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FIRST SHANGHAI GROUP

(Stock Code : 227)

First Shanghai Investments Limited

ANNUAL REPORT 2010

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman
Mr. LO Yuen Yat

Executive Directors
Mr. XIN Shulin
Mr. YEUNG Wai Kin

Non-executive Director
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*

Independent Non-executive Directors
Prof. WOO Chia-Wei
Mr. LIU Ji
Mr. YU Qihao
Mr. ZHOU Xiaohe

COMPANY SECRETARY
Mr. YEUNG Wai Kin

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AUDITOR
PricewaterhouseCoopers
Certified Public Accountants

SOLICITORS
Reed Smith Richards Butler
T. H. Koo & Associates
Jennifer Cheung & Co

PRINCIPAL BANKERS
CITIC Bank International Limited
Standard Chartered Bank (Hong Kong) Limited

REGISTRARS & TRANSFER OFFICE
Computershare Hong Kong Investor
Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE
Stock Code on The Stock Exchange of
Hong Kong Limited: 227

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CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the Group's annual report and audited consolidated financial statements for the year ended 31st December 2010. The Group's consolidated revenue and net profit attributable to shareholders of the Company for the year ended 31st December 2010 amounted to approximately HK$292 million and HK$114 million respectively.

BUSINESS OVERVIEW

Following the rallies in 2009, the global economy, especially in the Asia-Pacific region, experienced an upturn during 2010. However, stock markets around the world were volatile, clouded by increasing concern over the European sovereign debt crisis and threats of tightening monetary measures in the Chinese Mainland. These factors highly affected the investment environment, and hence the stability of global stock markets.

Emerging economies were consistent in leading the global recovery in 2010. The economic environment in the Chinese market remains good, marked with an around 10% growth in GDP. The Hong Kong economy also broadly benefited from improvements in the property and general consumption market. Despite, being confronted with the threat of high inflation and gradual structural changes in the economy, the Chinese Central Government adopted active fiscal policies and pursued consistent and specific austerity measures targeted to cool down speculative activity in the property market.

The Group's consolidated net profit attributable to shareholders of the Company amounted to approximately HK$114 million for the year ended 31st December 2010, representing a drop of 39% compared with 2009. This was mainly due to reduction in unrealised gain from investment in an unlisted securities investment fund, despite the fund out-performing the Hang Seng Index for the corresponding period. In addition, the Group's results were slightly affected by the sluggish results of our investment in a listed associate, China Assets (Holdings) Limited ("China Assets") due to significant loss on a loan investment. The Group's performance benefited, however, from general appreciation of its investment properties and sustainable results from its securities brokerage business. The Group's consolidated revenue dropped by 50% to approximately HK$292 million as a result of the reduction in gain from investment in financial instruments.

The Group's total net assets increased by 5%, from approximately HK$2,755 million in 2009, to approximately HK$2,880 million in 2010. This was primarily attributable to the satisfactory performance of the financial services business and property valuation gains from our various investment properties in Chinese Mainland.

The Group adheres to its strategic plan and dedicates its efforts and resources to accelerating growth in its three major business sectors: Financial Services, Property and Hotel, and Direct Investment.

Financial Services

Tracking the global financial market, the Hong Kong stock market was volatile in 2010. Due to concerns over the European sovereign debt crisis, major stock markets fell in early 2010 and hit troughs in the middle of the year. With subsequent encouraging signs of stabilisation in the economy and strong capital inflow, the Hang Seng Index reached its highest closing level of the year at 24,964 on 8 November 2010. However, dampened by threats of more monetary tightening measures in the Chinese Mainland and measures to cool down the local property market, the Hang Seng Index dropped to 23,035 at the end of 2010. Total market capitalisation increased by 18% to approximately HK$21 trillion from 2009. Trading activities in the local stock market showed moderate improvement and average daily market turnover was approximately HK$69.1 billion, 11% higher than in 2009. As the world's largest IPO center in 2010, the fund raising pool increased to a total of approximately HK$450 billion. Total secondary equity fund-raising amounted to approximately HK$409 billion, representing a slight increase of 4%.

Our securities brokerage business was moderately stable. It reported an operating profit of approximately HK$63 million in 2010, roughly the same as 2009. Total margin loan size remained stable when compared with 2009. During 2010, we also participated in various secondary fund raising activities, resulting in an increase in underwriting and placing commission income. However, operating profit from the securities investment business decreased to approximately HK$18 million in 2010 as a result of reduction in unrealised gain in investment of an unlisted private equity fund.

Leveraging on its expertise in mergers and acquisitions, our corporate finance division continued to be an active player in the financial advisory market in 2010. During the year, we completed 37 corporate finance advisory assignments, including Takeovers Code-related transactions, and acted as compliance advisers to 7 listed companies on the Stock Exchange. Our corporate finance team also won the ALB China Law Awards (organised by Asian Legal Business Magazine) in 2010 and ranked 15th in the Financial Advisers to Greater China M&A League Table (by volume) for the year 2010 (conducted by Mergemarket, an independent M&A intelligence service provider owned by the Financial Times Group). In August 2010, we successfully joint lead-managed an IPO case, namely Infinity Chemical Holdings Company Limited (Stock Code: 640), with fund-raising size of approximately HK$75 million.

To strengthen our market niche in the financial services industry, we will continue to actively pursue opportunities in financial advisory services, IPO sponsorships and fund raising in the secondary market. In the pipeline, we have mandated several IPO sponsorships which are expected to be launched in 2011.

Property and Hotel

During 2010, selling prices in the Chinese property market maintained an upward spiral trend. The Chinese Central Government, concerned as expected about overheating in the economy and persistent inflationary trends, implemented additional and stricter tightening measures to restrict growth in the entire industry, especially in first-tier cities. The trend in the property market has been strongly affected in recent months with reduced transaction volumes. Though the impact of the tightening measures is not likely to show up in short term, the future macro-economy should grow at a more acceptable rate. The Group is optimistic about the medium and long term development of the industry with a firm belief that urbanisation and industrialisation will generate massive genuine housing demand.

The Group will continue to develop properties in fast growing second-tier cities in the Chinese Mainland, especially in the Yangtze River Delta region. We will continue to focus on developing and operating property projects ranging from commercial parks, hotels and serviced apartments to recreation resorts.

