九龍建業有限公司
Kowloon Development Company Limited

Stock Code 股份代號: 34

Annual Report 2010 年報

Striving to Achieve

Kowloon Development Company Limited (Stock Code: 34) has been pursuing a three-tier development strategy in the Greater China, with its core property business in the Hong Kong and Mainland China markets, and carrying out its Macau property business through its 73.4%-owned listed subsidiary, Polytec Asset Holdings Limited (Stock Code: 208). The Group is now well positioned in all three markets, with its attributable landbank approaching 5 million sq m. It is committed to enhance its competitive advantages and to become one of the few listed companies in Hong Kong to have capacity to grow significantly in all three markets.

九龍建業有限公司(股份代號：34)在大中華地區奉行三線發展策略，核心業務為香港及中國內地市場之地產業務，並通過其擁有73.4%權益之上市附屬公司保利達資產控股有限公司(股份代號：208)經營澳門地產業務。本集團目前在區內三大市場作出卓越部署，其應佔土地儲備近5,000,000平方米，並致力提升本身之競爭優勢，立志成為少數能夠在三大市場取得顯著增長之香港上市公司之一。

Contents

Pioneer Centre

Located at 750 Nathan Road, Mongkok, it is the Group's wholly-owned flagship investment property in Hong Kong. This commercial and shopping complex comprises 15 office floors, 8 levels of shopping arcade and 2 levels of car parking area, with a gross floor area of approximately 45,000 sq m.

Corporate Information

BOARD OF DIRECTORS AND COMMITTEES

Board of Directors

Executive Directors

Or Wai Sheun *(Chairman)*
Ng Chi Man
Lai Ka Fai
Or Pui Kwan

Non-executive Directors

Keith Alan Holman *(Deputy Chairman)*
Tam Hee Chung
Yeung Kwok Kwong

Independent Non-executive Directors

Li Kwok Sing, Aubrey
Lok Kung Chin, Hardy
Seto Gin Chung, John
David John Shaw

Committees

Executive Committee

Or Wai Sheun *(Chairman)*
Ng Chi Man
Lai Ka Fai
Or Pui Kwan
Yeung Kwok Kwong

Audit Committee

Li Kwok Sing, Aubrey *(Chairman)*
Lok Kung Chin, Hardy
Seto Gin Chung, John
Yeung Kwok Kwong

Remuneration Committee

Seto Gin Chung, John *(Chairman)*
Lai Ka Fai
Li Kwok Sing, Aubrey
Lok Kung Chin, Hardy

CORPORATE AND SHAREHOLDERS' INFORMATION

Company Secretary

Lee Kuen Chiu

Authorised Representatives

Lai Ka Fai
Lee Kuen Chiu

Independent Auditors

KPMG
Certified Public Accountants

Legal Advisers

Sidley Austin

CORPORATE AND SHAREHOLDERS' INFORMATION *(Continued)*

Share Registrars

Computershare Hong Kong Investor Services Limited
Rooms 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

Stock Code

The Stock Exchange of Hong Kong Limited: 34

Registered Office

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

Telephone	: (852) 2396 2112
Facsimile	: (852) 2789 1370
Website	: www.kdc.com.hk
E-mail	: enquiry@kdc.com.hk

Principal Bankers

Bank of China
Bank of Communications
Bank of East Asia
Chong Hing Bank
Dah Sing Bank
Hang Seng Bank
Industrial and Commercial Bank of China
Industrial and Commercial Bank of China (Asia)
Standard Chartered Bank

Financial Calendar for 2010

Interim results announcement	30 August 2010
Interim dividend paid	15 October 2010
Annual results announcement	30 March 2011
Annual general meeting	27 June 2011
Closure of register of members	5 July 2011 - 6 July 2011 (both days inclusive)
Final dividend payable	19 July 2011

Highlights

- Group's **net profit attributable to shareholders** for 2010 rises to **HK$2,128 million** from HK$1,228 million in 2009.

- Excluding revaluation gains from the Group's investment properties, the **underlying net profit** and **earnings per share** are **HK$691 million** and **HK$0.60** respectively**.**

- Full year **dividend per share** for 2010 amounts to **HK$0.52**, with a final dividend per share of HK$0.32.

- Group's property development business in Mainland China has begun to bear fruit, and its property development projects are expected to start contributing an increasing income to the Group from 2011 onwards.

Group's Business Structure

Kowloon Development Company Limited
(A member of the Polytec Group)
Stock Code: 34

Hong Kong Property + Mainland China Property

Hong Kong Property

Property Development

Major development projects:
- Clear Water Bay Road
- Macpherson Stadium
- Sai Yeung Choi Street North
- Mount East, Ming Yuen Western Street
- Belcher's Street

Development Landbank:
248,000 sq m

Property Investment

Flagship investment property:
- Pioneer Centre

Investment Landbank:
60,000 sq m

Property Management

Properties under management over
1,000,000 sq m

Mainland China Property

Property Development

Major development projects:
- Shenhe District, Shenyang
- Le Cove City (江灣城), Hun Nan Xin District, Shenyang
- The Lake (山語湖), Nanhai District, Foshan
- Hedong District, Tianjin
- Shiqi District, Zhongshan

Development Landbank:
3,857,000 sq m

Polytec Asset Holdings Limited
Stock Code: 208

73.4%

Macau Property

Property Development

Major development projects:
- Lote P, The Orient Pearl District
- Lotes T & T1, The Orient Pearl District

Development Landbank:
524,000 sq m

Property Investment

Major investment properties:
- Va long
- The Macau Square

Investment Landbank:
14,000 sq m

Energy

Oil

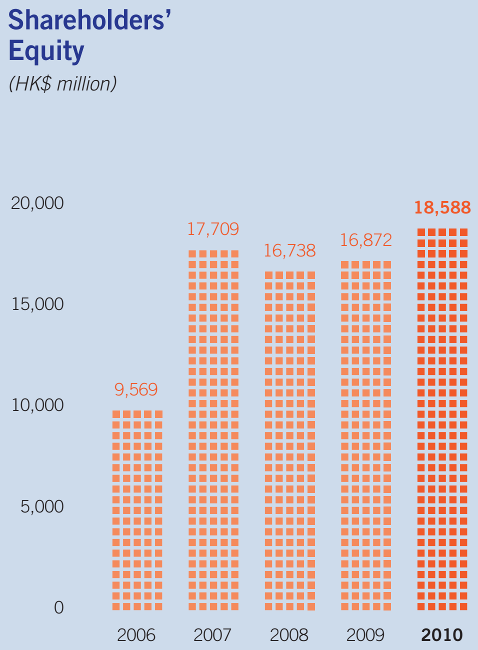
Production and exploration of oil in Kazakhstan

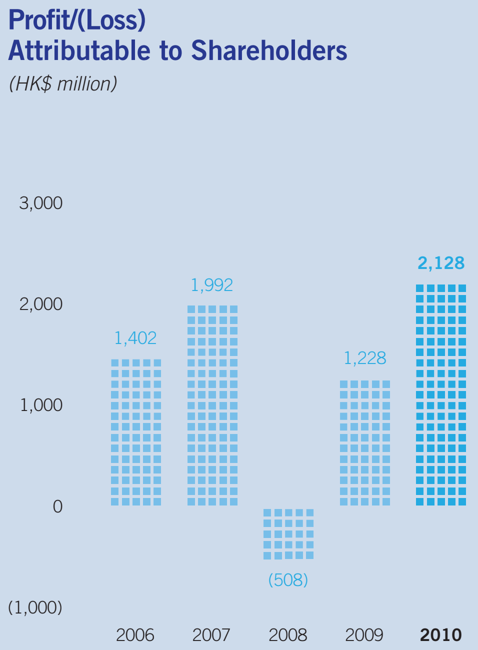
Others

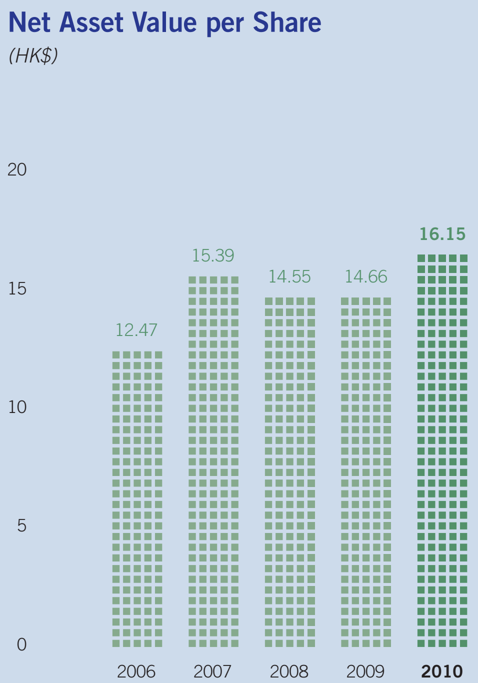
Ice & Cold Storage

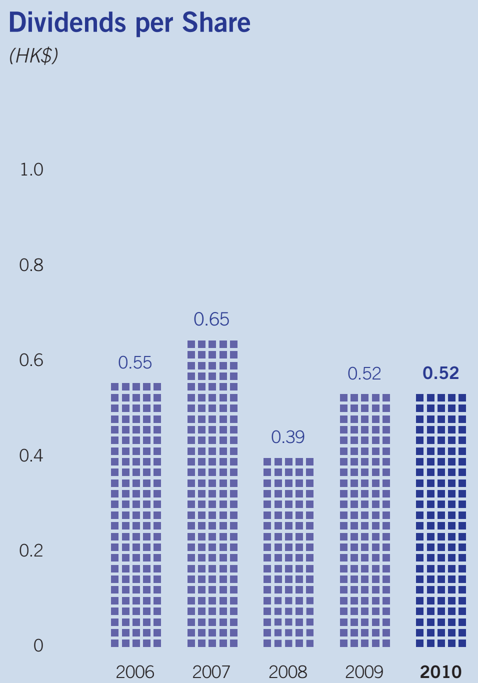
The Hong Kong Ice and Cold Storage Co. Ltd. is one of the widest ice making distributors in Hong Kong

Five-Year Financial Summary









Key Consolidated Income Statement Data

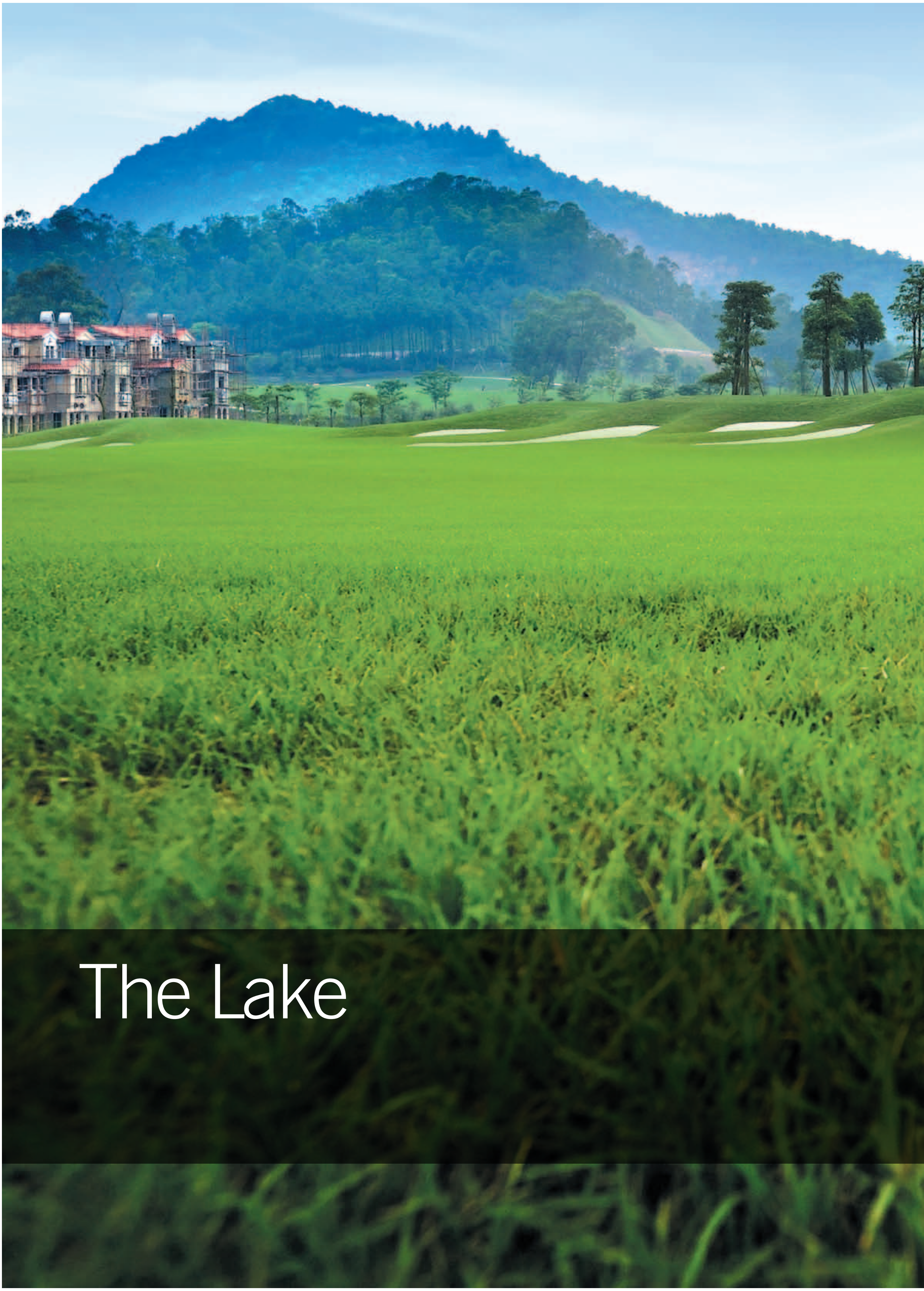
(HK$ million)	2006	2007	2008	2009	**2010**
Turnover	2,908	10,384	8,793	1,985	**1,269**
Profit/(Loss) from Operations	1,483	2,427	(1,944)	1,550	**2,072**
Profit/(Loss) Attributable To Shareholders	1,402	1,992	(508)	1,228	**2,128**
Earnings/(Loss) per Share *(HK$) (Note 2)*	2.08	1.80	(0.44)	1.07	**1.85**
Underlying Profit/(Loss) Attributable					
to Shareholders *(Note 3)*	1,058	1,502	(1,381)	1,160	**691**
Underlying Earnings/(Loss) per Share *(HK$)*	1.57	1.36	(1.21)	1.01	**0.60**
(Note 2 and 3)					
Dividends	572	748	449	598	**598**
Dividends per Share *(HK$)*	0.55	0.65	0.39	0.52	**0.52**

Key Consolidated Balance Sheet Data

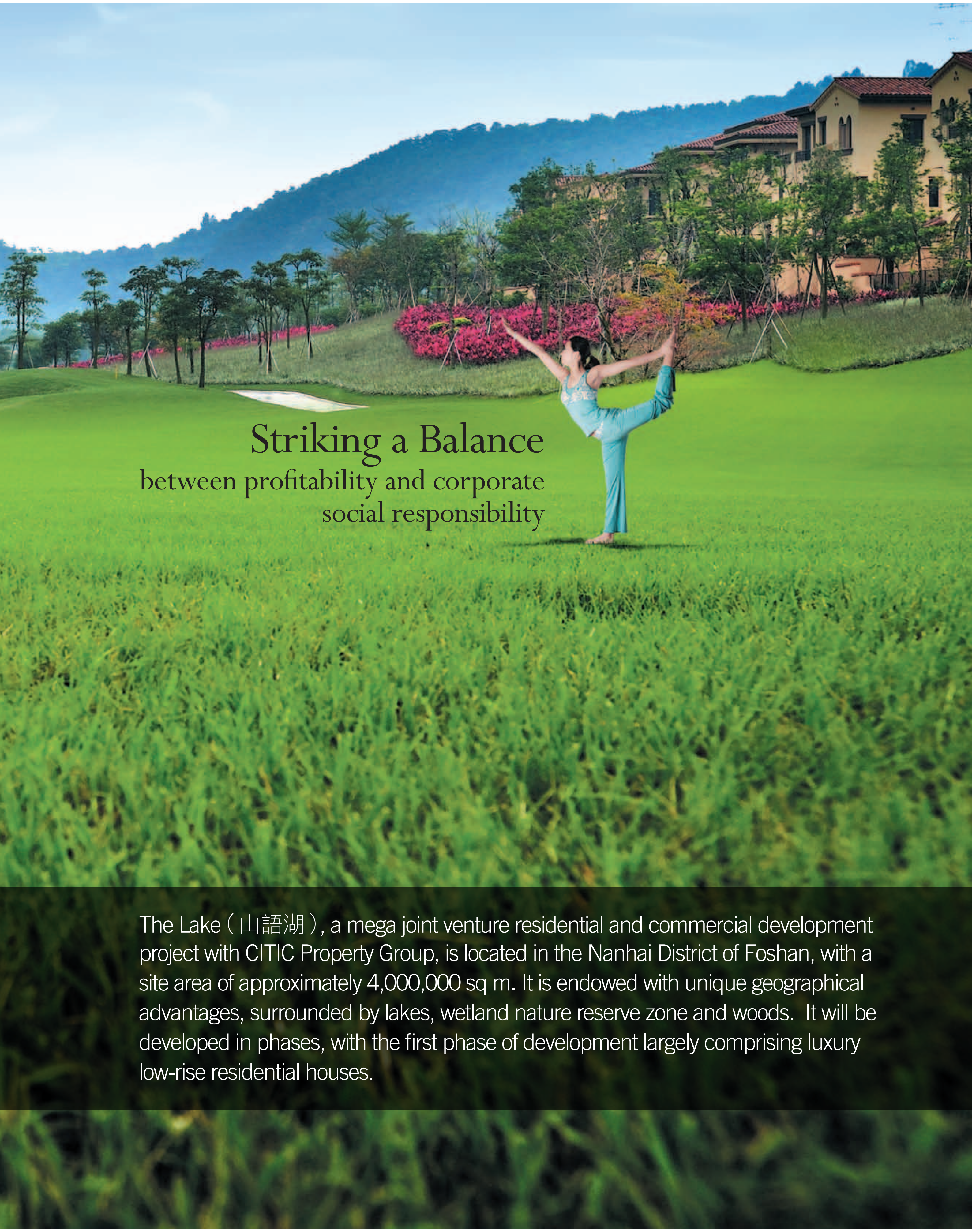
(HK$ million)	2006	2007	2008	2009	**2010**
Non-Current Assets	15,320	18,585	17,914	19,156	**22,311**
Current Assets	7,301	11,058	11,881	8,157	**8,686**
Total Assets	22,621	29,643	29,795	27,313	**30,997**
Current Liabilities	(2,117)	(2,958)	(4,749)	(5,220)	**(5,982)**
Non-Current Liabilities	(7,408)	(4,257)	(5,212)	(2,264)	**(3,535)**
Net Assets	13,096	22,428	19,834	19,829	**21,480**
Share Capital	77	115	115	115	**115**
Reserves	9,492	17,594	16,623	16,757	**18,473**
Shareholders' Equity	9,569	17,709	16,738	16,872	**18,588**
Non-controlling Interests	3,527	4,719	3,096	2,957	**2,892**
Total Equity	13,096	22,428	19,834	19,829	**21,480**
Net Asset Value per Share *(HK$)*	12.47	15.39	14.55	14.66	**16.15**
Gearing Ratio *(%) (Note 4)*	80.06	12.73	31.19	30.97	**34.00**

Notes :

1. *The financial information in this summary is extracted from the published accounts for the last five years, restated where appropriate to be in accordance with the current accounting policies of the Group.*
2. *The comparative amounts of earnings per share for the previous years have been restated by adjusting the number of ordinary shares for the consolidation of one-for-two rights issue effected in February 2007.*
3. *Underlying profit/(loss) excludes revaluation gain/(loss) of investment properties.*
4. *Gearing ratio represents bank borrowings, loan from and amount payable to ultimate holding company and net of cash and cash equivalents over equity attributable to shareholders of the Company.*



The Lake



Striking a Balance

between profitability and corporate social responsibility

The Lake (山語湖), a mega joint venture residential and commercial development project with CITIC Property Group, is located in the Nanhai District of Foshan, with a site area of approximately 4,000,000 sq m. It is endowed with unique geographical advantages, surrounded by lakes, wetland nature reserve zone and woods. It will be developed in phases, with the first phase of development largely comprising luxury low-rise residential houses.

The Group pursues a three-tier development strategy with exposure in three major markets of the Greater China region.

Management has committed to enhance the Group's competitive advantages in the property markets of Hong Kong, Mainland China and Macau and to become one of the few Hong Kong listed companies to have the capability to grow significantly in all three markets.

Group Results and Dividends

For the year ended 31 December 2010, net profit attributable to shareholders of the Company rose to HK$2,128 million from HK$1,228 million (restated) in 2009. Basic earnings per share for 2010 increased to HK$1.85 from HK$1.07 (restated) in 2009.

Excluding revaluation gains from the Group's investment properties, the underlying net profit for 2010 amounted to HK$691 million compared to HK$1,160 million (restated) in 2009. The underlying net earnings per share for 2010 were HK$0.60.

The Board of Directors recommends the payment of a final dividend of HK$0.32 per share (2009: HK$0.32) for the year ended 31 December 2010. Together with the 2010 interim dividend of HK$0.20 per share, the full year dividend for 2010 amounts to HK$0.52 per share (2009: HK$0.52).

The final dividend will be paid on 19 July 2011 to shareholders whose names appear on the Register of Members of the Company on 6 July 2011, subject to approval of shareholders at the Annual General Meeting.

Business Review

The global economy has gradually recovered from the 2008 financial crisis. The three Greater China economies, Hong Kong, Macau and Mainland China, have picked up strongly. With relatively low interest rates and strong demand, overall property transaction volumes and prices in all three economies have risen to or beyond the pre-crisis levels during 2010, despite a series of cooling measures of different intensity and scope imposed by each government on their respective real estate markets during the period.

PACIFICA GARDEN, TAIPA, MACAU

The Group's presale of development projects, of which one is in Hong Kong and two in Mainland China, has benefited substantially from the strong recovery in these real estate markets, with total presales proceeds, including The Lake（山語湖）, a joint-venture development project in Foshan, exceeding HK$4.5 billion in 2010.

Property Sales and Development

During the year under review, total operating profit in the property development segment amounted to HK$424 million, which was mainly generated from total sales recognised from two development projects in Macau and Mainland China.

In Macau, all residential units of Pacifica Garden, one of the Group's Macau projects held through our 73.4%-owned listed subsidiary, Polytec Asset Holdings Limited ("Polytec Asset"), were pre-sold, together with over 60% of the available carparking spaces, generating total sales proceeds exceeding HK$809 million. The project was completed in the first half of 2010 and all residential units have been delivered to the buyers.

THE LAKE（山語湖）, FOSHAN, MAINLAND CHINA

In Mainland China, the amount of presales since the launch of the first phase of residential units of The Lake（山語湖）, a joint-venture project of the Group in Foshan, exceeded RMB5 billion, with approximately RMB0.5 billion and RMB1.7 billion being recognised in 2009 and 2010 respectively. The remaining portion of presales will be recognised from 2011 onwards after we obtain the relevant completion certificates.

