Oil exploration and production
Century Leader Profits Limited	British Virgin Islands	US$100	91%	Inactive
Coöperatieve Power Mighty U.A.	Netherlands	—	100%	Investment holding

37. PARTICULARS OF SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (continued)				
Eastford Development Limited	Hong Kong	HK$100	100%	Property development and investment
Equal Talent Limited	British Virgin Islands	US$1	100%	Investment holding
Genius Star Investments Limited	British Virgin Islands/Macau	US$1	100%	Financial investment
Glentech International Company Limited	Hong Kong	HK$2	100%	Property investment and development and provision of consultancy services
Hin Rich International Limited	British Virgin Islands	US$1	58%	Inactive
Imperial Profit Investment Limited	British Virgin Islands	US$1	100%	Inactive
Kam Yuen Property Investment Limited	Macau	MOP30,000	58%	Property investment and development
Marvel Talent Corporation	British Virgin Islands	US$200	70.5%	Inactive
Melosa Limited	British Virgin Islands	US$1	100%	Inactive

37. PARTICULARS OF SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (continued)				
Mission Geronimo Enterprises Limited	British Virgin Islands/Macau	US$1	58%	Provision of consultancy services
New Bedford Properties Limited	British Virgin Islands	US$1	100%	Investment holding
New Cosmos Holdings Limited	British Virgin Islands	US$100	58%	Investment holding
Newest Luck Enterprises Limited	British Virgin Islands/Macau	US$1	58%	Provision of consultancy services
Noble Gainer Limited	Hong Kong	HK$2	100%	Inactive
Power Giant Limited	British Virgin Islands/Macau	US$1	100%	Property trading and investment
Power Mighty A N.V.	Curacao	US$6,000	100%	Investment holding
Power Mighty B N.V.	Curacao	US$6,000	100%	Investment holding
Power Mighty B.V.	Netherlands	Euro18,000	100%	Investment holding
Profit Sphere International Limited	British Virgin Islands	US$1	100%	Investment holding
Richstone International Limited	Hong Kong	HK$1	100%	Property development and investment

37. PARTICULARS OF SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held: (continued)				
Sheen Concord Enterprises Limited	Hong Kong	HK$2	100%	Inactive
Success Ever Limited	British Virgin Islands	US$1	100%	Investment holding
Sunpark International Limited	British Virgin Islands/Macau	US$10	58%	General trading
The Hong Kong Ice & Cold Storage Company Limited	Hong Kong	HK$500,000	100%	Ice manufacturing and provision of cold storage
Think Bright Limited	British Virgin Islands/Macau	US$200	70.5%	Property trading and investment
Top Vision Assets Limited	British Virgin Islands	US$1	100%	Investment holding
Wide Universe International Limited	British Virgin Islands	US$1	100%	Inactive

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

* In July 2010, the Group has extended its business to oil exploration and production activity by acquiring 100% equity interest in Caspi Neft TME.

38. NOTES ON THE COMPANY'S BALANCE SHEET

(a) Investments in subsidiaries

	2010 HK$'000	2009 HK$'000
Cost	**101,039**	101,039
Less: Impairment	**(101,038)**	(101,038)
	1	1

(b) Amounts due from subsidiaries

	2010 HK$'000	2009 HK$'000
Amounts due from subsidiaries	**11,145,257**	9,512,000
Less: Impairment	**(74,274)**	(74,259)
	11,070,983	9,437,741

Amounts due from subsidiaries are unsecured, interest free and repayable on demand. The carrying amounts approximate their fair values at the balance sheet date.

(c) Amounts due to subsidiaries

Amounts due to subsidiaries are unsecured, interest free and repayable on demand. The carrying amounts approximate their fair values at the balance sheet date.