In 2010, the Group recognised GFA (gross floor area) and revenue amounted to approximately 7,000 square meters and HK$48 million respectively from the property development business, attributable mainly to the residential project in Kunshan and the office and industrial project in Wuxi. The Group's first five-star hotel, Double Tree by Hilton, also started operations in October 2010. Capital expenditure for property projects incurred for the year was approximately HK$479 million.

The Group is currently participating in six projects with total GFA of approximately 419,000 square meters, as summarised below:

Location	Product nature	Expected Completion date (Year)	% of interest attributable to the Group	Total gross floor area (sq.m.)	Area sold in 2010 (sq.m.)	Accumulated area sold (sq.m.)
Zhangjiang, Shanghai	Office and commercial	Completed	50%	56,000	—	27,000
Kunshan, Jiangsu	Residential	Completed	70%	55,000	6,000	45,000
Wuxi, Jiangsu	Hotel, commercial and apartment	Completed	100%	95,000	—	—
Wuxi, Jiangsu	Office and industrial					
— Phase I		Completed	70%	38,000	1,000	1,000
— Phase II		2012	70%	59,000	—	—
Huangshan, Anhui	Residential and recreation resorts	2012	100%	52,000	—	—
Zhongshan, Guangdong	Residential and recreation resorts	2012	80%	64,000	—	—
Total				419,000	7,000	73,000

Direct Investment

The Group's Direct Investment results remained affected by stresses from the unstable economic environment and it exercises a high level of caution in managing its equity investment portfolio.

China Assets continues to be the major investment of our Direct Investment Sector. During the year, China Assets reported net gain from its securities investments. However, overall result was adversely affected by the full provision made for its investment in UniMedia Ltd., a company engaged in provision of outdoor advertising services. For 2010, China Assets recorded net profit and increase in investment reserve attributable to the Group of approximately HK$3 million and HK$26 million respectively.

In 2010, we also increased our exposure to the pharmaceutical business through the acquisition of a pharmaceutical factory in Italy. We expect this to bring in respectable contributions to the Group after its development stage.

PROSPECTS

Market conditions in 2011 are expected to remain challenging. Global demand will continue to be constrained for as long as we face sustained high unemployment in the US, anaemic growth in European countries, political unrest through the Middle East, and ramifications of the recent disaster in Japan. Nevertheless, with the continued strength of the Chinese Mainland economy, the Group is conservatively optimistic about prospects in financial and property markets. We believe the Chinese Central Government will consistently maintain a stable macro-economic policy and persist with its proactive but moderate fiscal and monetary policies to reinforce economic growth at an accelerating but healthy momentum. The Group will adhere to its business strategy, while closely monitoring trends in the macro economy and regulatory environment, confident we can effectively respond to changes in a timely manner.

Using the strength of our brand recognition and business network, the Group will continue the pace of its expansion in both the financial services and property development industries in Hong Kong and the Chinese Mainland. We will devote more efforts to harnessing potential market demand by enhancing the quality of our products and services, capitalising on our professional team and refining our operational efficiency to strengthen market penetration and capture future business opportunities. Meanwhile, we will continue to pursue, with an active and prudent approach, strategic direct investment projects with the aim to optimise returns to the Company and its shareholders.

APPRECIATION

I would like to take this opportunity to express thanks on behalf of the Board to all our customers for their invaluable support and to our fellow Directors and our employees for their dedication and commitment.

LO Yuen Yat
Chairman
Hong Kong, 24th March 2011

REPORT OF THE DIRECTORS

The Board submits herewith their report together with the audited consolidated financial statements for the year ended 31st December 2010.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of its principal subsidiaries, associated companies and jointly controlled entities are set out in Notes 20, 21 and 22 to the consolidated financial statements respectively.

An analysis of the Group's performance for the year by operating and geographical segments is set out in Note 5 to the consolidated financial statements.

RESULTS

The results for the year are set out in the consolidated income statement on page 21.

DIVIDEND

The Board does not recommend the payment of an interim dividend (2009: HK$Nil) during 2010.

The Board recommends the payment of a final dividend of HK$0.01 (2009: HK$0.012) per ordinary share, totaling HK$13,989,000 (2009: HK$16,787,000), which together with the interim dividend payment amounts to a total of HK$13,989,000 (2009: HK$16,787,000) for the year ended 31st December 2010.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 35 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December 2010, calculated pursuant to Section 79B of the Hong Kong Companies Ordinance, amounted to HK$397,706,000 (2009: HK$342,200,000).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 36 to the consolidated financial statements.

DONATIONS

No charitable and other donations made by the Group during the year.

During the year ended 31st December 2009, charitable and other donations made by the Group was amounted to HK$5,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in Note 17 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries purchased or sold any of its securities listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") during the year ended 31st December 2010.

SHARE OPTIONS

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules"). The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the Scheme, the Directors have the discretion to grant to employees and Directors of any member of the Group to subscribe for shares in the Company.

The Company can issue options so that the total number of shares that may be issued upon exercise of all options to be granted under the Scheme does not in aggregate exceed 10% of the shares in issue on the date of approval of the Scheme. The Company may renew this limit at any time, subject to shareholders' approval and the issue of a circular and in accordance with the Listing Rules provided that the number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme does not exceed 30% of the shares in issue from time to time.

As at 31st December 2010, options to subscribe for a total of 122,595,064 ordinary shares were still outstanding under the Scheme which represents approximately 9% of the issued ordinary shares of the Company.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Scheme to each participant in any 12-month period shall not exceed 1 percent of the issued share capital of the Company for the time being.

The consideration for the grant of options is HK$1.00. The Scheme participant is entitled to subscribe for shares during such period as may be determined by the Directors (which shall be less than 10 years from the date of the grant of the relevant option and commences not less than six months after the date of grant) at the price to be determined by the Board but not less than the highest of the nominal value of the shares, the average of the official closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date on which the option is granted and the official closing price of the shares on the Stock Exchange on the date of grant.