Property Investment

During the year under review, the Group disposed of a number of retail units at Sino Centre in Mongkok, one of the Group's investment properties in Hong Kong, with a total recognised gain of HK$141 million. In view of recent favorable market sentiment in Hong Kong as a result of exceptionally easy monetary policy around the world over the past two years, the Group intends to continue to dispose of the rest of the non-core investment properties in the coming years.

The Group's gross rental income from its property investment portfolio for 2010 amounted to HK$273 million compared with HK$272 million in 2009. While an overall satisfactory rental growth rate for both renewal and new letting transactions was recorded in 2010, the negligible increase in gross rental income was mainly due to the temporary closure of the second floor of Pioneer Centre, the Group's flagship investment property in Hong Kong, for repositioning in May 2010. We have converted the second floor of Pioneer Centre to a digital zone called Pioneer Digital Centre, which has become an important digital hub in Mongkok offering a wide range of digital products.

With a strong revival of local consumption and a sharp rise in retail spending of Mainland China tourists, the retail market in Hong Kong has seen a strong rebound over the past year leading to a rapid rise in demand for retail spaces. Almost all retail spaces, as well as offices, in the Group's property investment portfolio were fully let as at 31 December 2010.

Finance and Investments

As of 31 December 2010, total remaining value of the Group's investment portfolio amounted to HK$134 million compared to HK$107 million at end-December 2009, representing 0.4% of the Group's gross assets. The existing portfolio includes largely long-term investment funds and bonds, which have been owned for more than two years. For 2010, the finance and investments segment contributed HK$49 million to the Group's operating profit compared to HK$119 million over the same period in 2009.

New Business

As previously mentioned in our Interim Report 2010, our listed subsidiary, Polytec Asset, completed the acquisition of an oil company in Kazakhstan in July 2010. This acquisition allows Polytec Asset to extend its business to the oil industry in order to diversify its sources of recurrent income. Our 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.

Prospects

Following two years of extraordinarily easy monetary policy around the world, particularly in the US, interest rates still remain at relatively low levels. With exceptionally strong economic recovery in the Greater China region, the property market has rebounded robustly in all three economies, Hong Kong, Macau and Mainland China, with housing prices rising rapidly over the past year. During the course of 2010, all three economies introduced a series of credit tightening and restrictive property measures of differing scope and intensity designed to prevent the creation of housing bubbles.

We expect the existing cooling measures and credit tightening in all three property markets to stay in the first half of 2011. Undoubtedly, these policies will likely cause short-term unfavorable impact on the real estate markets, with fluctuations in the level of property transactions as well as prices. However, if no further tightening measures are introduced, we believe that, overall, property transactions will likely pick up again in the second half of 2011 and property prices will then start to stabilise.

In Macau, we have recently made significant progress by obtaining approval for the architectural plan of our mega luxury residential and commercial development project at Lote P, which Polytec Asset has an 80% interest. 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.

For the next few years, the Group's earnings should be well supported by the completion of a total of eight development projects in Hong Kong and Mainland China. In Hong Kong, four of the Group's development projects, namely Mount East in North Point, the Macpherson Stadium project in Mongkok, and projects in Belcher's Street and Sai Yeung Choi Street North, are currently under construction. These projects should contribute satisfactory earnings to the Group over the next 2-3 years. In Mainland China, four development projects, including The Lake（山語湖）in Foshan, Le Cove City（江灣城）in Shenyang and another two in Shenyang and Zhongshan, are under construction and these projects should also provide earnings impetus to the Group over the next few years.

MOUNT EAST, NORTH POINT, HONG KONG

For 2011, a majority of the Group's earnings will likely be generated from the presale of The Lake（山語湖）in Foshan, Le Cove City（江灣城）in Shenyang and Mount East in Hong Kong. The total unrecognised presales proceeds from these projects currently exceed HK$4 billion, of which a substantial proportion is expected to be recognised in 2011.

Looking forward, we will focus our efforts on the development and presale of our mega project in Macau as well as other projects in Hong Kong and Mainland China. At the same time, we will continue to expand our landbank in all three markets, aiming to grow and broaden the income base of the Group.

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

Or Wai Sheun
Chairman

Hong Kong, 30 March 2011


Pacifica Garden

Always Explore
Best Investment Opportunities

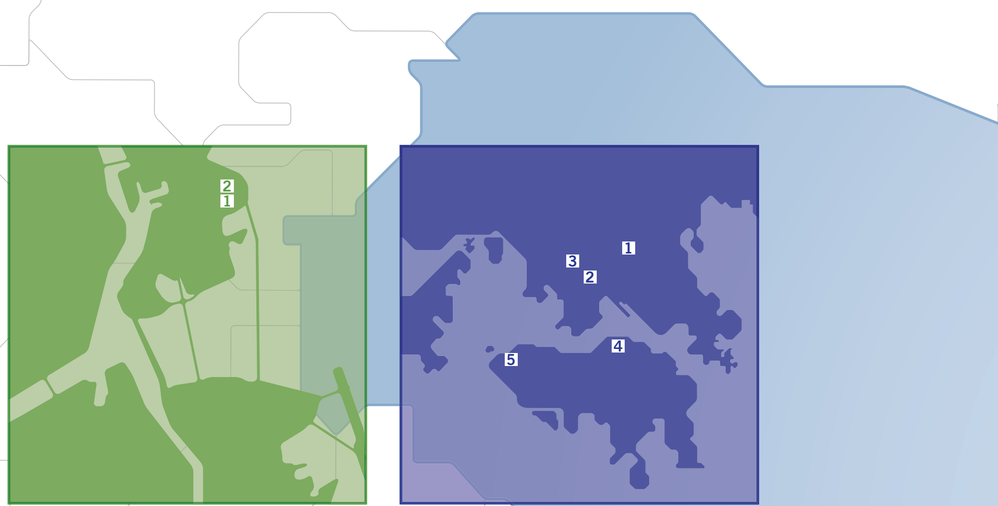
Pacifica Garden, one of the Group's residential and commercial development projects in Macau, is located in the Taipa District. This luxury complex comprises two towers with a total of 295 residential units and few retail shops on the ground floor. It was completed in the middle of 2010.

Review of Operations

The Group has been pursuing a three-tier development strategy, with exposure in the Greater China property markets in Hong Kong, Mainland China and Macau.

Major projects under development in the Greater China Region

- Mainland China
- Hong Kong
- Macau



MACAU

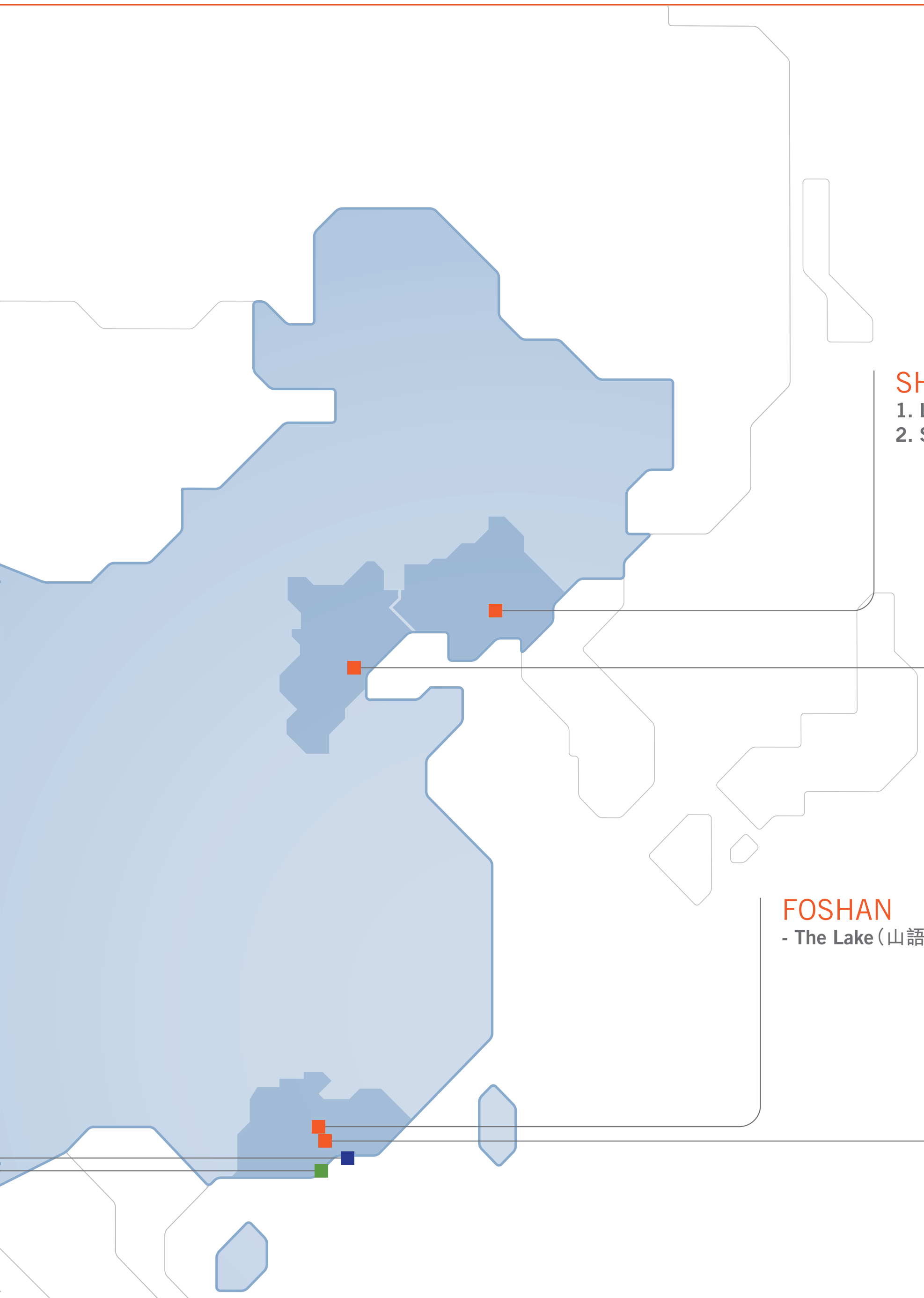
1. Lote P, The Orient Pearl District
2. Lotes T & T1, The Orient Pearl District

HONG KONG

1. Clear Water Bay Road
2. Macpherson Stadium
3. Sai Yeung Choi Street North
4. Mount East, Ming Yuen Western Street
5. Belcher's Street

Key Operating Results for 2010

Total operating profit in the property development segment amounted to HK$424 million, which was mainly generated from total sales recognised from two development projects in Macau and Mainland China.

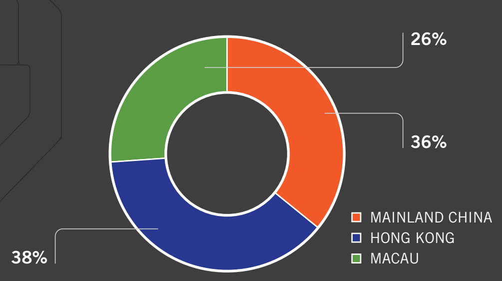


SHENYANG
1. Le Cove City (江灣城), Hun Nan Xin District
2. Shenhe District

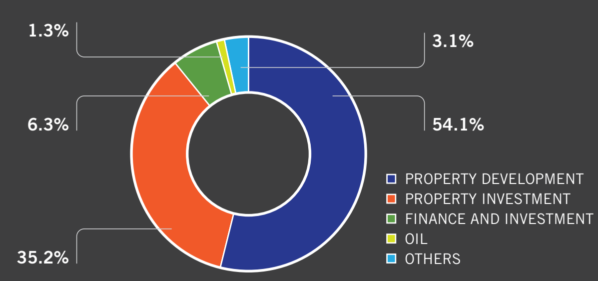
TIANJIAN
- Hedong District

FOSHAN
- The Lake (山語湖), Nanhai District

ZHONGSHAN
- Shiqi District



Operating Profit - Property Development Geographic Distribution for 2010



Operating Profit by Segment for 2010

Property Sales

The Group has been pursuing a three-tier development strategy, with exposure in the Greater China property markets in Hong Kong, Mainland China and Macau. Total operating profit of the Group generated from the property development segment amounted to HK$424 million, which was mainly generated from total sales recognised from two development projects in Macau and Mainland China.

Property Development

As of 31 December 2010, the development landbank attributable to the Group amounted to approximately 5 million sq m of gross floor area. Details of the major projects under development are set out below.

Hong Kong

LOCATION
No. 35 Clear Water Bay Road, Ngau Chi Wan, Kowloon, Hong Kong

USAGE
Residential and Commercial

GROUP'S INTEREST
100%

APPROX. TOTAL GROSS FLOOR AREA
196,400 sq m

STATUS
Land exchange under process

Clear Water Bay Road

This site is located at No. 35 Clear Water Bay Road in Ngau Chi Wan and is wholly-owned by the Group. Planning approvals have been obtained for a residential and commercial development with a gross floor area of approximately 196,400 sq m, including a shopping arcade, club house and parking facilities. The land premium is under negotiation with the Government.

Macpherson Stadium

This site is located in a prime location of Mongkok. This is a joint venture residential and commercial redevelopment project with Urban Renewal Authority and Hong Kong Playground Association, with a gross floor area of approximately 24,800 sq m. It will be developed as a luxury residential and commercial complex with club house, parking facilities, retail spaces, a multi-purpose sports stadium and a youth centre. Excluding the multi-purpose sports stadium and youth centre, the total gross floor area for the residential and commercial portion is approximately 18,100 sq m. Superstructural work is in progress and the project is expected to be completed by the second half of 2012.

LOCATION
No. 10 Yim Po Fong Street, Mongkok, Kowloon, Hong Kong

USAGE
Stadium, Youth Centre, Residential and Commercial

GROUP'S INTEREST
Joint venture with Urban Renewal Authority and Hong Kong Playground Association

APPROX. TOTAL GROSS FLOOR AREA
24,800 sq m

STATUS
Superstructural work in progress

EXPECTED DATE OF COMPLETION
2012

Sai Yeung Choi Street North

This site is located at Nos. 468-474 Sai Yeung Choi Street North. This residential redevelopment project is wholly-owned by the Group, with a gross floor area of approximately 8,400 sq m. It will be re-developed into a modern high-rise residential tower with club house and parking facilities. Superstructural work is in progress and the project is expected to be completed by 2013.

LOCATION
Nos. 468-474
Sai Yeung Choi Street North,
Kowloon, Hong Kong

USAGE
Residential

GROUP'S INTEREST
100%

APPROX. TOTAL GROSS FLOOR AREA
8,400 sq m

STATUS
Superstructural work in progress

EXPECTED DATE OF COMPLETION
2013

Mount East, Ming Yuen Western Street

LOCATION
Nos. 24-32 Ming Yuen Western
Street, North Point, Hong Kong

USAGE
Residential and Commercial

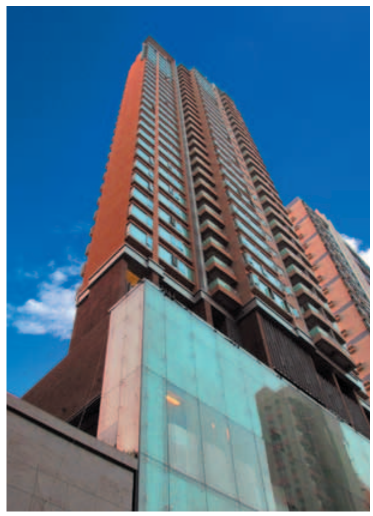
GROUP'S INTEREST
100%

APPROX. TOTAL GROSS FLOOR AREA
5,700 sq m

STATUS
Superstructural work completed and fitting out work in progress

EXPECTED DATE OF COMPLETION
2011

The site is located at Nos. 24-32 Ming Yuen Western Street in North Point. This residential and commercial project is wholly-owned by the Group, with a total gross floor area of approximately 5,700 sq m. It is being developed as a luxury residential tower, comprising 74 residential units, retail spaces on ground floor, recreational facilities and a club house with sky garden. We obtained the occupation permit for the project in early 2011 and we will formally launch the sales campaign of the project shortly.



Belcher's Street

The site is located at Nos. 150-162 Belcher's Street, which is close to a proposed Kennedy Town MTR station exit. The site acquired initially was only 564 sq m. However, the Group has been able to acquire the adjacent properties to form a more sizeable development.

LOCATION
Nos. 150-162
Belcher's Street,
Kennedy Town, Hong Kong

USAGE
Residential and Commercial

GROUP'S INTEREST
100%

APPROX. TOTAL GROSS FLOOR AREA
5,600 sq m

STATUS
Foundation work in progress

EXPECTED DATE OF COMPLETION
2014

Mainland China

LOCATION
Northern side of Hun Nan Er Road, Hun Nan Xin District, Shenyang, China

USAGE
Residential and Commercial

GROUP'S INTEREST
100%

APPROX. TOTAL GROSS FLOOR AREA
579,000 sq m

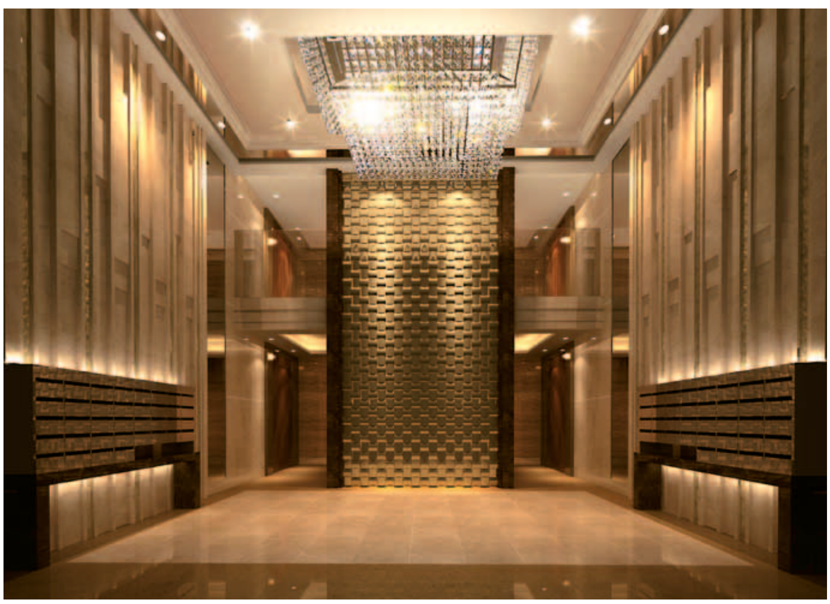
STATUS
Superstructural work for first phase in progress

EXPECTED DATE OF COMPLETION
By phases from 2011 onwards

Le Cove City（江灣城）, Hun Nan Xin District, Shenyang

The site is located along the Hun River on Hun Nan Er Road of the Hun Nan Xin District in Shenyang. This residential and commercial development project is wholly-owned by the Group, with a planned gross floor area of approximately 579,000 sq m. According to the overall planning and development strategy of the local municipal government, the Hun Nan Xin District will be developed as a modern technological new district with a high-tech industrial development zone, a high-grade commercial and business centre, a residential area, a university town and a Hun River tourism zone.

Superstructural work of the first phase residential development, with a gross floor area of approximately 116,000 sq m, is in progress and it is targeted to be completed before the third quarter of 2011. Pre-sale of the first phase commenced in the fourth quarter of 2010, with good response from the market. The development plan for the second phase, with a gross floor area of approximately 100,000 sq m, is in progress and the construction work will be commenced shortly.



LOCATION
Heshun Meijing Shuiku Sector, Lishui Town, Nanhai District, Foshan, China

USAGE
Residential and Commercial

GROUP'S INTEREST
50%

APPROX. TOTAL GROSS FLOOR AREA
1,600,000 sq m

STATUS
Construction work for second phase residential in progress

EXPECTED DATE OF COMPLETION
By phases from 2010 onwards

The Lake（山語湖）, Nanhai District, Foshan

The site is located in the Nanhai District of Foshan (Guangdong Province), with a sizeable site area of approximately 4,000,000 sq m. This is a 50:50 joint venture residential and commercial development project with CITIC Property Group. The site is endowed with unique geographical advantages, surrounded by lakes, wetland nature reserve zone and woods. It is being developed as one of the most emblematic residential communities in Foshan, with an aggregate gross floor area of approximately 1,600,000 sq m. The first phase of development, which mainly comprises luxury low-rise residential houses, was completed and substantially sold. Construction work of the second phase development, which comprises low-rise residential houses and medium-rise apartments, has started.

The Lake (山語湖)
The Master Plan

The site, surrounded by natural waters and greenery, covers 4 million sq m

Within a 30-minute drive from the site to Guangzhou Baiyun International Airport and the Central Business District of Guangzhou - Tianhe District

A LUXURY VILLA

GUANGDONG EXPERIMENTAL NANHAI SCHOOL

1. Main Entrance
2. Lakes
3. Baccarat Boutique Hotel and The Lake Clubhouse
4. Guangdong Experimental Nanhai School
5. Commercial Centre – City Centre
6. Forest Park

Villa
A1 | A2 | A3-1 | A3-2 | A7

Town House
A4-1 | A4-2 | A5-1

Apartment
A5-2

Mountain Villa
B1 | B3-1 | B3-2 | B4 | B5 | B6 | B7 | B8 | B9

Lakeview High-rise Apartment
C1 | C2 | C3 | C4 | C5 | C6 | C7

BACCARAT BOUTIQUE HOTEL AND THE LAKE CLUBHOUSE

Shenhe District, Shenyang

This site is located on the west side of Daba Road of the Shenhe District, which is one of the five main central districts in Shenyang. Previously the site was situated in the Dongling District, which was integrated into the Shenhe District in March 2010. This residential and commercial project is wholly-owned by the Group, with a planned gross floor area of approximately 2,000,000 sq m. It will be developed into low- and medium-rise residential units by phases. Foundation work for the first phase has been commenced and it is scheduled to be completed by end-2011. Pre-sale of the residential units is expected to start in the second half of 2011.

LOCATION
West of Daba Road, Shenhe District, Shenyang, China

USAGE
Residential and Commercial

GROUP'S INTEREST
100%

APPROX. TOTAL GROSS FLOOR AREA
2,000,000 sq m

STATUS
Foundation work for first phase in progress

EXPECTED DATE OF COMPLETION
By phases from 2013 onwards

Hedong District, Tianjin

LOCATION
Lot No. Jin Dong Liu 2004-066, Intersection of Shiyijing Road and Liuwei Road, Hedong District, Tianjin, China

USAGE
Residential and Commercial

GROUP'S INTEREST
49%

APPROX. TOTAL GROSS FLOOR AREA
930,000 sq m

STATUS
Site clearance in progress

The site is located in a new commercial and business area of the Hedong District, Tianjin. This residential and commercial development project is 49%-owned by the Group, and has a gross floor area of approximately 930,000 sq m. It will be developed into a modern residential and commercial complex with luxury residential towers, office buildings, a five-star hotel and a first-class mega shopping arcade. The master layout plan has been submitted to the local authority and construction work will be commenced once we have obtained necessary approvals.