(d) Reserves of the Company

	Share premium account HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2010	**5,912,600**	**2,503,428**	**8,416,028**
Loss for the year	**—**	**(13,226)**	**(13,226)**
Dividends paid (note 12)	**—**	**(106,535)**	**(106,535)**
At 31 December 2010	**5,912,600**	**2,383,667**	**8,296,267**
At 1 January 2009	5,912,600	140,654	6,053,254
Profit for the year	—	2,451,553	2,451,553
Dividends paid (note 12)	—	(88,779)	(88,779)
At 31 December 2009	5,912,600	2,503,428	8,416,028

38. NOTES ON THE COMPANY'S BALANCE SHEET *(continued)*

(e) Liquidity risk and contingent liabilities of the Company

The following tables detail the remaining contractual maturities at the balance sheet date of the Company's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Company can be required to pay:

	Contractual undiscounted cash flows			Balance sheet carrying amount
	Within 1 year or on demand	Undated	Total	
	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2010				
Other payables	**15,102**	**—**	**15,102**	**15,102**
Amounts due to subsidiaries	**828,949**	**—**	**828,949**	**828,949**
Amount due to immediate holding company	**—**	**1,152,822**	**1,152,822**	**1,152,822**
Amount due to ultimate holding company	**—**	**627,901**	**627,901**	**627,901**
	844,051	**1,780,723**	**2,624,774**	**2,624,774**
At 31 December 2009				
Other payables	10,020	—	10,020	10,020
Amounts due to subsidiaries	530,566	—	530,566	530,566
Amount due to immediate holding company	—	291,807	291,807	291,807
	540,586	291,807	832,393	832,393

The Company exposes to liquidity risk that arises from guarantees in respect of banking facilities of certain subsidiaries. The guarantees are callable if the respective subsidiary is unable to meet its obligation and the maximum amount callable as at 31 December 2010 was HK$1,995,835,000 (2009: HK$996,835,000) of which to the extent of HK$180,000,000 (2009: HK$81,359,000) were utilised.

Property	Purpose	Gross floor area/ site area	Group interest (%)	Stage of completion	Expected completion date
Properties held for sale of the Group:					
6 shop units and 93 carparking spaces of Pacifica Garden, Lots TN25b and TN26d near Estrada Coronel Nicolau de Mesquita, Taipa, Macau	Commercial	579.90 square metres and 93 carparking spaces	58	Completed	N/A
61 shop units and 63 carparking spaces of China Plaza at Avenida da Praia Grande Nos. 730-804 and Avenida de D. Joao IV Nos. 2-6-B, Macau	Commercial	4,023.88 square metres and 63 carparking spaces	70.5	Completed	N/A
Lot no. 725 in Demarcation District no. 171 and Lot No. 67 in Demarcation District no. 175, Kau To Shan, Shatin, New Territories, Hong Kong	Residential	1,122.26 square metres	100	Completed	N/A
Properties held for development for sale of the Group:					
Lots nos. 3753G, 3753H, 3753J, 3753K, 3753L, 3753M, 3753N, 3779C, 3779D, 3780B, 3781A, 3781B, 3781C, 3782A, and 3782RP in Demarcation District No. 124, Tuen Mun, New Territories Hong Kong	Residential	2,870.70 square metres/ 1,770.00 square metres	60	Superstructure completed	2011
Lotes P and T & T1 at The Orient Pearl District Novos Aterros da Areia Preta, Macau*	Residential/ Commercial	891,346.00 square metres/ 85,970.00 square metres	80	Construction not yet commenced	From 2013 to 2015

* The development of these properties is under the co-investment agreements with wholly owned subsidiaries of the ultimate holding company of the Company.

Property	Purpose	Gross floor area	Group interest (%)	Category of lease
Investment properties of the Group:				
36 shop units and 14 carparking spaces of Va long at Praca da Amizade Nos. 6-52, Avenida do Infante D. Henrique Nos. 25-31 and Avenida Doutor Mario Soares Nos. 227-259 Macau	Commercial	1,437.57 square metres and 14 carparking spaces	100	Medium term lease
Investment properties of the jointly controlled entity:				
208 shop units, 208 office units and 265 carparking spaces of The Macau Square at Rua do Dr. Pedro Jose Lobo No.2-16A, Avenida do Infante D. Henrique No. 43-53A and Avenida Doutor Mario Soares No. 81-113, Macau	Commercial	36,553.05 square metres and 265 carparking spaces	50	Medium term lease