Details of share options remain outstanding as at 31st December 2010 are as follows:

	Options held at 1st January 2010	Options lapsed during year	Options held at 31st December 2010	Exercise price HK$	Date of grant	Exercise period	Vesting period
Director							
Mr. LO Yuen Yat	11,944,000	—	11,944,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. XIN Shulin	8,032,000	—	8,032,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. YEUNG Wai Kin	11,810,000	—	11,810,000	0.564	30/11/2005	30/05/2006–11/12/2015	30/11/2005–29/05/2006
	8,032,000	—	8,032,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Prof. WOO Chia-Wei	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. LIU Ji	500,000	—	500,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. YU Qihao	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Employees	7,400,000	—	7,400,000	0.680	03/03/2006	03/03/2008–02/03/2016	03/03/2006–02/03/2008
	4,000,000	(1,000,000)	3,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
	54,718,000	(1,000,000)	53,718,000				

Notes:

(1) No share options were granted or exercised under the Scheme during the year ended 31st December 2010.

(2) No share options granted under the Scheme were cancelled during the year ended 31st December 2010.

(3) The accounting policy adopted for share options is consistent with that as described in the consolidated financial statements for the year ended 31st December 2010.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Mr. LO Yuen Yat
Mr. XIN Shulin
Mr. YEUNG Wai Kin
* Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*
** Prof. WOO Chia-Wei
** Mr. LIU Ji
** Mr. YU Qihao
** Mr. ZHOU Xiaohe

* *Mr. KWOK Lam Kwong, Larry, B.B.S., J.P. is a non-executive director of the Company.*

** *Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe are independent non-executive directors of the Company.*

Mr. YEUNG Wai Kin, Mr. YU Qihao and Mr. ZHOU Xiaohe retire in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the non-executive directors of the Company has entered into a service contract with the Company for a term of two years. Such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Articles of Association of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors of the Company and senior management of the Group are set out as follows (with age in brackets):

Mr. LO Yuen Yat (65). Chairman & Managing Director. Joined the Company in 1993. Currently Chairman of China Assets (Holdings) Limited, the Company's associated company which is listed on The Stock Exchange of Hong Kong Limited. Previously senior policy researcher at China's National Research Centre for Science & Technology and Social Development, and worked at the PRC State Science & Technology Commission, Ministry of Communications of The Peoples Republic of China and the PRC Railway Ministry. Mr. Lo graduated from Shanghai Fudan University and obtained his master degree from Harvard University.

Mr. XIN Shulin (57). Appointed as Director of the Company in 1998. He joined the Company in 1994 as Executive Vice President in charge of direct investment and property development business. Previously Mr. Xin worked as registered Financial Planner for Merrill Lynch and Senior Financial Analyst and Partner for Vail Securities Inc in Vail Colorado. He graduated from Lanzhou University in 1982 and obtained his MBA degree from University of Denver in 1992.

Mr. YEUNG Wai Kin (49). Appointed as Director of the Company in 1998. He is also Chief Financial Officer and Company Secretary of the Company. Mr. Yeung joined the Company in 1993 and has over 20 years experience in auditing, finance and management positions. He is also director of China Assets (Holdings) Limited. Mr. Yeung possesses professional membership of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He has a bachelor's degree in law from Peking University.

Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.* (55). Appointed as Independent Non-executive Director in 1994 and has been re-designated to Non-executive Director of the Company with effect from 17th March 2005. Mr. Kwok is a practising solicitor in Hong Kong and is also qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is also qualified as a certified public accountant in Hong Kong and Australia and a Chartered Accountant in England and Wales. He graduated from the University of Sydney, Australia with bachelor's degrees in economics and laws respectively as well as a master's degree in laws. He is currently the Chairman of the Traffic Accident Victims Assistance Advisory Committee, a member of the Hospital Governing Committee of Kwai Chung Hospital/Princess Margaret Hospital and the Insurance Claims Complaints Panel. He is also a member of the Political Consultative Committee of Guangxi in the People's Republic of China.

Professor WOO Chia-Wei (73). Appointed as Independent Non-executive Director in 1993. Currently Senior Advisor to Shui On Holdings Limited, and President Emeritus of the Hong Kong University of Science and Technology. Previously President, Provost, Department Chairman, and Professor of several prominent universities in the United States of America. He is also an independent non-executive director of several companies including Shanghai Industrial Holdings Limited, Lenovo Holdings Limited and Trony Solar Holdings Company Limited.

Mr. LIU Ji (75). Appointed as Independent Non-executive Director in 2004. Mr. Liu is the Honorary President of China Europe International Business School in Shanghai. He holds the posts of Deputy Chairman, Research Fellow and Member of the Academic Board, The Chinese Academy of Social Sciences, and Executive President of China Europe International Business School since 1993. Mr. Liu graduated from the Department of Power Mechanical Engineering, Qinghua University, Beijing.

Mr. YU Qihao (64). Appointed as Independent Non-executive Director in 2005. Mr. Yu is a certified public accountant, PRC. He graduated from Shanghai University of Finance and Economics. From 1981 to 1991, Mr. Yu worked as a certified public accountant in an accounting firm in Shanghai. From 1992 to 1998, he acted as the assistant president of Shanghai Industrial Investment (Holdings) Company Limited. Mr. Yu also worked as an executive director of Shenyin Wanguo (H.K.) Limited from 1995 to 1997 and a non-executive director from 1997 to 1998. And during the period from 2001 to 2006, Mr. Yu was an advisor of Deloitte Touche Tohmatsu CPA Ltd in Shanghai.

Mr. ZHOU Xiaohe (58). Appointed as Independent Non-executive Director on 7th October 2007. Mr. Zhou has extensive experience in investment and financing industries. He was educated in China and graduated from the Beijing Industrial University major in Computer Automation. Mr. Zhou was a non-executive director of the Company from 18th May 1995 to 16th June 1998 and of China Assets (Holdings) Limited from 27th March 1995 to 28th November 1997.

Mr. MO Siu Lun (48). Joined the Company in January 2000 as Chief Information Officer of the Group. Mr. Mo has over 23 years of managerial and technical experience in the information technology, manufacturing and marketing communication sector. Prior to joining the Group, he had held various management positions with major public listed companies. He obtained his Postgraduate Diploma in Engineering Management from City University of Hong Kong, a Master's Degree in Manufacturing Systems Engineering from Warwick University of the United Kingdom and a Master's Degree in Electronic Business from City University of Hong Kong.