Shiqi District, Zhongshan

The site is located in the Shiqi District, the city centre of Zhongshan (Guangdong Province). This residential and commercial project is 70%-owned by the Group, with gross floor area of approximately 129,000 sq m. The development comprises 7 high-end towers with 1,150 residential units, a club house and retail shops. Superstructural work is in progress and the project is expected to be completed by 2012.

LOCATION
Xueyuan Road, Shiqi District, Zhongshan, China

USAGE
Residential and Commercial

GROUP'S INTEREST
70%

APPROX. TOTAL GROSS FLOOR AREA
129,000 sq m

STATUS
Superstructural work in progress

EXPECTED DATE OF COMPLETION
2012

Macau

The Group's property interests in Macau are held through its listed subsidiary, Polytec Asset, 73.4%-owned by the Company. Details of the development projects are as follows:

LOCATION
Lote P, The Orient Pearl District, Novos Aterros da Areia Preta, Macau

USAGE
Residential and Commercial

GROUP'S INTEREST
58.8%

APPROX. TOTAL GROSS FLOOR AREA
699,800 sq m

STATUS
Building plan has been approved

Lote P, The Orient Pearl District

Lote P is located in the Orient Pearl District, adjacent to the future Hong Kong-Zhuhai-Macau Bridge, with an aggregate site area of approximately 68,000 sq m. Polytec Asset has an 80% interest in this project. It will be developed by phases into various luxury residential towers, together with a large shopping arcade, a five-star 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 are also located in the Orient Pearl District, adjacent to the future Hong Kong-Zhuhai-Macau Bridge, with combined aggregate site area of approximately 17,900 sq m. Polytec Asset has an 80% interest in this project. This project will be developed into a number of high-end residential blocks with retail shops and car parking spaces, with 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.

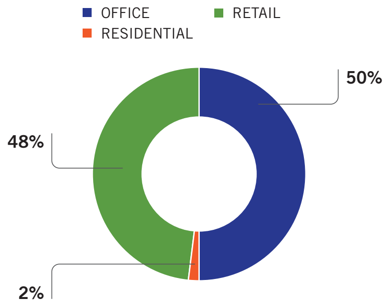
LOCATION
Lotes T and T1, The Orient Pearl District, Novos Aterros da Areia Preta, Macau

USAGE
Residential and Commercial

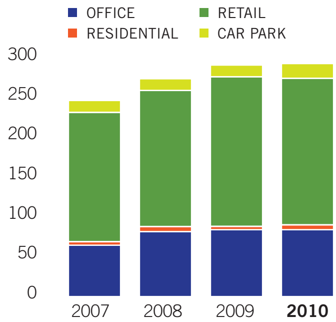
GROUP'S INTEREST
58.8%

APPROX. TOTAL GROSS FLOOR AREA
191,600 sq m

STATUS
Building plan approval in progress



Investment Property Portfolio 2010
(By attributable gross floor area)



Total Rental Income
(HK$ million)

Property Investment

The Group's gross rental income from its property investment portfolio for 2010 amounted to HK$273 million compared with HK$272 million in 2009. During the year under review, the Group recorded an overall satisfactory rental growth rate for both renewal and new letting transactions and almost all retail spaces, as well as offices, in the Group's property investment portfolio were fully let as at 31 December 2010.

Total rental income from the retail portion of the portfolio amounted to HK$171 million in 2010, a decrease of 1.7% over 2009. The slight decrease in retail rental income was mainly due to the temporary closure of the second floor of Pioneer Centre, the Group's flagship investment property, for repositioning in May 2010. We have converted the second floor of Pioneer Centre to a digital zone called Pioneer Digital Centre, which has become an important digital hub in Mongkok offering a wide range of digital products. Gross rental income for the office portion rose 1.4% to HK$81.8 million in 2010.

Total net revaluation gains of the Group's investment property portfolio was HK$1,437 million (2009 (restated): HK$68 million) during 2010.

PIONEER CENTRE, 750 NATHAN ROAD, MONGKOK, KOWLOON, HONG KONG

Human Resources

As of 31 December 2010, the Group has a total of 605 employees (2009: 398 employees), with the significant increase in headcount mainly due to the newly acquired oil business in Kazakhstan by our listed subsidiary, Polytec Asset. During the year, total staff costs increased to HK$124 million (2009: HK$111 million). Salary levels of employees are competitive. Discretionary bonuses are granted based on performance of the Group as well as performance of individual to attract, motivate and retain talented people.

We believe that the quality of the Group's human resources is critical to its maintaining strong competitive edge. The Group conducts a range of training programs both in-house and through external institutions to strengthen employees' all round skills and knowledge, aiming to well equip them to cope with the Group's development in the ever-changing economy.

The Group held annual dinner, Christmas party, outing and working lunches for employees during the year to promote team spirit and loyalty and share information between departments.

THE MACAU SQUARE, AVENIDA DO INFANTE D. HENRIQUE, NOS. 43-53A, MACAU

Financial Review

Financial Resources and Bank Borrowings

As at 31 December 2010, the Group's total bank borrowings amounted to HK$5,516 million, with HK$3,856 million repayable within one year and HK$1,660 million repayable beyond one year. A substantial portion of the short term bank loans with maturity in early 2011 had been re-financed by a medium term loan subsequent to year end. The net borrowings position of the Group as at end-December 2010 amounted to HK$4,796 million after taking into account cash and cash equivalents of HK$720 million, an increase of HK$2,103 million as compared with the net borrowings of HK$2,693 million as at 31 December 2009. At the same time, the loan from/amount payable to the ultimate holding company amounted to HK$1,524 million as at year end 2010 which represented a decrease of HK$1,009 million from HK$2,533 million as of year end 2009.

The Group's gearing ratio (calculated on the basis of net bank borrowings and payables to the ultimate holding company over equity attributable to shareholders of the Company) was 34.0% as at 31 December 2010 (2009 (restated): 31.0%).

During 2010, the Group's investment in Mainland China and Macau generated approximately HK$917 million and HK$289 million cash inflow respectively. The cash inflows from Mainland China were mainly related to the return of funds from the Group's investment in Foshan and the presales proceeds received from the development project in the Hun Nan Xin District, Shenyang. Cash inflow from Macau was mainly related to the sales proceeds received in respect of Pacifica Garden. Moreover, the disposal of certain non-core investment properties in Hong Kong and Macau generated cash of approximately HK$271 million during the year under review.

Approximately HK$339 million was further invested by the Group in the Tianjin project for the year 2010. Acquisition and construction costs paid in respect of the Group's development projects amounted to approximately HK$939 million.

The acquisition of the oil project was completed in the second half of 2010. Upon completion of the transactions, part of the outstanding consideration amounting to US$133.6 million was settled.

All the Group's borrowings are arranged on a floating rate basis. The Group will closely monitor and manage its exposure to interest rate fluctuations and will consider engaging in relevant hedging arrangement when appropriate.

The Group is exposed to exchange rate fluctuations on Renminbi ("RMB") with its investments in Mainland China. External borrowings in RMB together with revenue generated from the development projects in Mainland China will serve as a natural hedge against the exchange rate risk of RMB.

Since the acquisition of the oil business in Kazakhstan, through our listed subsidiary Polytec Asset, 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 US Dollars. 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.

With the financing facilities in place, recurrent rental income from investment properties, cash inflow from presale/sale of the Group's development projects, and the financial support from the ultimate holding company, the Group has sufficient financial resources to satisfy its commitments and future funding requirements.

Capital Commitments

As at 31 December 2010, in connection with the Group's investment properties, the Group had commitments for construction work which amounted to HK$143 million.

Pledge of Assets

As at the balance sheet date, properties having a value of HK$11,995 million and time deposits of HK$15 million were pledged to financial institutions mainly to secure credit facilities extended to the Group.

Contingent Liabilities

The Group has given several guarantees in respect of banking facilities granted to a jointly controlled entity in Mainland China. One guarantee is provided on a joint and several basis in the amount of RMB80 million. The joint venture partner and the Group had signed a mutual indemnification agreement by which each will be indemnified by the other on a 50:50 basis for any loss arising from the guarantee. The related banking facility was fully utilised, with total amount of RMB80 million as at 31 December 2010. The other remaining guarantees amounted to RMB495 million, representing a 50% proportional guarantee in respect of RMB990 million term loan facilities. These facilities were utilised to the extent of RMB730 million as at 31 December 2010.

Profile of Directors and Senior Management

Board of Directors

Executive Directors

OR Wai Sheun, aged 59, is the *Chairman* of the Company. He has been an Executive Director since January 2002 and is responsible for the development of corporate strategies, corporate planning and general management of the Company. Mr Or is also the chairman of Polytec Asset Holdings Limited, a separately listed subsidiary of the Company. He is the chairman of both Polytec Holdings International Limited and Intellinsight Holdings Limited and a director of Or Family Trustee Limited Inc., all being the substantial shareholders of the Company. Mr Or has over 30 years of experience in property development, industrial and financial investment business in Hong Kong, Macau and Mainland China. He is the husband of Ms Ng Chi Man and the father of Mr Or Pui Kwan.

NG Chi Man, aged 58, has been an *Executive Director* of the Company since January 2002. Ms Ng is responsible for the development of corporate strategies, corporate planning and general management of the Company. She is also a director of both Polytec Holdings International Limited and Intellinsight Holdings Limited, all being the substantial shareholders of the Company. Ms Ng has over 30 years of experience in property development, industrial and financial investment business in Hong Kong, Macau and Mainland China. She is the wife of Mr Or Wai Sheun and the mother of Mr Or Pui Kwan.

LAI Ka Fai, aged 46, has been an *Executive Director* of the Company since January 2002. He is responsible for the development of corporate strategies, corporate planning and day-to-day management of the Company. Mr Lai is also a non-executive director of Polytec Asset Holdings Limited, a separately listed subsidiary of the Company, and a director of Intellinsight Holdings Limited. 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.

OR Pui Kwan, aged 32, has been an *Executive Director* of the Company since September 2005. He is responsible for the development of corporate strategies, corporate planning and day-to-day management of the Company. Mr Or joined the Company in May 2003 and has attained solid working experience in various companies engaged in property development, securities investment, information technology, product research and development. He holds a Bachelor of Combined Science degree from the University College London. He is the son of Mr Or Wai Sheun and Ms Ng Chi Man.

Non-executive Directors

Keith Alan HOLMAN, aged 66, is the *Deputy Chairman* of the Company. He has been a Non-executive Director since January 2002. He is a director of, inter alia, Or Family Trustee Limited Inc. and Warner Estates Holdings PLC, a company listed on the London Stock Exchange and a founding Partner of the Lantern Group which invests in United Kingdom property and shares. Mr Holman has an aggregate of over 35 years of experience in corporate finance, investment banking and property investment. He graduated from Oxford University and has a professional qualification as a solicitor.

TAM Hee Chung, aged 67, has been a *Non-executive Director* of the Company since January 2002. He is the managing director of Larry H.C. Tam & Associates Limited, a surveying, valuing and development consultancy company. Mr Tam started his professional career in Crown Lands & Survey Office of the Hong Kong Government (already consolidated into the Lands Department), in which he reached the rank of Acting Government Land Agent/Valuation in charge of the Valuation Branch of the said Office. He left the Government in 1981 and joined a property company as the general manager, and later set up his own practice as Larry H.C. Tam & Associates Limited. Mr Tam has extensive experience in all aspects of the land professional work both in government and in private practice. He was a member of the Town Planning Board and the Building Committee of the Housing Authority. Mr Tam is a fellow member of both the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors. He is also a Registered Professional Surveyor.

YEUNG Kwok Kwong, aged 52, has been a *Non-executive Director* of the Company since January 2002. He is also the managing director of Polytec Asset Holdings Limited, a separately listed subsidiary of the Company. Mr Yeung has over 25 years of experience in finance, accounting, financial and operational management and corporate planning. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Independent Non-executive Directors

LI Kwok Sing, Aubrey, aged 61, has been an *Independent Non-executive Director* of the Company since January 2002. Mr Li is the chairman of MCL Partners Limited, a Hong Kong based financial advisory and investment firm, and has over 35 years of experience in merchant banking and commercial banking. He was appointed as an independent non-executive director of Tai Ping Carpets International Limited (listed on the Stock Exchange of Hong Kong) in October 2010. He is also a non-executive director of The Bank of East Asia, Limited (listed on the Stock Exchange of Hong Kong) and an independent non-executive director of Café de Coral Holdings Limited, China Everbright International Limited, Kunlun Energy Company Limited (formerly known as CNPC (Hong Kong) Limited) and Pokfulam Development Company Limited (each of them is listed on the Stock Exchange of Hong Kong). Mr Li was the non-executive chairman of Atlantis Asian Recovery Fund plc, an independent non-executive director of ABC Communications (Holdings) Limited (listed on the Stock Exchange of Hong Kong). Mr Li holds a Master's degree in Business Administration from Columbia University and a Bachelor of Science degree in Civil Engineering from Brown University.

LOK Kung Chin, Hardy, aged 61, has been an *Independent Non-executive Director* of the Company since January 2002. He is the managing director of The Sun Company, Limited and has over 35 years of experience in building and engineering construction work. Mr Lok graduated in Civil Engineering from the University of Manchester Institute of Science & Technology. He is a member of both the Institution of Civil Engineers and the Hong Kong Institution of Engineers, and a fellow member of the Hong Kong Institute of Construction Managers.

SETO Gin Chung, John, aged 62, has been an *Independent Non-executive Director* of the Company since January 2002. He is a director of Pacific Eagle Asset Management Limited. He is appointed as a non-exeuctive director of Sateri Holdings Limited (listed on the Stock Exchange of Hong Kong) in October 2010. He is also an independent non-executive director of both China Everbright Limited and Hop Hing Group Holdings Limited, both are listed on the Stock Exchange of Hong Kong. He was a non-executive director of Hong Kong Exchanges and Clearing Limited from 2000 to 2003 and was the chief executive officer of HSBC Broking Services (Asia) Limited from 1982 to 2001. Mr Seto was a Council Member of The Stock Exchange of Hong Kong Limited from 1994 to 2000 and was the first vice chairman from 1997 to 2000. Mr Seto holds a Master of Business Administration degree from New York University and has over 35 years of experience in the securities and futures industry.

David John SHAW, aged 64, has been an *Independent Non-executive Director* of the Company since June 2007. He is employed by the HSBC Group as Adviser to the Board of HSBC Holdings plc, a London based appointment which he took up in June 1998. Mr Shaw is a non-executive director of HSBC Private Banking Holdings (Suisse) SA, HSBC Private Bank (Suisse) SA and HSBC Bank Bermuda Limited (formerly known as The Bank of Bermuda Limited), which are companies within HSBC Group. He is also an independent non-executive director of Shui On Land Limited (listed on the Stock Exchange of Hong Kong). Mr Shaw is a solicitor, admitted in England and Wales and in Hong Kong. He was a partner of Norton Rose from 1973 to 1998 and during that period spent approximately 20 years working in Hong Kong. Mr Shaw obtained a law degree from Cambridge University.

Senior Management

AU YEUNG Chi Hung, Alex, aged 51, is the *General Manager, Land and Business Development Department*. He has over 27 years' working experience in property development and large scale infrastructure projects in Hong Kong, Macau and Mainland China. Prior to joining the Company in 2002, he had been a general manager in a property development company for over 8 years. He now looks after various aspects of business and property development including land acquisition, joint venture agreement, rezoning, master planning, project management, marketing and construction supervision. He is a member of the Hong Kong Institution of Engineers.

CHAU Wing Hing, aged 61, is the *Property Director, China Project Department*. He joined the Company in July 2010. He has over 28 years solid experience in property development and construction field. Before joining the Company, he held management positions with a number of large property developers. Mr Chau graduated from department of infrastructure of Dongbei University of Finance and Economics (formerly named Liaoning University of Finance and Economics) with a Bachelor's degree in Economics.

CHEUNG Kin Hung, Grace, aged 38, is the *General Manager, Land and Business Development Department*. She joined the Company in 2008. She has over 15 years of experience in strategic land conversion, planning and development, land acquisition/merging, and financial planning for sizable property development and infrastructure projects in Hong Kong and Mainland China. She was previously director of professional firms and was the chief development manager and lands counsel of a listed enterprise. She holds a Bachelor of Science degree in Surveying from the University of Hong Kong and a Master of Science degree in Financial Management from the University of London. She is a member of both the Royal Institution of Chartered Surveyors and the Hong Kong Institute of Surveyors, a Registered Professional Surveyor (General Practice) and a Registered Business Valuer.

CHU Wai Lee, aged 61, is the *Human Resources and Administration Director*. She has over 30 years of experience in organisational development and human resources management for manufacturing, fast moving consumer goods and property development companies in Hong Kong, Mainland China, Asia, United Kingdom and North America. Prior to joining the Company in 2010, she was the Head of Human Resources of a property development company. She graduated from Carleton University in Canada with a Bachelor of Arts degree in Sociology. She is a professional member of the Hong Kong Institute of Human Resources Management.

LEE Kuen Chiu, aged 46, is the *Company Secretary*. He joined the Company in July 2010. He is well-experienced in the areas of corporate compliance and financial management. He holds a Master's degree in Business Administration, a Bachelor's degree in Laws and a Bachelor of Arts degree in Accountancy. He is a fellow member of the Association of Chartered Certified Accountants; an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

LEUNG Che Hung, Timothy, aged 49, is the *General Manager, China Project Department*. He has over 25 years of experience in toll highway construction and operation, land planning, development and sales in large scale infrastructure and property development projects in Hong Kong, Mainland China and Canada. Prior to joining the Company in 2008, he was a director of a property development company. He graduated from the University of Birmingham with a Bachelor's degree in Civil Engineering. He is a Chartered Engineer, a member of the Institution of Civil Engineers, the Institution of Structural Engineers and the Hong Kong Institution of Engineers.

LUI Shan Lai, aged 45, is the *General Manager, Finance Department*. She rejoined the Company in 1996 and had previously served the Company from 1990 to 1993. Prior to that, she worked with an international accounting firm for several years. She has over 20 years of experience in finance and accounting. She graduated from the University of Hong Kong with a Bachelor's degree in Social Sciences. She is an associate member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants and a member of CPA Australia.

WONG Kam Hung, Clement, aged 54, is the *Property Director, China Project Department and Property Development Department*. He joined the Company in September 2009. He has solid experience in the planning, development and construction of property projects in Mainland China and Hong Kong. Before joining the Company, he held management positions with large property developers. He graduated from the University of Hong Kong with a Bachelor of Science degree in Engineering. He is a member of the Hong Kong Institution of Engineers and the Chartered Institution of Building Services Engineers. He is also a Chartered Engineer registered with Engineering Council.

Corporate Governance Report

Code on Corporate Governance Practices

The Board is accountable to the Company's shareholders for good corporate governance. Accordingly, the Board has considered carefully the requirements of the Code of Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Listing Rules") and, as described below, has taken actions to further enhance corporate transparency and accountability.

We believe good corporate governance is also one of the critical factors for achieving sustainable long-term success. The corporate governance principles of the Company emphasise on the importance of a quality Board and accountability to shareholders. We will regularly review our corporate governance practices from time to time to ensure and maintain the long-term health of the Company.

Throughout the year ended 31 December 2010, the Company has complied with the code provisions of the Code of Corporate Governance Practices except Code Provision A.2.1 (which recommends the roles of the chairman and chief executive officer should be separate) as explained below.

Board of Directors

As at 31 December 2010, the Board comprises 11 members: 4 Executive Directors, being Mr Or Wai Sheun (Chairman), Ms Ng Chi Man, Mr Lai Ka Fai and Mr Or Pui Kwan; 3 Non-executive Directors, being Mr Keith Alan Holman (Deputy Chairman), Mr Tam Hee Chung and Mr Yeung Kwok Kwong; and 4 Independent Non-executive Directors, being Mr Li Kwok Sing, Aubrey, Mr Lok Kung Chin, Hardy, Mr Seto Gin Chung, John and Mr David John Shaw. Their biographical details which include relationships among members of the Board are set out on pages 32 to 34 of this annual report. In accordance with the Listing Rules, every Independent Non-executive Directors has provided an annual confirmation of his independence to the Company. The Company considers that they satisfy the independence requirements.

There has been no change in the composition of the Board during the year.

The Board is governed by the Companies Ordinance, the Listing Rules and the Memorandum and Articles of Association of the Company. The role of the Board is to provide strong guidance and oversight to Management in formulation of the overall strategic direction, monitor the performance of Management, and assure the best interests of the Company are being served. The day-to-day operational duties of the Board are delegated to Management to carry out but the Board takes ultimate responsibility.

The Company has arranged insurance cover in respect of legal action against its Directors. The insurance coverage is reviewed at least annually for ensuring that the Directors and officers are adequately protected against potential liabilities.

Chairman of the Board

Mr Or Wai Sheun, the Chairman, has performed the combined role as the chairman and the chief executive officer taking charge of overall operation of the Group. This combining of the roles enables the Company to make prompt and effective decisions. The Board will reassess the applicability of Code Provision A.2.1 if the existing approach cannot provide an optimal result given the particular structure of the Company.

Selection, Appointment and Re-election of Directors

The Board shall have power to appoint any person as a Director either to fill a vacancy or for expansion of the Board. The Company does not have a standing Nomination Committee focusing on Board membership criteria and selection. The Board may establish ad hoc independent committee to make recommendations to the Board for naming new members based on objective criteria, such as ability, knowledge, experience and the requirements of independence set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules.

Every existing Non-executive Directors was provided with a letter of appointment setting out his terms of appointment. The Company will adhere to this practice when a person is invited to be a Non-executive Director. In accordance with the Articles of Association, any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall be eligible for re-election. Other existing Directors shall be elected for a term of not more than three years since last election or re-election. Retiring Directors shall be eligible for re-election at the annual general meeting of the Company.

Operation of the Board

The Board is committed to ensuring appropriate corporate governance practices are in place. In ensuring proper ethical and responsible decision making, the Board has established a mechanism for formal review of particular aspect of the Company's affairs. Important decisions, including those may be expected to affect the long-term shareholder value, are made by the Board and applicable Board committees. Matters relating to remuneration of Directors and Senior Management, financial reporting and internal control are regularly reviewed by applicable Board committees (comprised of a substantial majority of independent Directors) which make recommendations to the Board.

The Board meets regularly. Four physical meetings were held during the year. Each Director is provided with the notice of meeting of not less than fourteen days, related Board papers and explanatory material for preview at least three days before the meeting. Draft minutes are to be sent out to Directors who are eligible to be counted in the quorum of a meeting for review prior to signing off by the Chairman. Copies of the signed minutes are to be sent to all Directors for records.

Directors have access to the Company Secretary and through him to such legal advice they may require. The Company Secretary has kept all the minutes of the Board and committee meetings.

Board Committees

There are three Board committees. They adopt formal terms of reference, which has included those specific duties in line with Code Provision B.1.3 (Remuneration Committee) and Code Provision C.3.3 (Audit Committee). These are available from the Company's website (www.kdc.com.hk) or the Company Secretary upon request.

Executive Committee	
Members:	Mr Or Wai Sheun (Chairman), Ms Ng Chi Man, Mr Lai Ka Fai, Mr Or Pui Kwan and Mr Yeung Kwok Kwong
Key responsibility:	Exercise all general powers of the Board, save and except for reserved matters

Audit Committee	
Members:	Mr Li Kwok Sing, Aubrey# (Chairman), Mr Lok Kung Chin, Hardy#, Mr Seto Gin Chung, John# and Mr Yeung Kwok Kwong
Key responsibility:	Assist the Board in considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's external auditors

Remuneration Committee	
Members:	Mr Seto Gin Chung, John# (Chairman), Mr Lai Ka Fai, Mr Li Kwok Sing, Aubrey# and Mr Lok Kung Chin, Hardy#
Key responsibility:	Assist the Board in providing appropriate input into the formulation of remuneration policy and reviewing the implementation of the remuneration policy

Independent Non-executive Director

Executive Committee

The Executive Committee comprises all Executive Directors and a Non-executive Director. The committee has delegated powers to exercise all the general powers save and except for the matters reserved to the Board. The committee meets frequently to manage the Company's business and review corporate policies and strategies.

Audit Committee

The Audit Committee meets at least two times per annum. Its responsibilities include reviewing, assessing and making recommendations to the Board on financial reporting, auditing and internal control matters and discuss with the auditors and Management on issues arising from the annual audit and/or interim review of accounts.

Three out of four Audit Committee members are independent Directors. The chairman of the committee possesses the relevant financial management expertise or experience. The committee members met three times during 2010. At the meetings held during the year, the work performed by Audit Committee included:

– performed reviews on the half yearly and annual results;
– performed reviews on financial and accounting policies and practices of the Group;
– performed reviews on the relationships with external auditors, including remuneration, independence, objectivity, effectiveness of the audit process and non-audit services; and
– performed reviews on the effectiveness of internal control system including risk management of investment activities, internal audit plan, adequacy of resources of Internal Audit Department and its Charter.

Remuneration Committee

The Remuneration Committee comprises four members, three of whom are independent Directors. The committee meets at least once per annum. In discharging their duties, they are required to review, assess and make recommendations to the Board on the remuneration policy and structure for all remuneration of Directors and Senior Management and determine the remuneration of Executive Directors and Senior Management. They met three times during 2010. At the meetings held during the year, the work performed by Remuneration Committee included:

– performed reviews on remuneration policy, organisational structure and human resources deployment;
– performed an annual review on remuneration of Executive Directors and Senior Management; and
– performed a review on directors' fees proposal submitted by Management.

Time Commitment

The Board is satisfied that each of the Non-executive Directors committed sufficient time during 2010 for the fulfillment of their duties as directors of the Company. The number of Board and committee meetings eligible for attendance and attended by each of the Directors during the year are set out below.

Board Members	Board Meetings	Remuneration Committee Meetings	Audit Committee Meetings
Executive Directors			
Mr Or Wai Sheun *(Chairman)*	4	–	–
Ms Ng Chi Man*	4	–	–
Mr Lai Ka Fai	4	3	–
Mr Or Pui Kwan*	4	–	–
Non-executive Directors			
Mr Keith Alan Holman *(Deputy Chairman)*	4	–	–
Mr Tam Hee Chung	3	–	–
Mr Yeung Kwok Kwong	4	–	3
Independent Non-executive Directors			
Mr Li Kwok Sing, Aubrey	4	3	3
Mr Lok Kung Chin, Hardy	4	3	3
Mr Seto Gin Chung, John	4	3	3
Mr David John Shaw	4	–	–
Total meetings held	**4**	**3**	**3**
Average Attendance Rate	**98%**	**100%**	**100%**

* Family members of Mr Or Wai Sheun

During 2010, independent Directors had also played vital monitoring roles in corporate transactions including the acquisition of Caspi Neft TME, a joint stock company registered under the laws of Kazakhstan which is engaged in the business of the production and exploration of oil from hydrocarbon deposits in Kazakhstan, by Power Mighty B.V., an indirect wholly-owned subsidiary of Polytec Asset, which is 73.4%-owned by the Company. The Board considers that independent Directors contribute significantly to the deliberations of the Board by virtue of independent judgement, expertise and experience.

Promote Ethical Decision Making

Each Director and employee is expected to adhere to high standard of ethical conduct and to be guided by two main principles: no insider dealing and avoid conflict of interests.

Securities Trading Policy

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (Appendix 10 to the Listing Rules) as a code of conduct regarding directors' securities transactions (the "Model Code"). All Directors confirmed in writing that they have complied with the Model Code throughout the year. The Company has also established written guidelines on employees' securities transactions. Relevant employees are required to obtain written preclearance before initiating a securities transaction during the black out period.

Act in the best interests of the Company

In connection with the actual or potential conflict of interests, each Director is required to disclose to the Board the existence of his financial interest and all material facts before a vote on the transaction. A Director having a material interest in the transaction shall not vote on that matter (or be counted in the quorum of that meeting) in accordance with the Company's Articles of Association. Each Director is also required to disclose to the Board if he has any business or interest in a business which competes with the business of the Company.

Polytec Holdings International Limited, a company ultimately and wholly-owned by a discretionary trust of which Mr Or Wai Sheun is the founder and the discretionary objects of the trust include his family members, is engaged in property investment and development business in Hong Kong, Macau and Mainland China. A right of first refusal in respect of properties or property projects that will be made available to it to acquire or participate in development in these regions has been granted in favour of the Group.

Remuneration Review

The Board is ultimately responsible for the Company's remuneration policy. The Remuneration Committee has delegated powers to recommend the policy and structure of all remuneration of Directors and Senior Management whilst ensuring no Director is involved in deciding his own remuneration.

In determining remuneration packages of Executive Directors and Senior Management, the committee is required to follow the remuneration policy of the Company that, among others, the remuneration should reflect performance and achievements with a view to attracting, motivating and retaining high performing individuals.

The Non-executive Directors shall be entitled to receive directors' fees as shall from time to time be determined by the Company in general meeting or, if authorised by shareholders, by the Board. The directors' fees for the year were determined after reviewing the pay levels of their peers in corporations of similar size and industry and having taken into account the prevailing market practice, workload, scale and complexity of the Company's business and the responsibility involved.

The emoluments of Directors and Management for the year are set out in note 5 on the accounts.

Accountability and Audit

The Board leads and maintains effective control over the Company's activities, with executive responsibility for the running of the Company's business being delegated to Management. The internal control system of the Company includes a defined management structure with authority limits, which help to ensure good practice and governance thereby aligning corporate objectives and safeguarding company assets.

Internal Controls

The Internal Audit Department is responsible to assess the effectiveness of the system of internal controls of all major projects and activities of the Group to ensure accuracy of financial reporting, compliance with laws and regulations and effective and efficient operations. The internal audit team has submitted to the Audit Committee its audit plan and is committed to review by stages of all material controls, including financial, operational and compliance controls and risk management functions. During the year, the Audit Committee members had two meetings with the Head of Internal Audit Department to discuss about the role, objectives, scope and job progress of internal audit functions.

The Board, through the Audit Committee and with the assessment performed by the Internal Audit Department, reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget at the Board meeting held in March 2011 and noted that the Company has been in compliance with the Code Provision for the year 2010.

Financial Reporting

The Directors acknowledge their responsibilities for keeping proper accounting records and prepare accounts for each financial year/period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year/period and of the profit and loss for the year/period. In preparing the accounts, the Directors have adopted all applicable Hong Kong Financial Reporting Standards in all material respects, selected appropriate accounting policies and then applied them consistently, made judgements and estimates that are fair and reasonable. The Directors use a going concern basis in preparing the accounts unless this is inappropriate.

The Company recognises that a clear, balanced and timely presentation of financial report is crucial in maintaining the confidence of stakeholders. Reasonable disclosure of Company's financial position and prospects are provided in the report. Annual and interim results are published within three and two months after the end of the relevant financial year/period respectively.

A statement of the Company's external auditor, about their reporting responsibilities is included in the Independent Auditor's Report on page 53 of the Annual Report.

External Auditors

External auditors performed some non-audit services during the year. Breakdown of their remuneration is set out below.

		2010 HK$'000
Audit services		4,130
Non-audit services		774
Tax and business advisory services	188	
Other services	586	

The Audit Committee discussed at least annually with the external auditors about their independence status to ensure they performed objectively. External auditors confirmed in writing of their independence.

Shareholder Relations

The general meeting of the Company provides a forum for effective communication with shareholders. The Chairmen of the Board and its committees or, if he cannot present, fellow Directors are available to answer questions at the general meetings.

During the year, members of the Board meet and communicated with shareholders at the annual general meeting and the notice of annual general meeting is distributed to all shareholders not less than 20 clear business days. At the meeting, the Chairman demanded for a poll and the Company's share registrars was appointed as scrutineer for the vote-taking.

The Company's website (www.kdc.com.hk) serves as a communication tool, company information including corporate profile, governance, announcements, business news and financial reports are available to the public.

Other Information

Corporate Citizenship

The Company is committed to enhance corporate citizenship and has become a corporate member of WWF-Hong Kong since 2007 and continues to support their conservation and education work. Besides making charitable donations, we have also taken part in the programme held by Community Chest such as "Dress Special Day".

Besides, the Company was awarded "Caring Company" 2010/11 by The Hong Kong Council of Social Service in recognition of our achievement in corporate social responsibility.

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited statement of accounts for the year ended 31 December 2010.

Principal Place of Business

The Company is incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 23rd Floor, Pioneer Centre, 750 Nathan Road, Kowloon, Hong Kong.

Principal Activities

The principal activities of the Company are property development and investment and the holding of investments. The principal activities and particulars of its principal subsidiaries are set out in note 30 on the accounts.

Accounts

The profit of the Group 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 accounts on pages 54 to 128.

Dividends

An interim dividend of HK$0.20 per share (2009: HK$0.20 per share) was paid on 15 October 2010. The Directors now recommend that a final dividend of HK$0.32 per share (2009: HK$0.32 per share) be paid in respect of the year ended 31 December 2010.

Share Capital

Movements in share capital during the year are set out in note 25(b) on the accounts.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2010.

Reserves

Movements in reserves during the year are set out in the consolidated statement of changes in equity.

Fixed Assets

Movements in fixed assets during the year are set out in note 11 on the accounts.

Oil Reserve

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

Bank Loans and Other Borrowings

Particulars of bank loans and other borrowings of the Company and of the Group as at 31 December 2010 are set out in notes 12, 22, 23 and 24 on the accounts.

Finance Costs Capitalised

The amount of finance costs capitalised by the Group during the year is set out in note 4(c) on the accounts.

Donations

Charitable donations made by the Group during the year amounted to HK$324,275 (2009: HK$106,400).

Properties

Particulars of major properties and property interests of the Group are shown on pages 129 to 132 of the Annual Report.

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 6 and 7 of the Annual Report.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Directors

The Directors during the year and up to the date of this report are:

Mr Or Wai Sheun, *Chairman*
Mr Keith Alan Holman, *Deputy Chairman*
Ms Ng Chi Man, *Executive Director*
Mr Lai Ka Fai, *Executive Director*
Mr Or Pui Kwan, *Executive Director*
Mr Tam Hee Chung, *Non-executive Director*
Mr Yeung Kwok Kwong, *Non-executive Director*
Mr Li Kwok Sing, Aubrey, *Independent Non-executive Director*
Mr Lok Kung Chin, Hardy, *Independent Non-executive Director*
Mr Seto Gin Chung, John, *Independent Non-executive Director*
Mr David John Shaw, *Independent Non-executive Director*

In accordance with Article 105 of the Articles of Association of the Company, Mr Lai Ka Fai, Mr Tam Hee Chung, Mr Yeung Kwok Kwong and Mr David John Shaw, will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Particulars of the Directors' emoluments, disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 of the Listing Rules, are set out in note 5(a) on the accounts.

Brief biographical particulars of all Directors are given on pages 32 to 34 of the Annual Report.

Director's Service Contracts

None of the Directors seeking re-election at the forthcoming Annual General Meeting has a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Directors' Interests and Short Positions

As at 31 December 2010, the interests of the Directors in the shares of the Company and Polytec Asset Holdings Limited ("Polytec Asset") as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (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, are set out below.

1 Long positions in the shares of the Company

Name	Nature of interests	Number of shares	Percentage of shareholding (Note 1)	Note
Or Wai Sheun	Founder and beneficiary of a trust	823,160,124		2
	Corporate	277,500		3
		823,437,624	71.56%	
Ng Chi Man	Beneficiary of a trust	823,160,124	71.54%	2
Or Pui Kwan	Beneficiary of a trust	823,160,124		2
	Personal	43,500		
		823,203,624	71.54%	
Lok Kung Chin, Hardy	Founder and beneficiary of a trust	1,425,000	0.12%	4
Lai Ka Fai	Personal	701,000	0.06%	
Keith Alan Holman	Personal	567,000	0.05%	
Tam Hee Chung	Personal	300,000	0.03%	
David John Shaw	Personal	133,500		
	Family	67,000		5
		200,500	0.02%	
Yeung Kwok Kwong	Personal	165,000	0.01%	

2 Long Positions in the shares of Polytec Asset

Name	Nature of interest	Number of ordinary shares	Percentage of shareholding (Note 6)	Note
Or Wai Sheun	Founder and beneficiary of a trust	3,260,004,812	73.44%	7
Ng Chi Man	Beneficiary of a trust	3,260,004,812	73.44%	7
Or Pui Kwan	Beneficiary of a trust	3,260,004,812	73.44%	7
Yeung Kwok Kwong	Personal	2,000,000	0.05%	
Tam Hee Chung	Personal	1,100,000	0.02%	
Keith Alan Holman	Personal	722,000	0.02%	
Lai Ka Fai	Personal	430,000	0.01%	

Notes:

(1) The percentage of shareholding is calculated based on 1,150,681,275 shares, being the total number of issued shares of the Company as at 31 December 2010.

(2) Such interest in shares is held by Intellinsight Holdings Limited, a wholly-owned subsidiary of Polytec Holdings International Limited ("Polytec Holdings") which is ultimately wholly-owned by a discretionary trust, the trustee of which is Or Family Trustee Limited Inc. The said trust is in turn wholly-owned by another discretionary trust, the trustee of which is HSBC International Trustee Limited.

As Mr Or Wai Sheun is the founder of the trust and the discretionary objects of the trust include Mr Or Wai Sheun, Ms Ng Chi Man (his wife) and Mr Or Pui Kwan (his son), they are taken to be interested in the same block of shares held by the trust.

(3) Such interest in shares is held by China Dragon Limited which is wholly-owned by Mr Or Wai Sheun.

(4) Such interest in shares is owned by discretionary trusts of which Mr Lok Kung Chin, Hardy is the founder and a beneficiary respectively.

(5) Such interest in shares is held by the spouse of Mr David John Shaw.

(6) The percentage of shareholding is calculated based on 4,438,967,838 shares, being the total number of issued ordinary shares of Polytec Asset as at 31 December 2010. Polytec Asset is an associated corporation of the Company.

(7) The three references to 3,260,004,812 shares in Polytec Asset relate to the same block of shares beneficially held by Marble King International Limited, a wholly-owned subsidiary of the Company. By virtue of the deemed interest in the shares of the Company as described in note (2) above, Mr Or Wai Sheun, Ms Ng Chi Man and Mr Or Pui Kwan are taken to be interested in the shares of Polytec Asset.

Save as disclosed above, as at 31 December 2010, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests

As at 31 December 2010, shareholders (other than Directors and the chief executive of the Company) who had interests or short positions in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO are set out below :

Name	Nature of interests	Number of shares	Percentage of shareholding (Note 1)	Note
HSBC International Trustee Limited	Trustee	817,124,474	71.01%	2
Or Family Trustee Limited Inc.	Trustee	817,030,124	71.00%	3

Notes:

(1) The percentage of shareholding is calculated based on 1,150,681,275 shares, being the total number of issued shares of the Company as at 31 December 2010.

(2) Based on information available to the Company and subsequent to the recording in the register as required by SFO set out in the table above, there were share movements which were not required to disclose under SFO as at 31 December 2010. HSBC International Trustee Limited was then taken to be interested in 825,474,474 shares of the Company. Such interest included the shares owned by a family trust as explained in note (2) under the section headed "Directors' Interests and Short Positions".

(3) Based on information available to the Company and subsequent to the recording in the register as required by SFO set out in the table above, there were share movements which were not required to disclose under SFO as at 31 December 2010. Or Family Trustee Limited Inc. was then taken to be interested in 823,160,124 shares of the Company by virtue of being the trustee of a family trust as explained in note (2) under the section head "Directors' Interests and Short Positions".

All the interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, as at 31 December 2010, the Company has not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Interests in Contracts and Connected Transactions

During the year, the Group did not have any connected transactions which were subject to the reporting requirements under Chapter 14A of the Listing Rules. Save as the section headed "Material Related Party Transactions" as set out in note 32 on the accounts, none of the Directors of the Company was materially interested in any contract or arrangement entered into by the Company, its subsidiaries or holding companies or its fellow subsidiaries which contract or arrangement subsisted at the balance sheet date or at any time during the year and which was significant in relation to the business of the Company and its subsidiaries.

Disclosure pursuant to Rule 13.21 of the Listing Rules

On 22 January 2010, the Company as borrower entered into the loan agreement (the "Loan Agreement") with a bank as lender for term loan and revolving loan facilities of up to HK$2,568 million for the purposes of refinancing the pre-existing loan made by the bank and financing the general working capital of the Company. The final maturity date of the loans thereunder shall be on the date falling twelve months from 22 January 2010.

The Loan Agreement provides that it would constitute an event of default if the shareholding of Polytec Holdings, or through its subsidiaries, in the Company falls below 51%. After the happening of the event of default, the bank may declare that the indebtedness or any part thereof has become immediately due and payable.

After the final maturity date of the above loans on 21 January 2011, the Company had no more disclosure obligation pursuant to Rule 13.21 of the Listing Rules.

Share Option Scheme

On 21 May 2003 (the "Adoption Date"), a Share Option Scheme of the Company was adopted. The Share Option Scheme has a life of 10 years until 20 May 2013. No share options were granted following the Adoption Date. The total number of shares available for issue thereunder is 48,376,785 shares, representing 10% of the total number of shares of the Company in issue as at the Adoption Date or 4.2% of the total number of shares of the Company in issue as at the date of this report.

Persons who are eligible for joining the Share Option Scheme include employees, directors, suppliers, customers, business partners, business associates, trading agents, consultants, advisers, and holders of any securities (issued by any member of the Group or its invested entities) of any member of the Group and its invested entities who, in the discretion of the Directors, has contributed or will contribute to the growth and development of the Group or its invested entities. Under the Share Option Scheme, the Board may grant options to the selected eligible persons to subscribe for shares of the Company for the purposes of providing incentives and rewards to them for the long-term success of the Group.

Unless otherwise approved by the Company's shareholders in a general meeting, the maximum number of shares issued and to be issued upon exercise of share options granted to an eligible person in any 12-month period up to the date of grant shall not exceed 1% of the issued shares of the Company. Share options to be granted to a Director, the chief executive or a substantial shareholder of the Company (or any of their respective associates) are subject to approval by the dis-interested independent Directors. Besides, shareholders' approval is required if any grant of share options to an independent Director or a substantial shareholder of the Company (or their respective associates), when aggregated with all share options already granted to such person during the 12-month period up to the date of grant, in excess of 0.1% of the issued shares of the Company and with an aggregate value in excess of HK$5 million. Share options, if granted, are exercisable during a period of not more than 10 years.

Upon acceptance of the share option, the grantee shall pay HK$1 to the Company as a consideration for the grant. The exercise price for the shares in respect of option granted under the Share Option Scheme will be determined based on the higher of: (i) the closing price of the shares of the Company on the date of grant; (ii) the average of the closing prices of the shares of the Company for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of the shares of the Company.

Retirement Schemes

Particulars of the retirement schemes operated by the Group are set out in note 31 on the accounts.

Arrangement to Purchase Shares and Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangements which enabled any Directors of the Company to acquire benefits by means of acquisition of shares in, or debenture of, the Company or any other body corporate.

Corporate Governance

Principal corporate governance practices of the Company are set out in the Corporate Governance Report on pages 36 to 43 of the Annual Report.

Review of Accounts

The Audit Committee has reviewed the Group's consolidated accounts for the year ended 31 December 2010, including the accounting principles and practices adopted by the Group, in conjunction with the Company's auditors.

Public Float

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

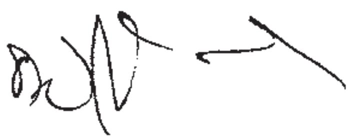
Closure of Register of Members

The Register of Members of the Company will be closed from Tuesday, 5 July, 2011 to Wednesday, 6 July 2011, both dates inclusive. During which period, no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars for registration not later than 4:30 pm on Monday, 4 July 2011.

Auditors

KPMG retire and, being eligible, offer themselves for reappointment. A resolution for the reappointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



Or Wai Sheun
Chairman

Hong Kong, 30 March 2011

Independent Auditor's Report

Independent auditor's report to the shareholders of
Kowloon Development Company Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of Kowloon Development Company Limited (the "Company") and its subsidiaries ("the Group") set out on pages 54 to 128, which comprise the consolidated and Company 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 accounts

The directors of the Company are responsible for the preparation of 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 Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated accounts 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 accounts based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated accounts, 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 accounts 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 accounts.

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

Opinion

In our opinion, the consolidated accounts 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 Hong Kong Companies Ordinance.

KPMG

KPMG
Certified Public Accountants
8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

Hong Kong, 30 March 2011

Consolidated Income Statement

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	**2010 $'000**	2009 $'000 (restated)
Turnover	3	**1,268,722**	1,985,304
Cost of sales		**(765,500)**	(534,683)
Other revenue	4(a)	**31,791**	57,062
Other net income	4(b)	**189,494**	152,566
Depreciation and amortisation		**(11,000)**	(11,288)
Staff costs		**(116,878)**	(111,304)
Other operating expenses		**(100,158)**	(72,251)
Impairment loss on properties written back	4(e)	**154,770**	12,170
Fair value changes on investment properties	11	**1,421,148**	72,357
Profit from operations		**2,072,389**	1,549,933
Finance costs	4(c)	**(20,207)**	(23,154)
Share of profits of associated companies	4(f)	**2,596**	2,370
Share of profits of jointly controlled entities	4(g)	**218,360**	38,235
Profit before taxation	4	**2,273,138**	1,567,384
Income tax	6(a)	**(75,290)**	(99,809)
Profit for the year		**2,197,848**	1,467,575
Attributable to:			
Shareholders of the Company	7	**2,127,883**	1,227,613
Non-controlling interests		**69,965**	239,962
Profit for the year		**2,197,848**	1,467,575
Earnings per share – Basic/Diluted	8	**$1.85**	$1.07

The notes on pages 61 to 128 form part of these accounts.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	2010 $'000	2009 $'000 (restated)
Profit for the year	**2,197,848**	1,467,575
Other comprehensive income for the year		
Exchange differences on translation of accounts of overseas subsidiaries	**70,408**	3,495
Realisation of exchange differences upon disposal of interest in a subsidiary	**(1,994)**	(21,520)
Changes in fair value of available-for-sale investments	**2,169**	(6,585)
Changes in fair value of interests in property development	**56,524**	(134,112)
Impairment loss on available-for-sale investments transferred to income statement	**–**	9,078
Transfer to income statement upon recognition from interests in property development	**–**	(751,168)
Share of other comprehensive income of jointly controlled entities and associated companies	**76,020**	538
	203,127	(900,274)
Total comprehensive income for the year	**2,400,975**	567,301
Attributable to:		
Shareholders of the Company	**2,314,767**	593,864
Non-controlling interests	**86,208**	(26,563)
Total comprehensive income for the year	**2,400,975**	567,301

The notes on pages 61 to 128 form part of these accounts.