Mr. QIU Hong (41). Joined the Company in 2000 and is currently the Chief Executive Officer of First Shanghai Financial Holding Limited. Mr. Qiu is responsible for the implementation of business management, development, sales and marketing strategies. Prior to joining the Group, Mr. Qiu had worked for a multi-national audit and consulting companies and was responsible for the audit, strategic planning and corporate financing activities. With extensive experience and expertise in financial industry and is specialising in corporate financing, stock listing, equity capital market and rules and regulation of the financial market in Hong Kong and Chinese Mainland. Mr. Qiu graduated from the Zhong Shan University with a Bachelor's Degree in Economics and he holds a Master of Philosophy (Economics) from the Chinese University of Hong Kong.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31st December 2010, the interests of each director and chief executive in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of SFO or as notified to the Company were as follows:

(a) Interests in respect of the Company:

		Number of shares and underlying shares held			% of issued share capital of the Company
Directors		**Personal interests**	**Corporate interests**	**Total**	
Mr. LO Yuen Yat *(Note)*	Long position	106,821,636	72,952,000	179,773,636	12.85%
Mr. XIN Shulin	Long position	8,032,000	—	8,032,000	0.57%
Mr. YEUNG Wai Kin	Long position	20,384,304	—	20,384,304	1.46%
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	Long position	1,000,000	—	1,000,000	0.07%
Prof. WOO Chia-Wei	Long position	1,000,000	—	1,000,000	0.07%
Mr. LIU Ji	Long position	500,000	—	500,000	0.04%
Mr. YU Qihao	Long position	1,000,000	—	1,000,000	0.07%
Mr. ZHOU Xiaohe	Long position	160,000	—	160,000	0.01%

Note: 72,952,000 shares are held by Kinmoss Enterprises Limited, a company wholly owned by Mr. LO Yuen Yat.

(b) Interests in respect of an associated corporation:

			Number of shares and underlying shares held		% of issued share capital of the associated corporation
Directors			**Personal interests**	**Total**	
Mr. LO Yuen Yat	China Assets	Long position	1,575,000	1,575,000	2.06%
Mr. YEUNG Wai Kin	China Assets	Long position	1,250,000	1,250,000	1.63%

Saved as disclosed above, at no time during the year, the directors and chief executives had any interest in shares, underlying shares and debentures of the Company and its associated corporation required to be disclosed pursuant to the SFO.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31st December 2010, the Company had been notified of the following substantial shareholder's interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

Ordinary shares of HK$0.2 each in the Company:

		Personal interests	**Family interests**	**Corporate interests**	**Total**	**% of issued share capital of the Company**
China Assets (Holdings) Limited ("China Assets") *(Note 1)*	Long position	—	—	247,674,500	247,674,500	17.70%
Ms. CHAN Chiu, Joy ("Ms. Chan") *(Note 2)*	Long position	131,616,000	12,432,000	57,592,000	201,640,000	14.41%
Mr. YIN Jian, Alexander ("Mr. Yin") *(Note 2)*	Long position	12,432,000	131,616,000	57,592,000	201,640,000	14.41%

Notes:

(1) China Assets is a Hong Kong listed company, which is also an associated company of the Group.

(2) 57,592,000 shares are held by Richcombe Investments Limited, a company jointly owned by Ms. Chan and Mr. Yin with 50% equity interests each.

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.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are both less than 30% for 2010 and 2009.

CONNECTED TRANSACTION

The Company did not have any connected transactions which need to be disclosed during the year ended 31st December 2010.

FIVE YEAR FINANCIAL SUMMARY

The summary of assets, liabilities and results of the Group for the last five financial years is as follows:-

	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
Total assets	**4,733,083**	4,680,919	3,789,432	4,795,420	2,634,203
Total liabilities	**1,853,345**	1,926,318	1,391,272	1,955,191	938,532
Total net assets	**2,879,738**	2,754,601	2,398,160	2,840,229	1,695,671
Turnover	**291,904**	587,498	157,804	680,271	1,292,240
Profit/(loss) attributable to shareholders	**114,367**	187,885	(108,232)	383,440	236,573
Earnings/(losses) per share					
— basic	**8.18 cents**	13.44 cents	(7.76) cents	29.66 cents	19.91 cents
— fully diluted	**8.11 cents**	13.37 cents	(7.76) cents	29.21 cents	19.53 cents

AUDIT COMMITTEE

The Company's Audit Committee was established on 27th December 1998. The Audit Committee comprises the non-executive Director, Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.* and the four independent non-executive Directors, Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. Three meetings were held during the current financial year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors as at the latest practicable date prior to the issue of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers, who retire and, being eligible, offer themselves for re-appointment.

By order of the Board

LO Yuen Yat
Chairman

Hong Kong, 24th March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31st December 2010, the Group recorded a net profit attributable to shareholders of approximately HK$114 million, representing a decrease of 39% over 2009 amounting to approximately HK$188 million. Basic earnings per share attributable to the shareholders of the Company fell from HK$13.44 cents in 2009 to HK$8.18 cents in 2010. Revenue of the Group is approximately HK$292 million, represents a decrease of 50% from 2009.

LIQUIDITY AND FINANCIAL RESOURCES

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised occasionally to meet the different demands of our various property projects and our financial services business. As at 31st December 2010, the Group had raised bank loans of approximately HK$234 million (2009: HK$15 million) and held approximately HK$569 million (2009: HK$828 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 8.1% (2009: 0.5%). Investment in "financial assets at fair value through profit or loss" as at 31st December 2010 amounted to approximately HK$330 million (2009: HK$280 million).

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group expects that Renminbi will appreciate in a stable pattern in future. The Group has no significant exposure to other foreign exchange fluctuations.

PLEDGE OF GROUP ASSETS

The Group has pledged properties, leasehold land and land use rights and properties under development with an aggregate net carrying value of approximately HK$657 million (2009: HK$224 million) and fixed deposits of approximately HK$15 million (2009: HK$15 million) against its bank loans and general banking facilities. The banking facilities amounting approximately HK$230 million (2009: HK$11 million) had been utilised.

CONTINGENT LIABILITIES

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for purchasers of the Group's properties in the Chinese Mainland. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 31st December 2010, total contingent liabilities relating to these guarantees amounted to approximately HK$19 million (2009: HK$166 million).

MATERIAL ACQUISITION AND DISPOSAL OF GROUP COMPANIES

During the year, the Group had no material acquisitions, disposals and significant investments.

EMPLOYEES

As at 31st December 2010, the Group employed 730 staff, of which 608 are located in the Chinese Mainland. Employees' remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined contribution provident fund schemes and employee share option scheme. Training courses are provided to staff where necessary. The staff costs of the Group for the year ended 31st December 2010 amounted to approximately HK$138 million (2009: HK$133 million).

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited for the year ended 31st December 2010, except for the deviation from provision A.2.1 of the CG Code in respect of segregation of the roles of chairman and chief executive officer. Such deviation will be discussed in the relevant sections of this report in more details. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of Listing Rules for securities transactions by directors of the Company. All the members of the Board have confirmed, following specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31st December 2010.

BOARD OF DIRECTORS

The principal focus of the Board is on the overall strategic development of the Group. The Board also monitors the financial performance and the internal controls of the Group's business operations.

The Board of the Company comprises:

Executive Directors:	Mr. LO Yuen Yat, *Chairman* Mr. XIN Shulin Mr. YEUNG Wai Kin
Non-executive Director:	Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*
Independent Non-executive Directors:	Prof. WOO Chia-Wei Mr. LIU Ji Mr. YU Qihao Mr. ZHOU Xiaohe

The Board comprises of three executive directors and five non-executive directors. Of the five non-executive directors, four of them are independent non-executive directors that represent more than one-third of the Board. In addition, two of the non-executive directors possess appropriate professional accounting qualifications and financial management expertise. There is no relationship between members of the Board.

The Company does not establish a nomination committee in consideration of the size of the Group. The Board is empowered under the Company's Articles to appoint any person as a director either to fill a causal vacancy on or as an addition to the Board. Qualified candidates will be proposed to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship having regard to the balance of skills and experience appropriate to the Group's business.

The non-executive directors serve an important function of ensuring and monitoring the basis for an effective corporate governance framework. With a wide range of expertise and a balance of skills, the non-executive directors bring independent judgement on issues of strategic direction, development, performance and risk management through their contribution at board meetings and committee work.

The Board considers that each independent non-executive director is independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules. The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers such directors to be independent.

The Board meets regularly throughout the year to review the overall strategy and to monitor the operation as well as the financial performance of the Group. Notice of at least 14 days have been given to all directors for all regular board meetings and the directors can include matters for discussion in the agenda if necessary. Agenda and accompanying board papers in respect of regular board meetings are sent out to all directors within reasonable time before the meeting.

Draft minutes of board meeting are circulated to directors for comment within a reasonable time prior to confirmation. Minutes of board meetings and meetings of board committees are kept by the Company Secretary and all directors have access to board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

During the year, four board meetings were held and the individual attendance of each director is set out below:

Name of director	**Number of meetings attended**	**Attendance rate**
Mr. LO Yuen Yat	4/4	100%
Mr. XIN Shulin	2/4	50%
Mr. YEUNG Wai Kin	4/4	100%
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	3/4	75%
Prof. WOO Chia-Wei	4/4	100%
Mr. LIU Ji	3/4	75%
Mr. YU Qihao	4/4	100%
Mr. ZHOU Xiaohe	3/4	75%

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and chief executive officer of the Company is Mr. LO Yuen Yat. This deviates from provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board believes that vesting the role of both positions in Mr. Lo provides the Group with strong and consistent leadership and allows for more effective planning and execution of long-term business strategies. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the business of the Group given that there is a strong and independent non-executive element on the Board. The Board believes that the structure outlined above is beneficial to the Company and its business.

NON-EXECUTIVE DIRECTOR

Each of the non-executive directors of the Company has entered into a service contract with the Company for a term of two years. Such term is subject to his re-appointment by the Company at general meeting upon retirement by rotation pursuant to the Articles of Association of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee of the Board was established on 30th June 2005. The majority of the Remuneration Committee members are independent non-executive directors and its current members include:

Executive Director:	Mr. LO Yuen Yat
Independent Non-executive Directors:	Prof. WOO Chia-Wei Mr. YU Qihao Mr. ZHOU Xiaohe

The terms of reference of the Remuneration Committee were adopted when the Committee was established. The Remuneration Committee was set up to review and approve the remuneration packages of the directors and senior management including the terms of salary and bonus schemes and other long term incentive schemes.

During the year, three meetings were held to discuss the remuneration policies and approve the remuneration packages of the directors of the Company. The individual attendance of each committee member is set out below:

Name of committee member	Number of meetings attended	Attendance rate
Mr. LO Yuen Yat	3/3	100%
Prof. WOO Chia-Wei	3/3	100%
Mr. YU Qihao	3/3	100%
Mr. ZHOU Xiaohe	3/3	100%

AUDIT COMMITTEE

The Audit Committee of the Board was established on 27th December 1998 and its current members include:

Independent Non-executive Directors:	Mr. YU Qihao, *Committee Chairman* Prof. WOO Chia-Wei Mr. LIU Ji Mr. ZHOU Xiaohe
Non-executive Director:	Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*

Each member of the Audit Committee has broad commercial experience and there is a suitable mix of expertise in business, accounting and financial management on the Audit Committee. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee meets regularly to review the reporting of financial and other information to shareholders, the system of internal controls, risk management and the effectiveness and objectivity of the audit process.

During the year ended 31st December 2010, the Audit Committee has reviewed the annual and interim consolidated financial statements, including the accounting principles and practices adopted by the Group, which was of the opinion that such reports were prepared in accordance with the applicable accounting standard and requirements. The Audit Committee has also discussed with the Group's independent advisor and considers the system of internal control of the Group to be effective and that the Group has adopted the necessary control mechanisms to its financial, operational, statutory compliance and risk management functions.

During the year, three meetings were held and the individual attendance of each committee member is set out below:

Name of committee member	Number of meetings attended	Attendance rate
Mr. YU Qihao	3/3	100%
Prof. WOO Chia-Wei	3/3	100%
Mr. LIU Ji	2/3	67%
Mr. ZHOU Xiaohe	2/3	67%
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	3/3	100%

AUDITOR'S REMUNERATION

For the year ended 31st December 2010, PricewaterhouseCoopers, the Company's auditor, has charged approximately HK$2,222,000 for audit and related services and HK$176,000 for other non-audit services—taxation services.