Consolidated Balance Sheet

at 31 December 2010
(Expressed in Hong Kong dollars)

	Note	At 31 December 2010 $'000	At 31 December 2010 $'000	At 31 December 2009 $'000 (restated)	At 31 December 2009 $'000 (restated)	At 1 January 2009 $'000 (restated)	At 1 January 2009 $'000 (restated)
Non-current assets							
Fixed assets							
– Investment properties			**7,411,650**		6,108,010		6,027,990
– Leasehold land held for own use			**235,568**		239,431		245,961
– Other property, plant and equipment			**1,106,773**		38,616		41,725
	11		**8,753,991**		6,386,057		6,315,676
Oil exploitation assets	13		**123,144**		–		–
Interests in property development	14		**10,173,404**		10,116,880		10,251,062
Interest in jointly controlled entities	15		**1,541,645**		1,298,998		1,259,935
Interest in associated companies	16		**1,675,361**		1,286,726		7,584
Financial investments	17		**29,346**		27,096		33,681
Loans and advances			**3,717**		9,338		14,085
Other deposit			**2,527**		–		–
Deferred tax assets	10(a)		**7,464**		31,132		31,711
			22,310,599		19,156,227		17,913,734
Current assets							
Inventories	18	**7,487,859**		7,067,026		5,854,969	
Interests in property development		**–**		–		1,601,329	
Trade and other receivables	19	**185,212**		169,622		2,196,512	
Loans and advances		**19,043**		31,322		42,407	
Amounts due from jointly controlled entities	15	**154,278**		210,822		997,314	
Derivative financial instrument	20	**–**		7,800		–	
Financial investments	17	**104,594**		80,016		202,176	
Time deposits (pledged)	29	**15,000**		15,000		18,810	
Cash and cash equivalents		**719,684**		575,237		967,499	
		8,685,670		8,156,845		11,881,016	
Current liabilities							
Trade and other payables	21	**1,273,187**		1,061,330		2,676,052	
Amount payable to ultimate holding company	22	**–**		766,506		1,380	
Amount due to a jointly controlled entity	15	**554,448**		–		–	
Amounts due to holders of non-controlling interests		**–**		–		461,158	
Derivative financial instruments		**–**		–		45,526	
Bank loans	24	**3,855,500**		3,117,500		1,166,000	
Current taxation		**298,465**		274,121		398,870	
		5,981,600		5,219,457		4,748,986	
Net current assets			**2,704,070**		2,937,388		7,132,030
Total assets less current liabilities			**25,014,669**		22,093,615		25,045,764

	Note	At 31 December 2010 $'000	$'000	At 31 December 2009 $'000 (restated)	$'000 (restated)	At 1 January 2009 $'000 (restated)	$'000 (restated)
Non-current liabilities							
Loan from ultimate holding company	23	**896,569**		1,200,559		2,473,789	
Amount payable to ultimate holding company	22	**627,901**		566,374		686,497	
Bank loans	24	**1,660,447**		150,000		1,862,000	
Other payables		**46,872**		–		–	
Deferred tax liabilities	10(a)	**303,170**		347,237		189,674	
			3,534,959		2,264,170		5,211,960
NET ASSETS			**21,479,710**		19,829,445		19,833,804
Capital and reserves							
Share capital	25(b)		**115,068**		115,068		115,068
Reserves			**18,473,255**		16,756,842		16,623,250
Total equity attributable to the shareholders of the Company			**18,588,323**		16,871,910		16,738,318
Non-controlling interests			**2,891,387**		2,957,535		3,095,486
TOTAL EQUITY			**21,479,710**		19,829,445		19,833,804

Approved and authorised for issue by the board of directors on 30 March 2011.

Or Wai Sheun
Director

Lai Ka Fai
Director

The notes on pages 61 to 128 form part of these accounts.

Balance Sheet

at 31 December 2010
(Expressed in Hong Kong dollars)

	Note	**At 31 December 2010** **$'000**	**$'000**	At 31 December 2009 $'000 (restated)	$'000 (restated)	At 1 January 2009 $'000 (restated)	$'000 (restated)
Non-current assets							
Fixed assets							
– Investment properties			**5,400,000**		4,318,000		4,267,000
– Other property, plant and equipment			**3,182**		3,572		4,168
	11		**5,403,182**		4,321,572		4,271,168
Interest in subsidiaries	12		**9,456,435**		10,230,294		10,828,434
Interest in a jointly controlled entity	15		**584,079**		584,079		584,079
Interest in an associated company	16		**1,557,963**		1,219,366		–
			17,001,659		16,355,311		15,683,681
Current assets							
Trade and other receivables	19	**25,280**		12,758		319,651	
Amount due from a jointly controlled entity	15	**–**		31,835		383,700	
Cash and cash equivalents		**199,087**		246,916		540,704	
		224,367		291,509		1,244,055	
Current liabilities							
Trade and other payables	21	**95,789**		103,114		84,060	
Amount payable to ultimate holding company	22	**–**		766,506		1,380	
Amount due to a jointly controlled entity	15	**554,448**		–		–	
Bank loans	24	**2,158,000**		2,100,000		255,000	
Current taxation		**19,454**		15,865		3,496	
		2,827,691		2,985,485		343,936	
Net current (liabilities)/assets			**(2,603,324)**		(2,693,976)		900,119
Total assets less current liabilities			**14,398,335**		13,661,335		16,583,800
Non-current liabilities							
Loan from ultimate holding company	23	**896,569**		1,200,559		2,473,789	
Bank loans		**–**		–		1,862,000	
Deferred tax liabilities	10(a)	**30,312**		27,922		25,549	
			926,881		1,228,481		4,361,338
NET ASSETS			**13,471,454**		12,432,854		12,222,462
Capital and reserves							
Share capital			**115,068**		115,068		115,068
Reserves			**13,356,386**		12,317,786		12,107,394
TOTAL EQUITY	25		**13,471,454**		12,432,854		12,222,462

Approved and authorised for issue by the board of directors on 30 March 2011.

Or Wai Sheun
Director

Lai Ka Fai
Director

The notes on pages 61 to 128 form part of these accounts.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Attributable to shareholders of the Company								
	Share capital $'000	Share premium $'000	Capital reserve $'000	Fair value reserves $'000	Exchange reserves $'000	Retained profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2009	115,068	8,302,404	2,154	2,257,976	331,702	5,005,370	16,014,674	3,089,767	19,104,441
Impact of change in accounting policy	–	–	–	–	–	723,644	723,644	5,719	729,363
At 1 January 2009 (restated)	115,068	8,302,404	2,154	2,257,976	331,702	5,729,014	16,738,318	3,095,486	19,833,804
Changes in equity for 2009									
Profit for the year	–	–	–	–	–	1,227,613	1,227,613	239,962	1,467,575
Other comprehensive income	–	–	–	(615,403)	(18,346)	–	(633,749)	(266,525)	(900,274)
Total comprehensive income	–	–	–	(615,403)	(18,346)	1,227,613	593,864	(26,563)	567,301
Dividends approved in respect of the previous year	–	–	–	–	–	(230,136)	(230,136)	–	(230,136)
Dividends approved in respect of the current year	–	–	–	–	–	(230,136)	(230,136)	–	(230,136)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	(25,939)	(25,939)
Decrease in loans from holders of non-controlling interests	–	–	–	–	–	–	–	(33,423)	(33,423)
Decrease in non-controlling interests upon disposal of a subsidiary	–	–	–	–	–	–	–	(52,026)	(52,026)
At 31 December 2009 (restated)	115,068	8,302,404	2,154	1,642,573	313,356	6,496,355	16,871,910	2,957,535	19,829,445
At 1 January 2010 (restated)	**115,068**	**8,302,404**	**2,154**	**1,642,573**	**313,356**	**6,496,355**	**16,871,910**	**2,957,535**	**19,829,445**
Changes in equity for 2010									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**2,127,883**	**2,127,883**	**69,965**	**2,197,848**
Other comprehensive income	**–**	**–**	**–**	**43,679**	**143,205**	**–**	**186,884**	**16,243**	**203,127**
Total comprehensive income	**–**	**–**	**–**	**43,679**	**143,205**	**2,127,883**	**2,314,767**	**86,208**	**2,400,975**
Dividends approved in respect of the previous year	**–**	**–**	**–**	**–**	**–**	**(368,218)**	**(368,218)**	**–**	**(368,218)**
Dividends approved in respect of the current year	**–**	**–**	**–**	**–**	**–**	**(230,136)**	**(230,136)**	**–**	**(230,136)**
Dividend paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(34,145)**	**(34,145)**
Decrease in loans from holders of non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(115,293)**	**(115,293)**
Decrease in non-controlling interests attributable to an increase in shareholding of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(78)**	**(78)**
Decrease in non-controlling interests upon disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,840)**	**(2,840)**
At 31 December 2010	**115,068**	**8,302,404**	**2,154**	**1,686,252**	**456,561**	**8,025,884**	**18,588,323**	**2,891,387**	**21,479,710**

As at 31 December 2010, loans from holders of non-controlling interests of $53,139,000 (2009: $168,432,000) are classified as equity being the capital contributions on subsidiaries by the non-controlling interests.

The notes on pages 61 to 128 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000 (restated)
Net cash from operating activities	26(a)	**809,651**	1,500,800
Investing activities			
Sale of fixed assets		**224**	43
Sale of investment properties		**270,838**	–
Additions to fixed assets and properties		**(34,497)**	(10,063)
Increase in loan to an associated company		**(338,597)**	(445,920)
Increase in loan from an associated company		**3,117**	–
Dividend received from an associated company		**1,176**	–
Acquisition of subsidiaries	26(b)	**(1,061,407)**	(85,858)
Disposal of interest in a subsidiary	26(c)	**–**	303,111
Acquisition of derivative financial instruments		**–**	(7,800)
Net cash used in investing activities		**(1,159,146)**	(246,487)
Financing activities			
Increase in bank loans		**2,248,447**	239,500
Decrease in loan from ultimate holding company		**(303,990)**	(1,273,230)
Decrease in loans from holders of non-controlling interests		**(115,293)**	(33,423)
Decrease in amount payable to ultimate holding company		**(704,979)**	(95,339)
Dividend paid to shareholders of the Company		**(597,930)**	(459,868)
Dividend paid to non-controlling interests		**(34,145)**	(25,939)
Net cash from/(used in) financing activities		**492,110**	(1,648,299)
Net increase/(decrease) in cash and cash equivalents		**142,615**	(393,986)
Cash and cash equivalents at 1 January		**575,237**	967,499
Effect of foreign exchange rate changes		**1,832**	1,724
Cash and cash equivalents at 31 December		**719,684**	575,237
Analysis of balances of cash and cash equivalents at 31 December			
Deposits with banks and other financial institutions		**155,241**	230
Cash at bank and in hand		**564,443**	575,007
		719,684	575,237

The notes on pages 61 to 128 form part of these accounts.

Notes on the Accounts

(Expressed in Hong Kong dollars)

1 Significant accounting policies

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these accounts.

(b) Measurement basis

The measurement basis used in the preparation of the accounts is the historical cost basis except for the investment properties, interests in property development, derivative financial instruments and financial instruments classified as held for trading and available-for-sale investments, which are measured at fair values, as explained in the accounting policies set out below.

The preparation of the accounts 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 accounts, are disclosed in note 33.

(c) Basis of consolidation

The consolidated accounts include the accounts of Kowloon Development Company Limited and all of its subsidiaries made up to 31 December, together with the Group's share of the results for the year and net assets of its associated companies and jointly controlled entities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from or to the date of their acquisition or disposal, as appropriate. All material intercompany transactions and balances are eliminated on consolidation.

1 Significant accounting policies *(Continued)*

(d) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest (previously known as "minority interests") in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in the income statement as a gain from a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1 (q)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Interest in subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the 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.

An investment in a subsidiary is consolidated into the consolidated accounts from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders 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 shareholders of the Company.

1 Significant accounting policies *(Continued)*

(e) Interest in subsidiaries and non-controlling interests *(Continued)*

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 that subsidiary, with a resulting gain or loss being recognised in the income statement. 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 of a financial asset (see note 1(l)) or, when appropriate, the cost on initial recognition of an investment in an associated company or jointly controlled entity (see note 1(f) and (g)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any 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.

(f) Interest in associated companies

An associated company is a company in which the Group has significant influence, but not control, over its management, including participation in the financial and operating policy decisions.

An investment in an associated company is accounted for in the consolidated accounts under the equity method unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the associated company's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition changes in the Group's share of the associated company's net assets and any impairment losses relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the associated company and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the associated company's other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group ceases to have significiant influence over an associated company, it is accounted for as a disposal of the entire interest in that associated company, with a resulting gain or loss being recognised in the income statement. Any interest retained in that former associated company at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1 (l)).

1 Significant accounting policies *(Continued)*

(f) Interest in associated companies *(Continued)*

In the Company's balance sheet, an investment in an associated company is stated at cost less impairment losses, unless the investment is classified as held for sale. The results of associated companies are included in the Company's income statement to the extent of dividends received and receivable, providing the dividend is in respect of a period ending on or before that of the Company and the Company's right to receive the dividend is established as at the balance sheet date.

(g) Interest in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control.

Jointly controlled assets are assets of a joint venture over which the Group has joint control with other venturers in accordance with contractual arrangements and through the joint control of which the Group has control over its share of future economic benefits earned from the assets. The Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the balance sheet and classified according to their nature. Liabilities and expenses incurred directly in respect of its interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of the jointly controlled assets, together with its share of any expenses incurred by the joint ventures, are recognised in the income statement when it is probable that the economic benefits associated with the transactions will flow to or from the Group.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and other parties share joint control over the economic activity of the entity. An investment in a jointly controlled entity is accounted for in the consolidated accounts under the equity method, unless the interest in a jointly controlled entity is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the jointly controlled entity's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the jointly controlled entity's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the jointly controlled entities and any impairment loss for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the jointly controlled entities' other comprehensive income is recognised in the consolidated statement of comprehensive income.

1 Significant accounting policies *(Continued)*

(g) Interest in joint ventures *(Continued)*

When the Group ceases to have joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that jointly controlled entity, with a resulting gain or loss being recognised in the income statement. Any interest retained in that former jointly controlled entity at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1 (l)) or, when appropriate, the cost on initial recognition of an investment in an associated company (see note 1(f)).

In the Company's balance sheet, an investment in a jointly controlled entity is stated at cost less impairment losses, unless the investment is classified as held for sale. The results of jointly controlled entities are included in the Company's income statement to the extent of dividends received and receivable, providing the dividend is in respect of a period ending on or before that of the Company and the Company's right to receive the dividend is established as at the balance sheet date.

(h) Properties

(i) Investment properties

Investment properties are land and/or buildings held under leasehold interest to earn long-term rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. They have been valued annually by an independent firm of professional valuers on a market value basis. Investment properties are stated in the balance sheet at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair values cannot be reliably determined at that time. All changes in fair value of investment properties are recognised directly in the income statement.

(ii) Land held for future development

Land held for future development is stated at the lower of cost and the estimated net realisable value. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

(iii) Interests in property development

Interests in property development are stated at fair value. Changes in fair value are recognised 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 is transferred to the income statement for the period in which the impairment is identified. Any reversal of impairment losses are recognised in the income statement. 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 previously recognised directly in equity is recognised in the income statement.

1 Significant accounting policies *(Continued)*

(h) Properties *(Continued)*

(iv) Properties under development

Properties under development are stated at the lower of cost and the estimated net realisable value. The cost comprises the acquisition cost of land, borrowing costs capitalised, aggregate costs of development, materials and supplies, wages and other direct expenses. Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the properties.

(v) Properties held for sale

Properties held for sale are stated at the lower of cost and the estimated net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the properties.

(vi) Leasehold land and buildings held for own use

Leasehold land held for own use is stated at cost less accumulated depreciation and impairment losses.

Leasehold buildings held for own use which are situated on leasehold land classified as held under operating lease are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(i) 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.

(j) 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 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.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts.

1 Significant accounting policies *(Continued)*

(l) Financial assets

The Group's and the Company's policies for financial assets, other than investments in subsidiaries, associated companies and jointly controlled entities, are as follows:

Financial assets are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated. These assets are subsequently accounted for as follows, depending on their classification:

Financial investments held for trading are classified as current assets. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in the income statement. The net gain or loss recognised in the income statement does not include any dividends or interest earned on these investments as they are recognised in accordance with the policies set out in note 1(s)(vi) and (vii).

Dated debt securities that the Group have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

Financial assets which do not fall into any of the above categories are classified as available-for-sale investments. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except for impairment losses. Income from these investments is recognised in the income statement in accordance with the policies set out in note 1(s)(iii) and (vi) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in the income statement in accordance with the policy set out in note 1(s)(vii). When these investments are derecognised or impaired, the cumulative gain or loss is reclassified from equity to the income statement.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in the income statement, except where the derivatives qualify for cash flow hedge accounting. Where a derivative financial instrument qualifies for hedge accounting and is designated as a cash flow hedge, the effective part of any unrealised gains or losses on the instrument are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gains or losses are recognised immediately in the income statement. The cumulative gain or loss associated with the effective part of cash flow hedge is reclassified from equity to the income statement in the same period or periods during which the gain or loss arising from the hedged transaction is recognised in the income statement.

1 Significant accounting policies *(Continued)*

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) 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.

(o) Borrowings

Borrowings are recognised initially at fair value and subsequently stated at amortised cost. Any difference between the amount initially recognised and the redemption value is amortised to the income statement or cost of the qualifying assets over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Borrowings costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to prepare for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development costs financed out of general working capital, to the average rate thereof.

(p) Depreciation and amortisation

(i) Leasehold land and buildings

Leasehold land and buildings are stated at cost less accumulated depreciation and impairment losses. Leasehold land is depreciated over the remaining term of the leases. Buildings and improvements thereto are depreciated over the shorter of their useful lives and the unexpired terms of the leases.

(ii) Oil production assets

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.

1 Significant accounting policies *(Continued)*

(p) Depreciation and amortisation *(Continued)*

(iii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line method to write off the assets over their estimated useful lives as follows:

– Air conditioning plant, plant and machinery, lifts and escalators	5 to 10 years
– Furniture and fixtures, motor vehicles, electronic data processing equipment and others	2 to 5 years

(q) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (if any).

An impairment loss is charged to the income statement immediately unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment was recognised, the reversal of the impairment loss is recognised as follows:

(i) Financial assets

– For unquoted equity investments, impairment loss is not reversed in subsequent periods.

– For financial assets carried at amortised cost, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

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

– For available-for-sale debt investments, reversal of an impairment loss is recognised in the income statement.

1 Significant accounting policies *(Continued)*

(q) Impairment of assets *(Continued)*

(ii) Other assets

- An impairment loss on goodwill is not reversed in subsequent periods.

- A reversal of an impairment loss on other assets is credited to the income statement immediately unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. A reversal of the impairment loss is limited to the asset's carrying value (net of accumulated amortisation or depreciation) that would have been determined had no impairment loss been recognised in prior years.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, "Interim financial reporting", in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity investments and unquoted equity investments carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity investment increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not the income statement.

(r) 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 the income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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.

1 Significant accounting policies *(Continued)*

(r) Income tax *(Continued)*

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(h)(i), 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.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

(s) Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

1 Significant accounting policies *(Continued)*

(s) Recognition of revenue *(Continued)*

(ii) Sale of properties

Revenue arising from sale of properties is recognised upon the later of the execution of a binding sale agreement and when the relevant occupation permit/completion certificate is issued by the respective building authority, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Payments received from the purchasers prior to this stage are recorded as deposits received on sale of properties in the balance sheet.

(iii) Income from interests in property development

Revenue from interests in property development is recognised when the distribution in respect of the investment is entitled.

(iv) Sale of crude oil

Revenue arising from the sale of crude oil is recognised 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 crude oil sold.

(v) Sale of financial investments

Revenue from sale of financial investments is recognised when the buyer takes legal title to the financial investments.

(vi) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vii) Interest income

Interest income is recognised on a time-apportionment basis throughout the life of the asset concerned.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

1 Significant accounting policies *(Continued)*

(t) Translation of foreign currencies *(Continued)*

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to the income statement when the profit or loss on disposal is recognised.

(u) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

1 Significant accounting policies *(Continued)*

(u) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(u)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 1(u)(iii).

(iii) Other provisions and contingent liabilities

Provisions are recognised 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.

(v) Related parties

For the purposes of these accounts, 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.

(w) 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.

1 Significant accounting policies *(Continued)*

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the accounts, 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 and geographical locations.

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 products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's accounts:

– HKFRS 3 (revised 2008), "Business combinations"

– Amendments to HKAS 27, "Consolidated and separate financial statements"

– Improvements to HKFRSs (2009)

– HK(Int) 5, "Presentation of financial statements – classification by the borrower of a team loan that contains a repayment on demand clause"

The Group and the Company have not applied any new standard or interpretation that is not yet effective for the current accounting period, with the exception of 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". The amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the amendments, the Group and the Company have decided to adopt the amendments early.

2 Changes in accounting policies *(Continued)*

(a) Early adoption of the amendments to HKAS 12, "Income taxes"

The change in policy arising from the amendments to HKAS 12 is the only change which has had a material impact on the current or comparative periods. As a result of this change in policy, the Group and the Company 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 unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefit embodied in the property over time, rather than through sale. 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.

This 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. This has resulted in a reduction in the amount of deferred tax provided on valuation gain in respect of certain investment properties of the Group. The effects are shown as follows:

	Group			Company		
	As previously reported $'000	Effect of adoption of amendments to HKAS 12 $'000	As restated $'000	As previously reported $'000	Effect of adoption of amendments to HKAS 12 $'000	As restated $'000
Consolidated income statement for the year ended 31 December 2009:						
Share of profits of jointly controlled entities	38,955	(720)	38,235			
Income tax	114,231	(14,422)	99,809	45,902	(7,723)	38,179
Profit for the year	1,453,873	13,702	1,467,575	662,941	7,723	670,664
Profit attributable to:						
Shareholder of the Company	1,213,541	14,072	1,227,613			
Non-controlling interests	240,332	(370)	239,962			
Earnings per share – Basic/Diluted	$1.05	$0.02	$1.07			
Consolidated balance sheet as at 31 December 2009:						
Interest in jointly controlled entities	1,280,826	18,172	1,298,998			
Deferred tax assets	30,266	866	31,132			
Deferred tax liabilities	1,071,264	(724,027)	347,237	607,682	(579,760)	27,922
Retained profits	5,758,639	737,716	6,496,355	3,435,622	579,760	4,015,382
Non-controlling interests	2,952,186	5,349	2,957,535			
Consolidated balance sheet as at 1 January 2009:						
Interest in jointly controlled entities	1,241,043	18,892	1,259,935			
Deferred tax liabilities	900,145	(710,471)	189,674	597,586	(572,037)	25,549
Retained profits	5,005,370	723,644	5,729,014	3,232,953	572,037	3,804,990
Non-controlling interests	3,089,767	5,719	3,095,486			

2 Changes in accounting policies *(Continued)*

(b) The issuance of HK(Int) 5 has had no material impact on the Group's accounts as the Interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, further details of these changes in accounting policy are as follows:

(i) As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following major changes in accounting policies:

– Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the costs of the business combination and therefore impacted the amount of goodwill recognised.