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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TO THE SHAREHOLDERS OF FIRST SHANGHAI INVESTMENTS LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of First Shanghai Investments Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 21 to 104, which comprise the consolidated and company balance sheets as at 31st December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 24th March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2010

	Note	**2010 HK$'000**	2009 HK$'000 (Restated)
Revenue	*5*	**291,904**	587,498
Cost of sales		**(110,285)**	(287,528)
Gross profit		**181,619**	299,970
Other gains — net	*6*	**119,085**	66,397
Selling, general and administrative expenses		**(196,529)**	(195,595)
Operating profit	*7*	**104,175**	170,772
Finance income	*8*	**9,215**	14,388
Finance costs	*8*	**(1,569)**	(871)
Finance income — net	*8*	**7,646**	13,517
Share of profits less losses of			
Associated companies	*21*	**1,223**	12,437
Jointly controlled entities	*22*	**52,350**	15,008
Profit before taxation		**165,394**	211,734
Taxation	*9(a)*	**(34,887)**	(26,978)
Profit for the year		**130,507**	184,756
Attributable to:			
Shareholders of the Company	*10*	**114,367**	187,885
Non-controlling interests		**16,140**	(3,129)
		130,507	184,756
Earnings per share for profit attributable to shareholders of the Company during the year			
— Basic	*11*	**HK$8.18 cents**	HK$13.44 cents
— Diluted	*11*	**HK$8.11 cents**	HK$13.37 cents
Dividends	*12*	**13,989**	16,787

The notes on pages 29 to 104 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2010

	2010 **HK$'000**	2009 HK$'000 (Restated)
Profit for the year	**130,507**	184,756
Other comprehensive income		
—Fair value (loss)/gain on available-for-sale financial assets	**(30,939)**	58,837
—Exchange reserve realised upon disposal of subsidiaries	**(4,861)**	(5,597)
—Exchange reserve realised upon disposal of associated companies	**(2,608)**	—
—Currency translation differences	**31,744**	7,802
—Share of post-acquisition reserves of an associated company	**26,327**	90,318
Other comprehensive income for the year, net of tax	**19,663**	151,360
Total comprehensive income for the year	**150,170**	336,116
Attributable to:		
Shareholders of the Company	**130,793**	338,094
Non-controlling interests	**19,377**	(1,978)
	150,170	336,116

The notes on pages 29 to 104 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31st December 2010

	Note	2010 HK$'000	2009 HK$'000 (Restated)	2008 HK$'000 (Restated)
Non-current assets				
Intangible assets	16	**2,126**	4,573	3,393
Property, plant and equipment	17	**369,626**	239,577	112,894
Investment properties	18	**268,152**	73,378	47,897
Leasehold land and land use rights	19	**59,292**	56,598	59,954
Properties under development	25	**—**	179,377	181,335
Investments in associated companies	21	**383,914**	370,845	261,715
Investments in jointly controlled entities	22	**208,723**	151,118	157,056
Deferred tax assets	37	**10,152**	3,415	2,053
Available-for-sale financial assets	23	**162,587**	193,526	134,689
Loans and advances	24	**21,993**	11,497	27,457
		1,486,565	1,283,904	988,443
Current assets				
Properties under development	25	**235,807**	143,974	206,546
Properties held for sale		**378,355**	66,791	—
Inventories	26	**555**	718	5,885
Loans and advances	24	**345,822**	311,784	85,040
Trade receivables	27	**205,736**	327,963	141,636
Other receivables, prepayments and deposits	28	**34,131**	55,162	41,614
Tax recoverable	9(b)	**3,205**	—	4,107
Financial assets at fair value through profit or loss	30	**330,239**	280,291	110,020
Deposits with banks	31	**41,611**	155,563	153,099
Client trust bank balances	32	**1,143,906**	1,382,491	1,117,332
Cash and cash equivalents	32	**527,151**	672,278	935,710
		3,246,518	3,397,015	2,800,989
Current liabilities				
Trade and other payables	33	**1,552,847**	1,869,170	1,358,862
Tax payable	9(b)	**29,209**	34,681	28,306
Borrowings	34	**27,030**	3,407	3,402
		1,609,086	1,907,258	1,390,570
Net current assets		**1,637,432**	1,489,757	1,410,419

CONSOLIDATED BALANCE SHEET

As at 31st December 2010

	Note	2010 HK$'000	2009 HK$'000 (Restated)	2008 HK$'000 (Restated)
Total assets less current liabilities		**3,123,997**	2,773,661	2,398,862
Non-current liabilities				
Deferred tax liabilities	*37*	**37,427**	7,703	702
Borrowings	*34*	**206,832**	11,357	—
		244,259	19,060	702
Net assets		**2,879,738**	2,754,601	2,398,160
Equity				
Share capital	*35*	**279,783**	279,783	279,277
Reserves	*36*	**2,497,859**	2,383,853	2,044,558
Capital and reserves attributable to the Company's shareholders		**2,777,642**	2,663,636	2,323,835
Non-controlling interests		**102,096**	90,965	74,325
Total equity		**2,879,738**	2,754,601	2,398,160

On behalf of the Board

LO Yuen Yat
Director

YEUNG Wai Kin
Director

The notes on pages 29 to 104 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	17	**145**	235
Investments in subsidiaries	20	**89,881**	91,155
Investments in jointly controlled entities	22	**—**	11,793
Available-for-sale financial assets	23	**161,616**	192,555
Loans and advances	24	**11,416**	11,497
		263,058	307,235
Current assets			
Other receivables, prepayments and deposits	28	**678**	5,553
Amounts due from subsidiaries	29(a)	**1,508,322**	1,303,083
Deposits with banks	31	**10,000**	93,299
Cash and cash equivalents	32	**6,131**	95,073
		1,525,131	1,497,008
Current liabilities			
Trade and other payables	33	**12,673**	23,636
Amounts due to subsidiaries	29(b)	**28,083**	56,650
		40,756	80,286
Net current assets		**1,484,375**	1,416,722
Net assets		**1,747,433**	1,723,957
Equity			
Share capital	35	**279,783**	279,783
Reserves	36	**1,467,650**	1,444,174
Total equity		**1,747,433**	1,723,957

On behalf of the Board

LO Yuen Yat
Director

YEUNG Wai Kin
Director

The notes on pages 29 to 104 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2010