– If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

– In addition to the Group's existing policy of measuring the non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transation by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. No adjustments have been made to the carrying values of assets and liabilities that arose from business combination whose acquisition dates preceded the application of the revised standard.

2 Changes in accounting policies *(Continued)*

(b) *(Continued)*

(ii) As a result of the adoption of Amendments to HKAS 27, the following changes in policies will be applied as from 1 January 2010:

– If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

– If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if re-acquired.

– Any losses incurred by a non-wholly owned subsidiary will be allocated between the equity shareholders 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, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

(iii) In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, similar amendments have been made to HKAS 28, "Investments in associates", and HKAS 31, "Interests in joint ventures", these include the following changes in accounting policies:

– If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

– If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposal.

2 Changes in accounting policies *(Continued)*

(b) *(Continued)*

Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

(iv) As a result of the amendment to HKAS 17, "Leases", arising from the "Improvements to HKFRs (2009)", 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. These leasehold interests will no longer be classified by the Group as operating leases as the Group considers that it is in a position economically similar to that of a purchaser. This change in accounting policy has no material impact on the current or previous periods.

3 Segment reporting

The Group manages its business by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's top management for the purposes of assessing segment performance and allocating resources between segments, the Group has identified the following seven reportable segments.

– Property development segment (Hong Kong/Macau/Mainland China): the development and sales of properties. Given the importance of property development division to the Group, the Group's property development business is segregated further into three reportable segments on a geographical basis.

– Property investment segment: the leasing of properties to generate rental income and to gain from the appreciation in the properties' values in the long term.

– Finance and investments segment: the financial investments and the provision of finance services.

– Oil segment: oil exploration and production.

– Other businesses segment: mainly includes income from the sale of ice and the provision of cold storage services and treasury operations.

Turnover comprises mainly rental income from properties, gross proceeds from sales of properties, crude oil and held for trading investments, income from interests in property development, dividend and interest income.

3 Segment reporting *(Continued)*

Reporting segment profit represents profit before tax by excluding fair value changes on investment properties, finance costs, exceptional items and head office and corporate income/expenses.

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets.

(a) Segment results and assets

Information regarding the Group's reportable segments as provided to the Group's top management for the purposes of resource allocation and assessment of segment preformance for the year is set out below.

	2010							
		Property development						
	Consolidated $'000	Hong Kong $'000	Macau $'000	Mainland China $'000	Property investment $'000	Finance and investments $'000	Oil $'000	Others $'000
Turnover	1,268,722	2,357	819,258	–	272,741	27,849	80,444	66,073
Reportable segment profit	783,366	159,048	111,328	153,630	276,043	49,144	9,749	24,424
Other net income	141,337	–	–	–	141,337	–	–	–
Fair value changes on investment properties	1,421,148	–	–	–	1,421,148	–	–	–
Share of fair value changes on investment properties of a jointly controlled entity	22,000	–	–	–	22,000	–	–	–
Head office and corporate expenses	(74,506)							
Finance costs	(20,207)							
Profit before taxation	2,273,138							
Share of profits of associated companies	2,596	–	–	–	–	–	–	2,596
Share of profits of jointly controlled entities	218,360	–	–	172,720	45,640	–	–	–
Interest income	22,373	–	–	–	–	21,546	–	827
Depreciation and amortisation	(28,608)	–	–	–	–	–	(17,753)	(10,855)
Impairment loss on properties written back	154,770	154,770	–	–	–	–	–	–
Fair value changes on held for trading listed investments	24,578	–	–	–	–	24,578	–	–
Gain from bargain purchase	23,579	–	–	–	–	–	23,579	–

3 Segment reporting *(Continued)*

(a) Segment results and assets *(Continued)*

	2009 (restated)						
		Property development					
	Consolidated $'000	Hong Kong $'000	Macau $'000	Mainland China $'000	Property investment $'000	Finance and investments $'000	Others $'000
Turnover	1,985,304	529,620	761,637	–	272,217	367,224	54,606
Reportable segment profit	1,497,313	304,738	749,856	30,707	280,092	118,653	13,267
Other revenue	46,859						
Other net income	68,944						
Fair value changes on investment properties	72,357	–	–	–	72,357	–	–
Share of fair value changes on investment properties of a jointly controlled entity	(13,200)	–	–	–	(13,200)	–	–
Head office and corporate expenses	(81,735)						
Finance costs	(23,154)						
Profit before taxation	1,567,384						
Share of profits of associated companies	2,370	–	–	–	–	–	2,370
Share of profits of jointly controlled entities	38,235	–	–	34,254	3,981	–	–
Interest income	19,721	–	–	–	–	19,324	397
Depreciation and amortisation	(11,288)	–	–	–	–	–	(11,288)
Impairment loss on properties written back	12,170	12,170	–	–	–	–	–
Fair value changes on held for trading listed investments	38,096	–	–	–	–	38,096	–
Fair value changes on derivative financial instruments	45,526	–	–	–	–	45,526	–

3 Segment reporting *(Continued)*

(a) Segment results and assets *(Continued)*

	2010							
		Property development						
	Consolidated $'000	Hong Kong $'000	Macau $'000	Mainland China $'000	Property investment $'000	Finance and investments $'000	Oil $'000	Others $'000
Reportable segment assets	**30,234,331**	**4,255,834**	**10,285,205**	**6,026,766**	**8,002,462**	**164,000**	**1,220,557**	**279,507**
Deferred tax assets	**7,464**							
Time deposit (pledged)	**15,000**							
Cash and cash equivalents	**719,684**							
Head office and corporate assets	**19,790**							
Consolidated total assets	**30,996,269**							
Interest in associated companies	**1,675,361**	**–**	**–**	**1,667,105**	**–**	**–**	**–**	**8,256**
Interest in and amounts due from jointly controlled entities	**1,695,923**	**–**	**–**	**1,111,899**	**584,024**	**–**	**–**	**–**

	2009 (restated)						
		Property development					
	Consolidated $'000	Hong Kong $'000	Macau $'000	Mainland China $'000	Property investment $'000	Finance and investments $'000	Others $'000
Reportable segment assets	26,670,029	3,717,032	10,932,417	4,889,639	6,678,698	156,309	295,934
Deferred tax assets	31,132						
Time deposit (pledged)	15,000						
Cash and cash equivalents	575,237						
Head office and corporate assets	21,674						
Consolidated total assets	27,313,072						
Interest in associated companies	1,286,726	–	–	1,276,773	–	–	9,953
Interest in and amounts due from jointly controlled entities	1,509,820	–	–	946,729	563,091	–	–

3 Segment reporting *(Continued)*

(b) Geographical information

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 customers is based on the location at which the services were provided or the goods delivered. The geographical location of non-current assets is based on the physical location of the asset, in case of interests in associated companies and jointly controlled entities, the location of operations.

	Revenue		**Non-current assets**	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000 (restated)
Hong Kong (place of domicile)	**344,536**	1,198,251	**7,634,699**	6,309,121
Macau	**821,855**	765,334	**490,040**	474,540
Mainland China	**14,758**	14,637	**2,776,310**	2,188,120
Kazakhstan	**80,494**	–	**1,195,619**	–
Others	**7,079**	7,082	**–**	–
	1,268,722	1,985,304	**12,096,668**	8,971,781

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

(c) Major customers and suppliers

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

4 Profit before taxation

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

(a) In 2009, other revenue included an aggregate amount of $46,859,000 being the compensation and interest received upon the termination of the proposed acquisition of Shenzhen Properties & Resources Development (Group) Limited ("Shenzhen Properties") by the Group.

(b) Other net income represents a net gain on disposal of investment properties of $141,337,000 (2009: $Nil), gain from bargain purchase of $23,579,000 (2009: $Nil) in relation to the acquisition of a subsidiary (note 26(b)) and fair value changes on held for trading listed investments of gain of $24,578,000 (2009: $38,096,000). In 2009, other net income also included derivative financial instruments of gain of $45,526,000 and net gain of $68,944,000 in relation to the disposal of 12% interest in a subsidiary (note 26(c)).

4 Profit before taxation *(Continued)*

Profit before taxation is arrived at after (crediting)/charging: *(Continued)*

(c) Finance costs

	2010 $'000	2009 $'000
Interest on bank loans and overdrafts	**65,040**	20,240
Interest on loan from/amount payable to ultimate holding company	**10,572**	16,598
Less: Amount capitalised *(Remark)*	**(52,642)**	(13,684)
	22,970	23,154
Less: Interest expense included as other operating expenses	**(2,763)**	–
	20,207	23,154

Remark: Borrowing costs were capitalised at rates of 0.55% – 6.44% (2009: 0.55% – 2.06%) per annum.

(d) Other items

	2010 $'000	2009 $'000
Auditors' remuneration	**4,130**	3,705
Amortisation of oil exploitation assets *(Remark)*	**5,916**	–
Depreciation and amortisation of fixed assets *(Remark)*	**22,692**	11,288
Staff costs *(Remark)*	**123,611**	111,304
Impairment loss for bad and doubtful debts	**290**	7,591
Impairment loss on available-for-sale investments	**–**	9,078
Rentals receivable under operating leases less outgoings	**(251,847)**	(264,373)
Rental income	**(272,741)**	(272,217)
Less: Outgoings	**20,894**	7,844
Interest income	**(22,373)**	(19,721)
Dividend income from held for trading listed equity investments	**–**	(380)
Income from bonds held for trading	**(7,079)**	(7,072)
Realised gain on held for trading listed equity investments	**–**	(31,798)
Impairment loss on properties written back	**(154,770)**	(12,170)
Impairment loss for bad and doubtful debts written back	**(1,257)**	(242)
Impairment loss on leasehold land and buildings for own use written back	**(3,330)**	–

Remark: Cost of sales includes $24,341,000 (2009: $Nil) relating to staff costs, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above.

4 Profit before taxation *(Continued)*

Profit before taxation is arrived at after (crediting)/charging: *(Continued)*

(e) An impairment loss on properties of $154,770,000 (2009: $12,170,000) previously recognised in the consolidated income statement was reversed during the year due to the anticipated increase in the recoverable amount of the properties with reference to valuations undertaken by independent qualified professional valuers.

(f) The Group's share of profits for the year, after non-controlling interests, dividend and taxation, retained by the associated companies was $1,420,000 (2009: $2,370,000).

(g) The Group's share of profits for the year, after non-controlling interests, dividend and taxation, retained by the jointly controlled entities was $206,238,000 (2009 (restated): $37,178,000).

5 Directors' and management's emoluments

(a) Directors' emoluments

Directors' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:

	Directors' fees $'000	Salaries and allowances $'000	Performance related bonuses $'000	Provident fund contributions $'000	2010 Total $'000
Executive directors					
Or Wai Sheun	–	–	–	–	–
Ng Chi Man	–	–	–	–	–
Lai Ka Fai	140	1,588	420	147	2,295
Or Pui Kwan	–	606	100	18	724
Non-executive directors					
Keith Alan Holman	220	–	–	–	220
Tam Hee Chung	220	–	–	–	220
Yeung Kwok Kwong	220	1,802	450	166	2,638
Independent non-executive directors					
Li Kwok Sing, Aubrey	220	–	–	–	220
Lok Kung Chin, Hardy	220	–	–	–	220
Seto Gin Chung, John	220	–	–	–	220
David John Shaw	220	–	–	–	220
	1,680	3,996	970	331	6,977

5 Directors' and management's emoluments *(Continued)*

(a) Directors' emoluments *(Continued)*

	Directors' fees $'000	Salaries and allowances $'000	Performance related bonuses $'000	Provident fund contributions $'000	2009 Total $'000
Executive directors					
Or Wai Sheun	–	–	–	–	–
Ng Chi Man	–	–	–	–	–
Lai Ka Fai	120	1,547	357	143	2,167
Or Pui Kwan	–	590	45	18	653
Non-executive directors					
Keith Alan Holman	200	–	–	–	200
Tam Hee Chung	200	–	–	–	200
Yeung Kwok Kwong	200	1,755	405	176	2,536
Independent non-executive directors					
Li Kwok Sing, Aubrey	200	–	–	–	200
Lok Kung Chin, Hardy	200	–	–	–	200
Seto Gin Chung, John	200	–	–	–	200
David John Shaw	200	–	–	–	200
	1,520	3,892	807	337	6,556

(b) Individuals with highest emoluments

Of the five individuals with the highest emoluments, two (2009: two) are directors whose emoluments are disclosed in note 5(a). The aggregate of the emoluments in respect of the remaining three (2009: three) individuals are as follows:

	2010 $'000	2009 $'000
Salaries and allowances	**5,949**	5,233
Performance related bonuses	**1,830**	572
Provident fund contributions	**52**	51
	7,831	5,856

5 Directors' and management's emoluments *(Continued)*

(b) Individuals with highest emoluments *(Continued)*

The emoluments of the individuals with the highest emoluments are within the following bands:

	2010	2009
$1,500,001 – $2,000,000	**1**	2
$2,000,001 – $2,500,000	**1**	1
$2,500,001 – $3,000,000	**–**	–
$3,000,001 – $3,500,000	**–**	–
$3,500,001 – $4,000,000	**1**	–

6 Income tax

(a) Taxation in the consolidated income statement represents:

	2010 $'000	2009 $'000 (restated)
Current tax – Hong Kong		
Provision for the year	**33,249**	77,487
(Over)/Under provision in respect of prior years	**(96)**	35
	33,153	77,522
Current tax – Outside Hong Kong		
Provision for the year	**53,040**	17,952
Deferred tax		
Origination and reversal of temporary differences	**(10,903)**	4,335
	75,290	99,809

6 Income tax *(Continued)*

(a) *(Continued)*

The provision for Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year.

Tax levied in jurisdictions outside Hong Kong is charged at the appropriate rates of taxation currently ruling in relevant jurisdictions.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2010 $'000	2009 $'000 (restated)
Profit before taxation	**2,273,138**	1,567,384
Tax at applicable tax rates	**363,224**	140,103
Non-deductible expenses	**7,790**	5,324
Non-taxable revenue	**(306,865)**	(34,576)
(Over)/Under provision in respect of prior years	**(96)**	35
Unrecognised tax losses	**14,983**	1,646
Previously unrecognised tax losses utilised	**(5,258)**	(16,439)
Previously unrecognised tax losses now recognised	**–**	(865)
Others	**1,512**	4,581
Actual tax expense	**75,290**	99,809

7 Profit attributable to shareholders

The consolidated profit attributable to shareholders of the Company includes a profit of $1,526,814,000 (2009 (restated): $611,371,000) which has been dealt with in the accounts of the Company.

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of $2,127,883,000 (2009 (restated): $1,227,613,000) and weighted average number of shares in issue during the year of 1,150,681,275 (2009: 1,150,681,275).

(b) Diluted earnings per share

There are no dilutive potential shares in existence during the years ended 31 December 2010 and 2009.

9 Dividends

(a) Dividends attributable to the year

	2010 $'000	2009 $'000
Interim dividend declared and paid of $0.20 (2009: $0.20) per share	**230,136**	230,136
Final dividend proposed after the balance sheet date of $0.32 (2009: $0.32) per share	**368,218**	368,218
	598,354	598,354

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

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2010 $'000	2009 $'000
Final dividend in respect of the previous financial year, approved and paid during the year, of $0.32 (2009: $0.20) per share	**368,218**	230,136

10 Deferred taxation

(a) The components of deferred tax (liabilities)/assets recognised in the balance sheets and the movements during the year are as follows:

Group

	Future benefit of tax losses $'000	Revaluation of properties $'000	Accelerated depreciation allowances $'000	Others $'000	Total $'000
At 1 January 2009 (restated)	33,131	(155,203)	(36,274)	383	(157,963)
Through acquisition of subsidiaries	–	(153,807)	–	–	(153,807)
(Charged)/Credited to income statement	(395)	1,680	(5,793)	173	(4,335)
At 31 December 2009 (restated)	32,736	(307,330)	(42,067)	556	(316,105)
At 1 January 2010 (restated)	**32,736**	**(307,330)**	**(42,067)**	**556**	**(316,105)**
Through acquisition of a subsidiary	**–**	**(9,801)**	**1,809**	**17,488**	**9,496**
(Charged)/Credited to income statement	**(25,299)**	**45,036**	**(8,759)**	**(75)**	**10,903**
At 31 December 2010	**7,437**	**(272,095)**	**(49,017)**	**17,969**	**(295,706)**

Company

	Accelerated depreciation allowances $'000
At 1 January 2009 (restated)	(25,549)
Charged to income statement	(2,373)
At 31 December 2009 (restated)	(27,922)
At 1 January 2010 (restated)	**(27,922)**
Charged to income statement	**(2,390)**
At 31 December 2010	**(30,312)**

10 Deferred taxation *(Continued)*

(a) The components of deferred tax (liabilities)/assets recognised in the balance sheets and the movements during the year are as follows: *(Continued)*

	Group		Company	
	2010	2009	**2010**	2009
	$'000	$'000 (restated)	**$'000**	$'000 (restated)
Net deferred tax asset recognised on the balance sheet	**7,464**	31,132	**–**	–
Net deferred tax liability recognised on the balance sheet	**(303,170)**	(347,237)	**(30,312)**	(27,922)
	(295,706)	(316,105)	**(30,312)**	(27,922)

(b) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of cumulative tax losses of $4,223,684,000 (2009: $3,826,650,000) as the probability of generating future taxable profits in order to utilise the tax losses is uncertain at this point of time. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the operations in Mainland China expire five years after the relevant accounting year end date. The tax losses arising from the operations in Kazakhstan will be expired before or in 2020.

11 Fixed assets

(a) Group

	Investment properties $'000	Leasehold land held for own use $'000	Other property, plant and equipment: Buildings $'000	Other property, plant and equipment: Oil production assets $'000	Other property, plant and equipment: Others $'000	Total $'000
Cost or valuation						
At 1 January 2009	6,027,990	270,206	33,060	–	45,586	6,376,842
Exchange adjustments	–	–	–	–	2	2
Additions						
– Through acquisition of a subsidiary	–	–	–	–	188	188
– Others	7,663	–	–	–	2,230	9,893
Disposals						
– Through disposal of a subsidiary	–	–	–	–	(436)	(436)
– Others	–	–	–	–	(231)	(231)
Revaluation surplus	72,357	–	–	–	–	72,357
At 31 December 2009	6,108,010	270,206	33,060	–	47,339	6,458,615
Representing						
Professional valuation	6,108,010	–	–	–	–	6,108,010
Cost	–	270,206	33,060	–	47,339	350,605
	6,108,010	270,206	33,060	–	47,339	6,458,615
At 1 January 2010	**6,108,010**	**270,206**	**33,060**	**–**	**47,339**	**6,458,615**
Exchange adjustments	**–**	**–**	**–**	**–**	**55**	**55**
Additions						
– Through acquisition of a subsidiary	**–**	**–**	**–**	**1,060,890**	**–**	**1,060,890**
– Others	**11,152**	**–**	**–**	**21,230**	**2,262**	**34,644**
Disposals	**(128,660)**	**–**	**–**	**(516)**	**(1,817)**	**(130,993)**
Revaluation surplus	**1,421,148**	**–**	**–**	**–**	**–**	**1,421,148**
At 31 December 2010	**7,411,650**	**270,206**	**33,060**	**1,081,604**	**47,839**	**8,844,359**
Representing						
Professional valuation	**7,411,650**	**–**	**–**	**–**	**–**	**7,411,650**
Cost	**–**	**270,206**	**33,060**	**1,081,604**	**47,839**	**1,432,709**
	7,411,650	**270,206**	**33,060**	**1,081,604**	**47,839**	**8,844,359**

11 Fixed assets *(Continued)*

(a) **Group** *(Continued)*

	Investment properties $'000	Leasehold land held for own use $'000	Other property, plant and equipment: Buildings $'000	Other property, plant and equipment: Oil production assets $'000	Other property, plant and equipment: Others $'000	Total $'000
Aggregate depreciation and amortisation						
At 1 January 2009	–	24,245	3,845	–	33,076	61,166
Through acquisition of a subsidiary	–	–	–	–	95	95
Charge for the year	–	6,530	785	–	4,170	11,485
Written back on disposals						
– Through disposal of a subsidiary	–	–	–	–	(22)	(22)
– Others	–	–	–	–	(166)	(166)
At 31 December 2009	–	30,775	4,630	–	37,153	72,558
At 1 January 2010	**–**	**30,775**	**4,630**	**–**	**37,153**	**72,558**
Exchange adjustments	**–**	**–**	**–**	**–**	**26**	**26**
Impairment loss written back	**–**	**(2,740)**	**(590)**	**–**	**–**	**(3,330)**
Charge for the year	**–**	**6,603**	**814**	**11,837**	**3,640**	**22,894**
Written back on disposals	**–**	**–**	**–**	**(181)**	**(1,599)**	**(1,780)**
At 31 December 2010	**–**	**34,638**	**4,854**	**11,656**	**39,220**	**90,368**
Carrying value						
At 31 December 2010	**7,411,650**	**235,568**	**28,206**	**1,069,948**	**8,619**	**8,753,991**
At 31 December 2009	6,108,010	239,431	28,430	–	10,186	6,386,057

In 2010, an amount of $202,000 (2009: $197,000) included in depreciation and amortisation charge for the year was capitalised under inventories.

11 Fixed assets *(Continued)*

(b) **Company**

	Investment properties $'000	Other property, plant and equipment $'000	Total $'000
Cost or valuation			
At 1 January 2009	4,267,000	25,244	4,292,244
Additions	4,192	594	4,786
Disposals	–	(113)	(113)
Revaluation surplus	46,808	–	46,808
At 31 December 2009	4,318,000	25,725	4,343,725
Representing			
Professional valuation	4,318,000	–	4,318,000
Cost	–	25,725	25,725
	4,318,000	25,725	4,343,725
At 1 January 2010	**4,318,000**	**25,725**	**4,343,725**
Additions	**8,421**	**869**	**9,290**
Disposals	**–**	**(211)**	**(211)**
Revaluation surplus	**1,073,579**	**–**	**1,073,579**
At 31 December 2010	**5,400,000**	**26,383**	**5,426,383**
Representing			
Professional valuation	**5,400,000**	**–**	**5,400,000**
Cost	**–**	**26,383**	**26,383**
	5,400,000	**26,383**	**5,426,383**

11 Fixed assets *(Continued)*

(b) **Company** *(Continued)*

	Investment properties $'000	Other property, plant and equipment $'000	Total $'000
Aggregate depreciation and amortisation			
At 1 January 2009	–	21,076	21,076
Charge for the year	–	1,167	1,167
Written back on disposals	–	(90)	(90)
At 31 December 2009	–	22,153	22,153
At 1 January 2010	**–**	**22,153**	**22,153**
Charge for the year	**–**	**1,251**	**1,251**
Written back on disposals	**–**	**(203)**	**(203)**
At 31 December 2010	**–**	**23,201**	**23,201**
Carrying value			
At 31 December 2010	**5,400,000**	**3,182**	**5,403,182**
At 31 December 2009	4,318,000	3,572	4,321,572

11 Fixed assets *(Continued)*

(c) Analysis of carrying value of properties

	Group		Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Investment properties				
In Hong Kong				
– Long leases	**6,152,650**	4,979,210	**5,400,000**	4,318,000
– Medium-term leases	**1,203,000**	1,042,800	**–**	–
Outside Hong Kong				
– Medium-term leases	**56,000**	86,000	**–**	–
	7,411,650	6,108,010	**5,400,000**	4,318,000
Other properties				
In Hong Kong				
– Long leases	**945**	954	**–**	–
– Medium-term leases	**262,829**	266,907	**–**	–
	263,774	267,861	**–**	–

(d) The investment properties of the Group and of the Company were revalued at 31 December 2010 by Vigers Appraisal and Consulting Limited and DTZ Debenham Tie Leung Limited, independent qualified professional valuers, who have appropriate qualifications and experiences in the valuation of similar properties in the relevant locations, on a market value basis in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net income allowing for reversionary income potential.

The cost or valuation of other properties has been apportioned between land, buildings and other assets on the basis of estimates made by the directors.

11 Fixed assets *(Continued)*

(e) Fixed assets leased out under operating leases

The Group leases out investment properties and certain furniture and fixtures under operating leases. The leases typically run for an initial period of several months to six years. Some leases have provision of option to renew by which time all terms are renegotiated. Some leases have provision of turnover rent. Turnover rent of $369,000 was recognised in 2010 (2009: $523,000).

The gross carrying amounts of investment properties of the Group held for use in operating leases were $6,612,650,000 (2009: $5,353,010,000). The gross carrying amounts of other fixed assets of the Group held for use in operating leases were $7,008,000 (2009: $6,942,000) and the related accumulated depreciation charges were $6,852,000 (2009: $6,841,000).

The gross carrying amounts of investment properties of the Company held for use in operating leases were $5,400,000,000 (2009: $4,318,000,000). The gross carrying amounts of other fixed assets of the Company held for use in operating leases were $1,008,000 (2009: $1,008,000) and the related accumulated depreciation charges were $967,000 (2009: $956,000).

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

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

	Group		**Company**	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Within 1 year	**180,945**	199,333	**137,943**	160,234
After 1 year but within 5 years	**147,527**	136,697	**81,592**	103,062
After 5 years	**6,240**	–	**–**	–
	334,712	336,030	**219,535**	263,296

12 Interest in subsidiaries

	Company	
	2010	2009
	$'000	$'000
Unlisted shares, at cost	**1,763,977**	1,784,826
Loans to subsidiaries		
– interest free	**8,139,329**	7,900,643
– interest bearing	**1,438,499**	2,475,680
Loans from subsidiaries		
– interest free	**(250,511)**	(267,773)
– interest bearing	**(27,772)**	(27,872)
Amounts due from subsidiaries	**17,240**	9,413
Less: Impairment losses	**(1,624,327)**	(1,644,623)
	9,456,435	10,230,294

Loans to and from subsidiaries are unsecured and have no fixed terms of repayment. Interest is charged at Hong Kong Interbank Offer Rate ("HIBOR") plus a margin per annum.

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Details of the principal subsidiaries are shown in note 30.

13 Oil exploitation assets

	Group
	2010
	$'000
At cost	
Additions through acquisition of a subsidiary	**129,060**
Amortisation during the year	**(5,916)**
As at 31 December	**123,144**

14 Interests in property development

Interests in property development represent the Group's interests in the development of various properties in Macau under the co-investment agreements with wholly owned subsidiaries of the ultimate holding company, Polytec Holdings International Ltd ("Polytec Holdings"). The basis and estimations for arriving at the fair value of the interests in property development are further described in note 33(e).

In 2009, pursuant to one of the co-investment agreements, distributions of $1,601,399,000 were made by a wholly owned subsidiary of Polytec Holdings 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 distributions in 2009 amounted to $751,168,000. No distribution was made during the year.

15 Interest in jointly controlled entities

	Group		Company	
	2010	2009	**2010**	2009
	$'000	$'000 (restated)	**$'000**	$'000
Unlisted shares, at cost	**–**	–	**584,079**	584,079
Share of net assets	**1,322,145**	1,079,498	**–**	–
Loan to a jointly controlled entity	**219,500**	219,500	**–**	–
	1,541,645	1,298,998	**584,079**	584,079
Amounts due from jointly controlled entities	**154,278**	210,822	**–**	31,835
Amount due to a jointly controlled entity	**(554,448)**	–	**(554,448)**	–
	1,141,475	1,509,820	**29,631**	615,914

Loan to a jointly controlled entity is unsecured, interest bearing at fixed rate with reference to bank lending rate and is not expected to repay within one year.

The amounts due from jointly controlled entities are unsecured, interest free and repayable on demand.

The amount due to a jointly controlled entity is unsecured, interest free and repayable on demand.

15 Interest in jointly controlled entities *(Continued)*

Details of the jointly controlled entities as at 31 December 2010 are as follows:

Jointly controlled entity	Place of incorporation and operation	Proportion of nominal value of shares held: Group's effective interest	held by the Company	held by a subsidiary	Principal activities
CITIC Polytec Property (Foshan) Company Limited *(Remark 1)*	Mainland China	50.0% *(Remark 2)*	50.0% *(Remark 2)*	–	Property development
South Bay Centre Company Limited	Macau	36.7%	–	50.0%	Property investment and trading

Remarks:

(1) CITIC Polytec Property (Foshan) Company Limited is an equity joint venture in Mainland China. It has a wholly owned subsidiary incorporated in Mainland China namely 佛山市南海區山語湖教育投資有限公司 whose principal business is provision of educational services. The Group's effective interest in that company is 50%.

(2) Percentage represented the Group's equity interest of the jointly controlled entity.

The following are the financial information on jointly controlled entities at the Group's effective interest:

	2010 $'000	2009 $'000 (restated)
Income Statement		
Revenue	**1,020,476**	295,515
Expenses	**(814,238)**	(258,336)
Balance Sheet		
Non-current assets	**639,936**	460,893
Current assets	**3,302,652**	3,102,702
Current liabilities	**(1,351,063)**	(1,163,555)
Non-current liabilities	**(1,384,661)**	(1,423,699)
Net assets	**1,206,864**	976,341

16 Interest in associated companies

	Group		Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Unlisted shares, at cost	**–**	–	**151,063**	151,063
Share of net assets	**271,578**	218,423	**–**	–
Loan to an associated company	**1,406,900**	1,068,303	**1,406,900**	1,068,303
Loan from an associated company	**(3,117)**	–	**–**	–
	1,675,361	1,286,726	**1,557,963**	1,219,366

Loan to an associated company is unsecured, interest free and has no fixed terms of repayment.

Loan from an associated company is unsecured, interest free and not expected to be repaid within one year.

In July 2009, the Company entered into an equity transfer agreement for the disposal of 12% interest in a subsidiary, namely Polytec CITIC Property (Tianjin) Co., Ltd., which has been renamed as CITIC Polytec Property (Tianjin) Co., Ltd. and has become an associated company since the completion of the disposal.

16 Interest in associated companies *(Continued)*

Details of the associated companies as at 31 December 2010 are shown as follows:

Associated company	Place of incorporation/ operation	Proportion of nominal value of shares held		Principal activities
		Direct	Indirect	
CITIC Polytec Property (Tianjin) Co., Ltd.	Mainland China	39.0% *(Remark 1)*	–	Property development
Easy Living Property Management Limited	Hong Kong	–	49.0%	Property management and security services
Jeeves (HK) Limited	Hong Kong	–	43.1%	Dry cleaning and laundry services
Asiasoft Hong Kong Limited	Hong Kong/Asia	–	26.0%	Provision of information system products and services

Remark:

(1) In accordance with an agreement in relation to the acquisition of a property development site in Tianjin, Mainland China, 10% of the equity interest in the associated company will be transferred to the Group upon full payment of the acquisition consideration. As at 31 December 2010, the Group has 49% effective interest in the associated company.

Summary of financial information on significant associated companies:

	Assets $'000	Liabilities $'000	Equity $'000	Revenue $'000	Profit $'000
2010					
Aggregate on associated companies' accounts	**3,656,359**	**3,102,118**	**554,241**	**112,956**	**5,298**
Group's effective interest	**1,791,616**	**1,520,038**	**271,578**	**55,349**	**2,596**
2009					
Aggregate on associated companies' accounts	2,720,295	2,290,494	429,801	106,807	4,837
Group's effective interest	1,332,944	1,114,521	218,423	52,335	2,370

17 Financial investments

	Group	
	2010	2009
	$'000	$'000
Non-current assets		
Available-for-sale investments		
– Investment fund, unlisted	**29,346**	27,096
Current assets		
Held for trading listed investments		
– Equity shares, listed in Hong Kong	**30,555**	19,565
– Bonds, listed outside Hong Kong	**74,039**	60,451
	104,594	80,016
	133,940	107,112
Market value of financial investments		
– Listed in Hong Kong	**30,555**	19,565
– Listed outside Hong Kong	**74,039**	60,451

The fair value of investments traded in active markets is based on quoted market prices at the balance sheet date.

18 Inventories

	Group	
	2010	2009
	$'000	$'000
Land held for future development	**495,664**	387,461
Properties under development	**6,817,260**	6,528,618
Properties held for sale	**162,303**	150,793
Trading goods and consumables	**12,632**	154
	7,487,859	7,067,026

The amount of properties held for future development and under development expected to be recovered after more than one year is $495,664,000 (2009: $387,461,000) and $5,160,851,000 (2009: $5,765,400,000) respectively. All of the other inventories are expected to be recovered within one year.

The analysis of carrying value of land under inventories is as follows:

	Group	
	2010	2009
	$'000	$'000
In Hong Kong		
– Long leases	**870,696**	766,375
– Medium-term leases	**2,697,565**	2,495,709
	3,568,261	3,262,084
Outside Hong Kong		
– Freehold/Unspecified	**54,498**	487,163
– Long leases	**200,000**	200,000
– Medium-term leases	**2,459,349**	2,273,175
	2,713,847	2,960,338
	6,282,108	6,222,422

18 Inventories *(Continued)*

The Group leases certain of its properties held for sales under operating leases arrangement with lease term of not more than three years. As at 31 December 2010, total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	Group	
	2010	2009
	$'000	$'000
Within 1 year	**1,496**	3,660
After 1 year but within 5 years	**94**	–
	1,590	3,660

19 Trade and other receivables

(a) The following is an ageing analysis of trade receivables at 31 December:

	Group		Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Current	**53,538**	59,614	**–**	–
Less than 3 months past due	**5,354**	6,032	**794**	1,214
3 months to 6 months past due	**435**	351	**20**	6
More than 6 months past due	**10,065**	7,399	**4**	3
Amounts past due	**15,854**	13,782	**818**	1,223
Trade receivables	**69,392**	73,396	**818**	1,223
Utility and other deposits	**7,906**	6,691	**1,972**	1,934
Other receivables and prepayments	**107,914**	89,535	**22,490**	9,601
	185,212	169,622	**25,280**	12,758

Utility and other deposits of the Group and of the Company of $6,849,000 (2009: $6,303,000) and $1,944,000 (2009: $1,929,000) respectively are expected to be recovered after more than one year.

Receivables and prepayments of the Group of $281,000 (2009: $281,000) are expected to be recovered after more than one year.

19 Trade and other receivables *(Continued)*

(b) Allowance for doubtful debts

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and other receivables directly.

At 31 December 2010, the Group's trade and other receivables of $5,058,000 (2009: $4,411,000) was individually determined to be impaired and specific allowances for doubtful debts of $4,184,000 (2009: $4,184,000) was recorded. Impairment loss of an amount of $224,000 (2009: $4,000) was recognised in the income statement during the year.

(c) Trade and other receivables that were neither past due nor impaired relate 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 a good track record with the Group. Based on past experience, management believes that no impairment allowance 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 Group does not hold any collateral over these balances.

20 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 to require the Seller to (i) sell all of the issued share capital of a company principally engaged in the production of oil from hydrocarbon deposits in Kazakhstan (the "Target Company") and (ii) assign any and all of the outstanding debt owed by the Target Company to the Seller at a total consideration of US$139,600,000. The option may be exercised at the discretion of the Group at any time within four months from the date of the deed. The Group exercised the irrevocable option in April 2010 and the related transactions were completed in July 2010. Further details refer to note 26(b).

21 Trade and other payables

The following is an ageing analysis of trade payables at 31 December:

	Group		Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Not yet due or on demand	**132,551**	152,783	**232**	319
Within 3 months	**42,937**	10,789	**1,848**	1,442
3 months to 6 months	**506**	–	**284**	–
More than 6 months	**32,768**	69,086	**3**	–
Trade payables	**208,762**	232,658	**2,367**	1,761
Rental and other deposits	**64,798**	65,039	**45,698**	46,664
Other payables and accrued expenses	**535,177**	174,160	**47,724**	54,689
Deposits received on sale of properties	**464,450**	589,473	**–**	–
	1,273,187	1,061,330	**95,789**	103,114

Rental and other deposits of the Group and of the Company of $60,601,000 (2009: $61,459,000) and $45,374,000 (2009: $46,368,000) respectively are expected to be refunded after more than one year.

Other payables and accrued expenses of the Group and of the Company of $19,068,000 (2009: $19,964,000) and $133,000 (2009: $102,000) respectively are expected to be settled after more than one year.

Deposits received on sale of properties of the Group of $464,450,000 (2009: $532,196,000) are expected to be recognised as income within one year.

22 Amount payable to ultimate holding company

As at 31 December 2010, an amount payable to ultimate holding company of $627,901,000 (2009: $566,374,000) is unsecured, interest bearing with interest charged at HIBOR plus a margin per annum and is not expected to settled within one year.

As at 31 December 2009, an amount payable to ultimate holding company of $766,506,000 was unsecured, interest free and repayable within one year. The amount has been fully settled during the year.

23 Loan from ultimate holding company

Loan from ultimate holding company is unsecured, interest bearing at HIBOR plus a margin per annum and has no fixed terms of repayment.

24 Bank loans

At 31 December, bank loans were secured and repayable as follows:

	Group		Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Within 1 year or on demand	**3,855,500**	3,117,500	**2,158,000**	2,100,000
After 1 year but within 2 years	**850,000**	–	**–**	–
After 2 years but within 5 years	**810,447**	150,000	**–**	–
	1,660,447	150,000	**–**	–
	5,515,947	3,267,500	**2,158,000**	2,100,000

Interest on bank loans is charged at HIBOR plus a margin per annum.

Refinancing will be arranged for bank loans of the Group repayable within one year.

On 19 January 2011, the Company arranged a term facility of $3,480 million with a bank for the purposes of refinancing the existing loans and financing the general working capital of the Company.

25 Total equity

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

Company

	Note	Share capital $'000	Share premium $'000	Retained profits $'000	Total $'000
At 1 January 2009		115,068	8,302,404	3,232,953	11,650,425
Impact of change in accounting policy	2	–	–	572,037	572,037
At 1 January 2009 (restated)		115,068	8,302,404	3,804,990	12,222,462
Final dividend declared and paid	9(b)	–	–	(230,136)	(230,136)
Interim dividend declared and paid	9(a)	–	–	(230,136)	(230,136)
Profit for the year		–	–	670,664	670,664
At 31 December 2009 (restated)		115,068	8,302,404	4,015,382	12,432,854
At 1 January 2010 (restated)		**115,068**	**8,302,404**	**4,015,382**	**12,432,854**
Final dividend declared and paid	9(b)	**–**	**–**	**(368,218)**	**(368,218)**
Interim dividend declared and paid	9(a)	**–**	**–**	**(230,136)**	**(230,136)**
Profit for the year		**–**	**–**	**1,636,954**	**1,636,954**
At 31 December 2010		**115,068**	**8,302,404**	**5,053,982**	**13,471,454**

The Group's share of profits retained in the accounts of the associated companies at 31 December 2010 after non-controlling interests were $3,487,000 (2009: $2,067,000).

The Group's share of profits retained in the accounts of the jointly controlled entities at 31 December 2010 after non-controlling interests were $236,759,000 (2009 (restated): $30,521,000).

The application of the share premium and the capital reserve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance. The fair value reserves set up in respect of available-for-sale investments and interests in property development are not available for distribution to shareholders because they do not constitute realised profits within the meaning of Section 79B(2) of the Hong Kong Companies Ordinance.

Reserves of the Company available for distribution to shareholders at 31 December 2010 amounted to $466,705,000 (2009: $501,684,000).

25 Total equity *(Continued)*

(b) Share capital

	2010		2009	
	No. of shares of $0.1 each	**Amount $'000**	No. of shares of $0.1 each	Amount $'000
Authorised	**5,000,000,000**	**500,000**	5,000,000,000	500,000
Issued and fully paid	**1,150,681,275**	**115,068**	1,150,681,275	115,068

(c) 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 ultimate holding company, cash and cash equivalents and equity attributable to shareholders 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 net borrowings (bank borrowings plus loan from/amount payable to ultimate holding company and net of cash and cash equivalents) over equity attributable to shareholders 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 34.0% (2009 (restated): 31.0%).

26 Notes to consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash from operating activities:

	2010 $'000	2009 $'000 (restated)
Profit before taxation	**2,273,138**	1,567,384
Adjustments for:		
Unclaimed dividend written back	**(248)**	(438)
Loss on disposal of other fixed assets	**329**	22
Gain on disposal of investment properties	**(141,337)**	–
Profit on disposal of interest in a subsidiary	**–**	(68,944)
Share of profits of associated companies	**(2,596)**	(2,370)
Share of profits of jointly controlled entities	**(218,360)**	(38,235)
Gain from bargain purchase	**(23,579)**	–
Income from interests in property development	**–**	(751,168)
Impairment loss on properties written back	**(154,770)**	(12,170)
Impairment loss on available-for-sale investments	**–**	9,078
Impairment loss on leasehold land and buildings for own use written back	**(3,330)**	–
Fair value changes on investment properties	**(1,421,148)**	(72,357)
Fair value changes on derivative financial instruments	**–**	(45,526)
Interest income	**(827)**	(378)
Interest expenses	**20,207**	23,154
Depreciation and amortisation	**28,608**	11,288
Operating profit before working capital changes	**356,087**	619,340
(Increase)/Decrease in financial investments	**(24,659)**	122,160
Decrease in loans and advances	**17,900**	15,832
Increase in inventories	**(130,001)**	(137,392)
(Increase)/Decrease in trade and other receivables	**(4,560)**	176,621
Decrease in amounts due from jointly controlled entities	**56,544**	786,492
Increase in amount due to a jointly controlled entity	**554,448**	–
Decrease in time deposits (pledged)	**–**	3,810
Increase in trade and other payables	**119,861**	23,689
Decrease in amount due to ultimate holding company	**–**	(1,380)
(Decrease)/Increase in amounts due to holders of non-controlling interests	**(2,474)**	173,542
Cash generated from operations	**943,146**	1,782,714
Interest received	**808**	395
Interest paid	**(71,753)**	(62,086)
Profits tax paid	**(62,642)**	(220,898)
Profits tax refunded	**92**	675
Net cash from operating activities	**809,651**	1,500,800

26 Notes to consolidated cash flow statement *(Continued)*

(b) Acquisition of subsidiaries

	2010 $'000	2009 $'000
Fair value of assets of subsidiaries acquired		
Fixed assets	**1,060,890**	93
Oil exploitation assets	**129,060**	–
Deferred tax assets	**9,496**	–
Inventories	**17,105**	1,046,775
Trade and other receivables	**13,539**	40,663
Cash and cash equivalents	**4,073**	4,142
Trade and other payables	**(121,003)**	(81,360)
Current taxation	**(701)**	–
Deferred tax liabilities	**–**	(153,807)
Net assets acquired	**1,112,459**	856,506
Gain from bargain purchase	**(23,579)**	–
Cash consideration on acquisition of subsidiaries	**1,088,880**	856,506
Cash and bank balances acquired	**(4,073)**	(4,142)
Deposit paid under derivative financial instrument *(note 20)*	**(7,800)**	–
Deferred settlement	**(15,600)**	–
Amount payable to ultimate holding company *(note 22)*	**–**	(766,506)
Cash outflow on acquisition of subsidiaries	**1,061,407**	85,858

In 2010, acquisition of the subsidiary has been accounted for using the purchase method. Gain from bargain purchase arises 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 $116,526,000 which contributed $80,444,000 to the revenue of the Group. Loss of the acquired subsidiary for the year was $23,692,000. The profit attributable to the shareholders of the Company for the year included a profit of $7,561,000 which was related to the acquired subsidiary.

In 2009, the Group entered into an agreement with Polytec Holdings for the acquisition of the entire share capital of two wholly owned subsidiaries of Polytec Holdings together with the assignment of related shareholder's loans at an aggregate consideration of $857 million. The assets held by the two subsidiaries are substantially two development projects located in Hong Kong and Shenyang, China, respectively. This acquisition has been accounted for using the purchase method. The subsidiaries acquired did not have any contribution to the turnover and profit of the Group for 2009. If the acquisition had occurred on 1 January 2009, the subsidiaries' turnover and net profit to the Group would not be significantly different to that reported above.

26 Notes to consolidated cash flow statement *(Continued)*

(c) Disposal of interest in a subsidiary (now become an associated company)

	2009 $'000
Net assets disposed of	
Fixed assets	414
Trade and other receivables	1,890,919
Cash and cash equivalents	4,915
Trade and other payables	(117,779)
Amount due to a holder of non-controlling interest	(634,700)
	1,143,769
Amount of net assets attributable to a holder of non-controlling interest	(52,026)
Amount of net assets and loan attributable to the Group now accounted for as an associated company	(831,141)
	260,602
Gain on disposal	68,944
Exchange reserve released upon disposal	(21,520)
Total sale proceeds	308,026
Cash and cash equivalents disposed of	(4,915)
Cash inflow on disposal	303,111

In 2009, the Company entered into an equity transfer agreement to dispose its 12% interest in a subsidiary incorporated in Tianjin, China. The total proceeds in connection with the disposal was approximately RMB271 million. The Company's effective interest in the project company was reduced from 61% to 49% thereafter.

(d) Major non-cash transactions

In 2009, non-refundable distributions from interests in property development of totalling $1,601,399,000 were obtained by offsetting the amount received from interests in property development and accordingly, a related amount of $751,168,000 was transferred from the fair value reserve to the income statement in 2009.