	Note	2010 HK$'000	2009 HK$'000
Cash flows from operating activities			
Net cash outflow from operating activities	*38(a)*	**(469,134)**	(237,954)
Hong Kong profits tax paid		**(10,750)**	(5,930)
Overseas taxation paid		**(10,888)**	(6,215)
Net cash used in operating activities		**(490,772)**	(250,099)
Cash flows from investing activities			
Interest received		**6,927**	13,406
Purchase of property, plant and equipment		**(15,899)**	(138,105)
Proceeds from disposal of property, plant and equipment		**6,011**	227
Acquisition of a subsidiary	*41*	**(584)**	(14,060)
Net cash inflow in respect of the disposal of subsidiaries	*38(b)*	**13,939**	89,682
Proceeds from disposal of associated companies		**13,984**	—
Increase in investment in an associated company		**—**	(6,210)
Dividends received from jointly controlled entities		**6,489**	5,669
Decrease/(increase) in deposits with banks		**113,952**	(2,464)
Loans receivable made to third parties		**(25,854)**	—
Receipt of loans repayment from third parties		**18,935**	1,031
Net cash generated from/(used in) investing activities		**137,900**	(50,824)
Cash flows from financing activities			
Interest paid		**(1,569)**	(871)
Proceeds from borrowings		**218,982**	11,357
Issue of new shares on exercise of share options		**—**	1,707
Capital contribution to a subsidiary by its minority shareholders		**—**	18,618
Dividend paid		**(16,787)**	—
Net cash generated from financing activities		**200,626**	30,811
Net decrease in cash and cash equivalents		**(152,246)**	(270,112)
Cash and cash equivalents at 1st January		**672,278**	935,710
Exchange differences		**7,119**	6,680
Cash and cash equivalents at 31st December		**527,151**	672,278
Analysis of balances of cash and cash equivalents			
Cash at bank and in hand		**349,915**	270,014
Short-term bank deposits—unsecured		**177,236**	402,264
Cash and cash equivalents as above		**527,151**	672,278

The notes on pages of 29 to 104 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2010

	Attributable to shareholders of the Company									Non-controlling interests	Total
	Share capital HK$'000	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	HK$'000	HK$'000
At 1st January 2010, as previously reported	279,783	849,536	43,773	273,642	14,006	12,334	192,555	68,790	923,212	90,965	2,748,596
Effect of change in accounting policy *(Note 2.1)*	–	–	–	–	–	–	–	–	6,005	–	6,005
At 1st January 2010, as restated	279,783	849,536	43,773	273,642	14,006	12,334	192,555	68,790	929,217	90,965	2,754,601
Profit for the year	–	–	–	–	–	–	–	–	114,367	16,140	130,507
Fair value loss on available-for-sale financial assets	–	–	–	–	–	–	(30,939)	–	–	–	(30,939)
Exchange reserve realised upon disposal of subsidiaries	–	–	–	–	–	–	–	(4,861)	–	–	(4,861)
Exchange reserve realised upon disposal of associated companies	–	–	–	–	–	–	–	(2,608)	–	–	(2,608)
Currency translation differences	–	–	–	–	–	–	–	28,507	–	3,237	31,744
Share of post-acquisition reserves of an associated company	–	–	–	26,327	–	–	–	–	–	–	26,327
Total comprehensive income	–	–	–	26,327	–	–	(30,939)	21,038	114,367	19,377	150,170
Disposal of subsidiaries	–	–	–	(858)	–	–	–	–	858	(8,246)	(8,246)
Disposal of associated companies	–	–	–	(199)	–	–	–	–	199	–	–
Transfer from retained earnings	–	–	–	445	–	–	–	–	(445)	–	–
Transfer of reserve upon lapse of share options	–	–	(1,091)	–	–	–	–	–	1,091	–	–
2009 final dividend paid	–	–	–	–	–	–	–	–	(16,787)	–	(16,787)
	–	–	(1,091)	(612)	–	–	–	–	(15,084)	(8,246)	(25,033)
At 31st December 2010	279,783	849,536	42,682	299,357	14,006	12,334	161,616	89,828	1,028,500	102,096	2,879,738

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2010

	Attributable to shareholders of the Company									Non-controlling interests	Total
	Share capital	Share premium	Employee share-based compensation reserve	Capital reserve	Capital redemption reserve	Assets revaluation reserve	Investment revaluation reserve	Exchange fluctuation reserve	Retained earnings		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2009, as previously reported	279,277	847,626	44,482	181,119	14,006	12,334	133,718	67,736	739,113	74,325	2,393,736
Effect of change in accounting policy *(Note 2.1)*	–	–	–	–	–	–	–	–	4,424	–	4,424
At 1st January 2009, as restated	279,277	847,626	44,482	181,119	14,006	12,334	133,718	67,736	743,537	74,325	2,398,160
Profit for the year	–	–	–	–	–	–	–	–	187,885	(3,129)	184,756
Fair value gain on available-for-sale financial assets	–	–	–	–	–	–	58,837	–	–	–	58,837
Exchange reserve realised upon disposal of subsidiaries	–	–	–	–	–	–	–	(5,597)	–	–	(5,597)
Currency translation differences	–	–	–	–	–	–	–	6,651	–	1,151	7,802
Share of post-acquisition reserves of an associated company	–	–	–	90,318	–	–	–	–	–	–	90,318
Total comprehensive income	–	–	–	90,318	–	–	58,837	1,054	187,885	(1,978)	336,116
Issue of new shares upon exercise of share options	506	1,910	(709)	–	–	–	–	–	–	–	1,707
Capital contribution to a subsidiary by its minority shareholders	–	–	–	–	–	–	–	–	–	18,618	18,618
Transfer from retained earnings	–	–	–	2,205	–	–	–	–	(2,205)	–	–
	506	1,910	(709)	2,205	–	–	–	–	(2,205)	18,618	20,325
At 31st December 2009	279,783	849,536	43,773	273,642	14,006	12,334	192,555	68,790	929,217	90,965	2,754,601

The notes on pages 29 to 104 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General Information

First Shanghai Investments Limited (the "Company") and its subsidiaries, associated companies and jointly controlled entities (together, the "Group") are principally engaged in securities investment, corporate finance, stockbroking, property development, property investment, hotel operation, direct investment, investment holding and management.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is Room 1903, Wing On House, 71 Des Voeux Road Central, Hong Kong.

The Company is listed on The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 24th March 2011.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of First Shanghai Investments Limited have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, buildings, available-for-sale financial assets and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS 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 consolidated financial statements, are disclosed in Note 4.