27 Capital commitments

Capital commitments outstanding at 31 December not provided for in the accounts were as follows:

	Group		Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Contracted for				
– Investment properties	**2,574**	3,983	**2,574**	3,983
Authorised but not contracted for				
– Investment properties	**140,000**	123,764	**140,000**	123,764

28 Contingent liabilities

As at 31 December 2010, the Group and the Company has given several guarantees in respect of banking facilities and other obligations of a jointly controlled entity in Mainland China. One guarantee is provided on a joint and several basis with the other joint venture partner in respect of RMB80,000,000 loan facility (2009: RMB80,000,000). The joint venture partner and the Group and the Company had signed a mutual indemnification agreement by which each other will be indemnified on a 50:50 basis for any loss arising from the guarantee. The banking facility was utilised to the extent of RMB80,000,000 (2009: RMB80,000,000) at 31 December 2010. The other remaining guarantees amounted to RMB495,000,000 (2009: RMB365,000,000) representing a 50% proportional guarantee in respect of an aggregate of RMB990,000,000 term loan facilities (2009: RMB730,000,000). The facilities were utilised to the extent of RMB730,000,000 (2009: RMB600,000,000) at 31 December 2010.

The Company has given guarantees in respect of banking facilities and other obligations of certain subsidiaries to the extent of $3,547,500,000 (2009: $1,557,500,000). The banking facilities and other obligations were utilised to the extent of $2,950,548,000 (2009: $1,107,500,000) at 31 December 2010.

29 Pledge of assets

At 31 December 2010, properties of the Group with an aggregate carrying value of approximately $11,994,697,000 (2009: $7,520,923,000) and time deposits of $15,000,000 (2009: $15,000,000) were pledged to banks under fixed charges mainly to secure general banking facilities granted to the Group.

30 Subsidiaries

Details of the principal subsidiaries of Kowloon Development Company Limited are as follows:

Subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital	Proportion of nominal value of shares held: Direct	Proportion of nominal value of shares held: Indirect	Principal activities
Able Talent Investments Limited	British Virgin Islands/Macau	US$1	100.0%	–	Financial investment
Asia Turbo Limited	Hong Kong	$1	–	100.0%	Property development
Atlantic Capital Limited	Hong Kong	$10,000	100.0%	–	Investment holding
Best Award Investments Limited	British Virgin Islands	US$1	100.0%	–	Investment holding
Best Power (Asia) Limited	Hong Kong	$2	–	100.0%	Property development
Bestcare Management Limited	British Virgin Islands	US$1	–	100.0%	Investment holding
Bond Star Development Limited	Hong Kong	$500,000	–	100.0%	Property development
Brilliant Idea Investments Limited	British Virgin Islands	US$100	100.0%	–	Investment holding
Brilliant Way Holdings Limited	British Virgin Islands	US$12,000	–	100.0%	Investment holding
Charm World Limited	British Virgin Islands	US$1	100.0%	–	Investment holding
Cinema City (Film Production) Company Limited	Hong Kong	$5,000,000	–	85.0%	Film distribution
Cinema City Company Limited	Hong Kong	$1,000,000	–	85.0%	Film distribution
Country House Property Management Limited	Hong Kong	$10,000	–	100.0%	Property management and security services
Dansend International Limited	British Virgin Islands	US$1	100.0%	–	Investment holding
Elegant Florist Limited	British Virgin Islands	US$1,000	100.0%	–	Investment holding
Fullco Development Limited	Hong Kong	$1	–	100.0%	Property development
Future Star International Limited	British Virgin Islands	US$1	100.0%	–	Investment holding

30 Subsidiaries *(Continued)*

Subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital	Proportion of nominal value of shares held		Principal activities
			Direct	Indirect	
Gargantuan Investment Limited	Hong Kong	$2	100.0%	–	Financial investment
Golden Princess Amusement Company Limited	Hong Kong	$100,000	85.0%	–	Film distribution and investment holding
Golden Princess Film Production Limited	Hong Kong	$10,000	–	85.0%	Film distribution
Good Companion Investments Limited	British Virgin Islands	US$1	100.0%	–	Investment holding
Good Companion Investments (Hong Kong) Limited	Hong Kong	$1	–	100.0%	Investment holding
High Cheer Investments Limited	British Virgin Islands	US$1	100.0%	–	Investment holding
High Cheer Investments (Hong Kong) Limited	Hong Kong	$1	–	100.0%	Investment holding
Jumbo Power Enterprises Limited	Hong Kong	$2	–	100.0%	Property development
Jumbo Star Limited	British Virgin Islands	US$1	100.0%	–	Investment holding
King's City Holdings Limited	Hong Kong	$2	–	100.0%	Property development
Kowloon Development Finance Limited	Hong Kong	$2,000,000	100.0%	–	Financial services
Kowloon Development Properties Company Limited	Hong Kong	$1	100.0%	–	Project management
Lucky City Investments Limited	British Virgin Islands	US$1	100.0%	–	Investment holding
Lucky City Investments (Hong Kong) Limited	Hong Kong	$1	–	100.0%	Investment holding
Manor House Holdings Limited	Hong Kong	$264,529,125	100.0%	–	Investment holding
Marble King International Limited	British Virgin Islands	US$2	100.0%	–	Investment holding
Polytec Asset Holdings Limited *(Listed in Hong Kong, Stock code: 208)*	Cayman Islands/ Hong Kong and Macau	$443,896,784	–	73.4%	Property development and investment, oil exploration and production, ice manufacturing and provision of cold storage

30 Subsidiaries *(Continued)*

Subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary share capital	Proportion of nominal value of shares held Direct	Proportion of nominal value of shares held Indirect	Principal activities
Polytec Property Good Companion (Shenyang) Limited *(Remark 2)*	Mainland China	US$109,800,000 *(Remark 1)*	–	100.0%	Property development
Polytec Property Lucky City (Shenyang) Limited *(Remark 2)*	Mainland China	$102,100,000 *(Remark 1)*	–	100.0%	Property development
Roe Investment Limited	Hong Kong	$500,000	100.0%	–	Investment holding
San Iao Lek Development Company Limited	Macau	MOP100,000	–	70.0%	Investment holding
Spark Team Limited	Hong Kong	$2	100.0%	–	Retail
To Kwa Wan Properties Limited	Hong Kong	$2	–	100.0%	Property investment
Top Milestone Developments Limited	British Virgin Islands/ Macau	US$100	–	100.0%	Financial investment
Triumph Glory Investments Limited	British Virgin Islands	US$1	100.0%	–	Investment holding
Tyleelord Development & Agency Company Limited	Hong Kong	$100,000	–	100.0%	Property investment
Un Chau Properties Limited	Hong Kong	$2	–	100.0%	Property investment
Units Properties Limited	Hong Kong	$2	–	100.0%	Property investment
Union Way Management Limited	Hong Kong	$2	–	100.0%	Investment holding
Wealrise Investments Limited	Hong Kong	$2	–	100.0%	Property development and investment
Wealth Genesis Limited	Hong Kong	$2	100.0%	–	Property development
中山市長江兆業地產開發有限公司 *(Remark 2)*	Mainland China	$80,000,000 *(Remark 1)*	–	70.0%	Property development
保利達地產(瀋陽)高悅有限公司 *(Remark 2)*	Mainland China	US$59,599,974 *(Remark 1)*	–	100.0%	Property development

Remarks:
(1) The amount represented the registered capital paid up.
(2) Wholly foreign owned enterprises incorporated in Mainland China.

31 Staff retirement scheme

The Group operates a defined contribution staff retirement scheme. Contributions under the scheme are charged to the income statement as incurred. The amount of contributions is based on a specified percentage of the basic salary of the eligible employees. No forfeited contributions in respect of unvested benefits of staff leavers was utilised to reduce the Group's ongoing contributions during the year 2010 and 2009. There were no unutilised forfeited contributions at the balance sheet date of both years. The Group's annual contribution for the year was $605,000 (2009: $609,000).

Contributions to the Mandatory Provident Funds of $3,014,000 (2009: $2,613,000) as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance were charged to the income statement for the year.

32 Material related party transactions

In addition to the transactions and balances disclosed above, the Group also entered into the following material related party transactions.

(a) Polytec Holdings has guaranteed the due performance of the Company in respect of its obligations in the property development project in Tianjin, Mainland China.

(b) In 2009, an amount of $1,601,399,000 was distributed from a subsidiary of Polytec Holdings for the Group's interests in property development in Macau (note 14). Profit of $751,168,000 was recognised in 2009.

(c) During the year, interest of $10,572,000 (2009: $16,598,000) was paid to Polytec Holdings.

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

(e) As at 31 December 2010, the Group has given guarantees to an insurance company in respect of performance bonds entered into by an associated company to the extent of $9,365,000 (2009: $8,949,000).

(f) During the year, the remuneration for key management personnel being short-term employee benefits amounted to $14,808,000 (2009: $12,412,000) as disclosed in notes 5(a) and 5(b). The remuneration of directors and senior management is determined by the Remuneration Committee having regard to the performance and responsibilities of individuals and market trends.

33 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies which are described in note 1, management has made the following judgements that have significant effect on the amounts recognised in the accounts.

(a) Depreciation and amortisation

The Group depreciates fixed assets other than properties on a straight-line basis over the estimated useful lives 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 equipment is placed into productive use. The estimated useful lives reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's assets.

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 accounts for oil production assets and oil exploitation assets related to oil production activity. A reduction in oil reserves will increase depreciation, amortisation and depletion charges.

(b) Allowances for bad and doubtful debts

The policy for allowances for bad and doubtful debts of the Group is based on the evaluation of collectability, ageing analysis of accounts, realisable values of collateral and on management's judgement. A considerable amount of judgement is required in assessing the ultimate recoverability of receivables and loans and advances, including making references to the current creditworthiness and the past collection history of each customer.

(c) 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, by reference to market evidence of recent transaction and/or on the basis of discounted cash flow projections based on estimates of future rental income from properties using current market rentals and yields as inputs. The assumptions adopted in the property valuations are based on the market conditions existing at the balance sheet date, with reference to current market transactions and the appropriate capitalisation rate.

33 Critical accounting judgements and key sources of estimation uncertainty
(Continued)

(d) Estimation of provision for land held for future development and properties under development and held for sale

Management determines the net realisable value of land held for future development and properties under development 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 land held for future development and properties under development 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.

(e) Estimation of fair value of interests in property development

Interests in property development are stated at 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 suitable discount rate in order to calculate the present values. Cash flow projections for the interests in property development are based on the past performance, current market conditions, management's expectations for the market development and terms provided under the co-investment agreements.

(f) Impairment of interest in subsidiaries

In considering the impairment losses that may be required for the Company's interest in 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 items such as level of turnover and amount of operating costs of the subsidiaries. The Company uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as turnover and operating costs of subsidiaries.

(g) 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.

34 Financial risk management and fair values

The Group is exposed to interest rate, credit, liquidity, currency, equity price and other price risks which arise 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 the financial policies and practices undertaken by the Group.

(a) 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 ultimate holding company. 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 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.

At 31 December 2010, it is estimated that an increase/decrease in interest rates by 100 basis points, with all other variables held constant, the Group's result attributable to shareholders of the Company and retained profits would be decreased/increased by approximately $22 million (2009: $14 million).

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. The analysis is performed on the same basis for 2009.

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' 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. The Group maintains a defined credit policy. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables. Collateral is usually obtained in respect of loans and advances to customers.

Cash at bank, deposits placed with financial institutions, and investments and transactions involving derivative financial instruments 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 counterparties and customers.

34 Financial risk management and fair values *(Continued)*

(c) Liquidity risk

Cash management of the Company and wholly owned subsidiaries of the Group are substantially centralised at the Group level. The non wholly owned subsidiaries are responsible for their own cash management, including the short term investment of cash surpluses with creditworthy financial institutions and the raising of loans to cover expected cash demands, in accordance with the established policies and strategies with the concurrence by the management of the Group. The Group's policy is to regularly monitor current, expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, 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:

Group

	Contractual undiscounted cash flows					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Undated $'000	Total $'000	Balance sheet carrying amount $'000
At 31 December 2010						
Trade and other payables	**722,274**	**571**	**3,497**	**75,601**	**801,943**	**801,943**
Bank loans	**3,855,500**	**860,305**	**852,104**	**–**	**5,567,909**	**5,515,947**
Loan from ultimate holding company	**–**	**–**	**–**	**896,569**	**896,569**	**896,569**
Amount payable to ultimate holding company	**–**	**–**	**–**	**627,901**	**627,901**	**627,901**
Amount due to a jointly controlled entity	**554,448**	**–**	**–**	**–**	**554,448**	**554,448**
Other payables	**–**	**–**	**–**	**46,872**	**46,872**	**46,872**
	5,132,222	**860,876**	**855,601**	**1,646,943**	**8,495,642**	**8,443,680**
At 31 December 2009						
Trade and other payables	383,906	19,862	–	61,560	465,328	465,328
Bank loans	3,117,500	–	154,351	–	3,271,851	3,267,500
Loan from ultimate holding company	–	–	–	1,200,559	1,200,559	1,200,559
Amount payable to ultimate holding company	766,506	–	–	566,374	1,332,880	1,332,880
	4,267,912	19,862	154,351	1,828,493	6,270,618	6,266,267

The Group exposes to liquidity risk that arises from guarantees in respect of banking facilities of a jointly control entity. The guarantees are callable if the respective jointly control entity is unable to meet its obligation. Details refer to note 28.

34 Financial risk management and fair values *(Continued)*

(c) Liquidity risk *(Continued)*

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:

Company

	Contractual undiscounted cash flows					
	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	Undated $'000	Total $'000	Balance sheet carrying amount $'000
At 31 December 2010						
Trade and other payables	**43,695**	**–**	**–**	**45,507**	**89,202**	**89,202**
Bank loans	**2,158,000**	**–**	**–**	**–**	**2,158,000**	**2,158,000**
Loan from ultimate holding company	**–**	**–**	**–**	**896,569**	**896,569**	**896,569**
Amount due to a jointly controlled entity	**554,448**	**–**	**–**	**–**	**554,448**	**554,448**
	2,756,143	**–**	**–**	**942,076**	**3,698,219**	**3,698,219**
At 31 December 2009						
Trade and other payables	50,116	–	–	46,470	96,586	96,586
Bank loans	2,100,000	–	–	–	2,100,000	2,100,000
Loan from ultimate holding company	–	–	–	1,200,559	1,200,559	1,200,559
Amount payable to ultimate holding company	766,506	–	–	–	766,506	766,506
	2,916,622	–	–	1,247,029	4,163,651	4,163,651

The Company exposes to liquidity risk that arises from guarantees in respect of banking facilities of certain subsidiaries and a jointly control entity. The guarantees are callable if the respective subsidiary or jointly control entity is unable to meet its obligation. Details refer to note 28.

(d) Currency risk

The Group owns assets and conducts its business mainly in Hong Kong, Macau, Mainland China and Kazakhstan.

The Group's primary foreign currency exposures arise from its direct property development and investments in Mainland China. The Group is mainly exposed to the effects of fluctuation in Renminbi.

34 Financial risk management and fair values *(Continued)*

(d) Currency risk *(Continued)*

Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowings and as future returns from these investments are denominated in Renminbi, exposure to Renminbi currency risk is minimised.

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.

(e) Equity price risk

The Group is exposed to equity price risk through its financial investments.

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 its market exposure by maintaining investment portfolio of securities with high market liquidity.

At 31 December 2010, it is estimated that an increase/decrease of 5% in market value of the Group's financial investments classified as held for trading investments, with all other variables held constant, result attributable to shareholders of the Company and retained profits would increase/decrease by $5 million (2009: $4 million). The analysis is performed on the same basis for 2009.

The sensitivity analysis above indicates the instantaneous change in result attributable to shareholders of the Company (and retained profits) and other components of consolidated equity that would arise assuming that the changes in the equity price had occurred at the balance sheet date and had been applied to re-measure those financial investments held by the Group which expose the Group to equity price risk at that date. It is also assumed that the fair values of the Group's financial investments would change in accordance with the historical correlation with the relevant equity price, and that none of the Group's available-for-sale investments would be considered impaired as a result of a decrease in the relevant equity price, and that all other variables remain constant.

34 Financial risk management and fair values *(Continued)*

(f) 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 assumed 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 $472,309,000/$472,314,000 (2009: $473,452,000/$473,451,000). 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.

(g) Fair values

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7, "Financial Instruments: Disclosures", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

– Level 2: fair values measured 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 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

34 Financial risk management and fair values *(Continued)*

(g) Fair values *(Continued)*

2010

	Group			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Assets				
Available-for-sale investment fund	**–**	**–**	**29,346**	**29,346**
Trading securities	**104,594**	**–**	**–**	**104,594**
Interests in property development	**–**	**–**	**10,173,404**	**10,173,404**
	104,594	**–**	**10,202,750**	**10,307,344**

2009

	Group			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available-for-sale investment fund	–	–	27,096	27,096
Trading securities	80,016	–	–	80,016
Derivative financial instrument	–	–	7,800	7,800
Interests in property development	–	–	10,116,880	10,116,880
	80,016	–	10,151,776	10,231,792

During the year there were no significant transfers between instruments in Level 1 and Level 2.

34 Financial risk management and fair values *(Continued)*

(g) Fair values *(Continued)*

The movement during the year in the balance of Level 3 fair value measurements is as follows:

	Group	
	2010	2009
	$'000	$'000
At 1 January	**10,151,776**	11,886,072
Payment for purchase	**–**	7,800
Loss recognised in other comprehensive income	**58,693**	(140,697)
Exchange difference	**81**	–
Settlement	**(7,800)**	(1,601,399)
At 31 December	**10,202,750**	10,151,776
Total gains or losses for the year reclassified from other comprehensive income	**–**	742,090

Certain amounts due from/to subsidiaries of the Company are unsecured, interest-free and have no fixed repayment terms. Given these terms, it is not meaningful to disclose their fair values.

35 Restatement of comparatives

As a result of the adoption of the amendments to HKAS 12, "Income taxes", certain comparative figures have been adjusted to reflect the decrease in accrual of deferred tax liabilities related to investment properties carried at fair value. Further details of these changes in accounting polices are disclosed in note 2.

36 Parent and ultimate holding company

At 31 December 2010, the directors consider the parent company and ultimate holding company to be Intellinsight Holdings Limited and Polytec Holdings International Limited, which are both incorporated in the British Virgin Islands. Neither entity produces accounts available for public use.

37 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2010

Up to the date of issue of these accounts, the HKICPA has issued a number of amendments and interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these accounts.

The Group is in 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.

Particulars of Properties

31 December 2010

A. Major Investment Properties

Location	Usage	Category of Lease	Approximate Total Gross Floor Area (sq m)	Group's Interest (%)
Hong Kong				
Pioneer Centre 750 Nathan Road Mongkok	Commercial	Long lease	44,926 sq m and 124 Carparking Spaces	100.0
127 Shop Units on 1st Floor and 2nd Floor New Mandarin Plaza 14 Science Museum Road Tsim Sha Tsui	Commercial	Long lease	9,816	100.0
20th Floor of Argyle Centre Phase 1 688 Nathan Road and 65 Argyle Street Mongkok	Commercial	Medium-term lease	1,465	100.0
2nd to 23rd Floor and the Roof of The Elgin 51 Elgin Street Central	Residential	Long lease	1,327	100.0
The Whole Shop Spaces on Basement Peninsula Centre 67 Mody Road Tsim Sha Tsui	Commercial	Long lease	1,767 sq m and 10 Carparking Spaces	100.0
36 Shop Units on Basement, Ground Floor, Mezzanine Floor and 1st Floor Sino Centre 582-592 Nathan Road Mongkok	Commercial	Medium-term lease	692	100.0
Macau				
36 Shop Units Va long Praca da Amizade Nos. 6-52, Avenida do Infante D. Henrique Nos. 25-31 and Avenida Doutor Mario Soares Nos. 227-259	Commercial	Medium-term lease	1,438 sq m and 14 Carparking Spaces	73.4

B. Major Properties Under Development

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Status	Expected Date of Completion	Group's Interest (%)
Hong Kong						
150-162 Belcher's Street Kennedy Town	Residential and Commercial	564	5,600	Foundation work in progress	2014	100.0
35 Clear Water Bay Road Ngau Chi Wan	Residential and Commercial	19,335	196,400	Land exchange under process	*(Note 1)*	100.0
10 Yim Po Fong Street Mongkok	Stadium, Youth Centre, Residential and Commercial	2,400	24,800 *(Note 2)*	Superstructural work in progress	2012	Joint Venture with Urban Renewal Authority and Hong Kong Playground Association
468-474 Sai Yeung Choi Street North	Residential	1,114	8,400	Superstructural work in progress	2013	100.0
Mount East 24-32 Ming Yuen Western Street North Point	Residential and Commercial	706	5,700	Superstructural work completed	2011	100.0
Mainland China						
West of Daba Road Shenhe District Shenyang	Residential and Commercial	1,100,000	2,000,000	Foundation work in progress (first phase)	By phases from 2013 onwards	100.0
Xueyuan Road Shiqi District Zhongshan	Residential and Commercial	18,334	129,000	Superstructural work in progress	2012	70.0
Le Cove City (江灣城) Northern side of Hun Nan Er Road Hun Nan Xin District Shenyang	Residential and Commercial	171,339	579,000	Superstructural work in progress (first phase)	By phases from 2011 onwards	100.0

Notes:
(1) Subject to finalisation of land premium
(2) Attributable gross floor area to the Group is approximately 18,100 sq m

C. Major land Held for Future Development

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Group's Interest (%)
Hong Kong				
57, 59-65A Pokfulam Road	Residential	695	5,800	100.0
Macau				
Lotes T and T1 The Orient Pearl District Novos Aterros da Areia Preta *(Note)*	Residential and Commercial	17,900	191,600	58.8
Lote P The Orient Pearl District Novos Aterros da Areia Preta *(Note)*	Residential and Commercial	68,000	699,800	58.8

Note: The development of these properties are under the co-investment agreements with wholly owned subsidiaries of the ultimate holding company

D. Investment Properties of Jointly Controlled Entities

Location	Usage	Category of Lease	Approximate Total Gross Floor Area (sq m)	Group's Interest (%)
Macau				
208 Shop Units and 208 Office Units The Macau Square, Rua do Dr. Pedro Jose Lobo Nos. 2-16A, Avenida do Infante D. Henrique Nos. 43-53A and Avenida Doutor Mario Soares Nos. 81-113	Commercial	Medium-term lease	36,553 sq m and 265 Carparking Spaces	36.7

E. Properties Under Development of Jointly Controlled Entities

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Status	Expected Date of Completion	Group's Interest (%)
Mainland China						
The Lake (山語湖) Heshun Meijing Shuiku Sector Lishui Town Nanhai District Foshan	Residential and Commercial	4,020,743	1,600,000	Construction work in progress (second phase residential)	By phases from 2010 onwards	50.0

F. Land Held for Future Development of Associated Company

Location	Usage	Approximate Total Site Area (sq m)	Approximate Total Gross Floor Area (sq m)	Group's Interest (%)
Mainland China				
Lot No. Jin Dong Liu 2004-066 intersection of Shiyijing Road and Liuwei Road Hedong District Tianjin *(Note)*	Residential and Commercial	137,940	930,000	49.0

Note: Transfer of title of the composite property development site to project company to be arranged.

Design & Production: **i.Link Group Limited**

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