Changes in accounting policy, presentation and disclosures

(a) Change in accounting policy on leasehold land and land use rights

During the year, the Group changed its accounting policy for leasehold land and land use rights which is held for development for sale. Leasehold land and land use rights which are held for development for sale meet the definition of both inventories under HKAS 2 "Inventories" and leasehold land and land use rights under HKAS 17 "Leases". Previously, leasehold land and land use rights that are held for development for sale were classified as operating leases and amortised on a straight line basis over the remaining lease terms in accordance with HKAS 17.

Amortisation of leasehold land and land use rights during the development phase was capitalised as part of the construction cost of the property. Amortisation charges incurred prior to development and following completion of the property were recognised in consolidated income statement.

2. Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy, presentation and disclosures *(continued)*

(a) *Change in accounting policy on leasehold land and land use rights (continued)*

Subsequent to the change in accounting policy, leasehold land and land use right which is held for development for sale are classified as "Properties under development" and "Properties held for sale" in accordance with HKAS 2 and measured at the lower of cost and net realisable value.

Management believes that the new classification of leasehold land and land use rights as "Properties under development" and "Properties held for sale" results in a more relevant presentation of the financial position of the Group, and of its performance for the year. The revised treatment reflects management's intent regarding the use of the leasehold land and land use rights and results in a presentation consistent with industry practice.

The change in accounting policy has been accounted for retrospectively and the consolidated financial statements have been restated by reversing the amortisation charged in prior years.

The effect on the consolidated financial statements is as follows:

Consolidated balance sheet	**2010** **HK$'000**	2009 HK$'000	2008 HK$'000
Increase in properties under development — current	**183,597**	71,110	116,519
Increase in properties under development — non-current	**—**	179,377	181,335
Increase in properties held for sale	**2,132**	13,365	—
Decrease in leasehold land and land use rights — current	**(148,834)**	(86,886)	(129,065)
Decrease in leasehold land and land use rights — non-current	**(27,216)**	(170,961)	(164,365)
Increase in retained earnings	**9,679**	6,005	4,424

Consolidated income statement	**2010** **HK$'000**	2009 HK$'000
Decrease in other gains — net	**—**	(1,547)
Decrease in selling, general and administrative expenses	**(3,674)**	(3,128)
Increase in basic earnings per share (cents per share)	**HK$0.26**	HK$0.11
Increase in diluted earnings per share (cents per share)	**HK$0.26**	HK$0.11

2. Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy, presentation and disclosures *(continued)*

(b) Change in presentation on client trust bank balances

During the year, the Group changed its presentation for client trust bank balances which were previously disclosed as off balance sheet.

Subsequent to the change in presentation, client trust bank balances are presented on gross basis and shown in the current assets section of the consolidated balance sheet with corresponding trade payables under current liabilities section of the consolidated balance sheet.

Management believes that the change in presentation results in a more appropriate presentation of the financial position of the Group and to conform with industry practice.

The change in presentation has been accounted for retrospectively and the consolidated financial statements have been restated by recognising the client trust bank balances and corresponding trade payables to respective clients in prior years.

The effect on the consolidated financial statements is as follows:

Consolidated balance sheet	2010 HK$'000	2009 HK$'000	2008 HK$'000
Increase in trade receivables	**14,983**	9,387	7,140
Increase in client trust bank balances	**1,143,906**	1,382,491	1,117,332
Increase in trade and other payables	**1,158,889**	1,391,878	1,124,472

(c) Change in presentation on stamp duty, transfer deed, transaction levy and trading fee income and expenses

During the year, the Group changed its presentation on stamp duty, transfer deed, transaction levy and trading fee income and expenses which were previously included in revenue and cost of sales respectively in the consolidated income statement.

Subsequent to the change in presentation, stamp duty, transfer deed, transaction levy and trading fee income and expenses are shown on a net basis in the consolidated income statement.

Management believes that the change in presentation results in providing a more appropriate presentation of financial information of the Group and to conform with industry practice.

The change in presentation has been accounted for retrospectively and the consolidated financial statements have been restated in prior years.

2. Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy, presentation and disclosures *(continued)*

(c) *Change in presentation on stamp duty, transfer deed, transaction levy and trading fee income and expenses* (continued)

The effect on the consolidated financial statements is as follows:

Consolidated income statement	**2010 HK$'000**	2009 HK$'000
Decrease in revenue	**(53,150)**	(59,178)
Decrease in cost of sales	**(53,150)**	(59,178)

(d) *Amendment and revisions to existing Standards adopted by the Group*

The following amendment and revisions to existing Standards are mandatory for the first time for the financial year beginning 1st January 2010.

- HKAS 17 (Amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under "Leasehold land and land use rights", and amortised over the remaining lease term. The amortisation of the land interest during the construction period is capitalised.

  HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1st January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance leases retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating leases to finance leases.

  The accounting treatment for land interest classified as finance leases is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the remaining lease terms.

  The effect of the adoption of this amendment is as follows:

Consolidated balance sheet	**2010 HK$'000**	2009 HK$'000	2008 HK$'000
Decrease in leasehold land and land use rights	**(36,246)**	(36,287)	(36,327)
Increase in property, plant and equipment	**36,246**	36,287	36,327

2. Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy, presentation and disclosures *(continued)*

(d) *Amendment and revisions to existing Standards adopted by the Group* (continued)

- HKAS 27 (Revised), "Consolidated and Separate Financial Statements". The Group has adopted this Standard on 1st January 2010. The amendment requires that the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The Standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain and loss is recognised in consolidated income statement. The revised Standard does not have an impact on the Group's or Company's financial statements.

- HKFRS 3 (Revised), "Business Combinations" and consequential amendments to HKAS 27, "Consolidated and Separate Financial Statements", HKAS 28, "Investments in Associates", and HKAS 31, "Interests in Joint Ventures". The Group has adopted this Standard on 1st January 2010. The amendment requires that all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The revised Standard does not have an impact on the Group's or Company's financial statements.

(e) *Amendments, revision and interpretations to existing Standards effective in 2010 but not currently relevant to the Group's operation*

The following amendments, revision and interpretations to existing Standards are mandatory for the first time for the financial year beginning 1st January 2010 but are not currently relevant to the Group's operation (although they may affect the accounting for future transactions and events):

- HKAS 1 (Amendment) Presentation of Financial Statements;
- HKAS 7 (Amendment) Statement of Cash Flows;
- HKAS 36 (Amendment) Impairment of Assets;
- HKAS 38 (Amendment) Intangible Assets;
- HKAS 39 (Amendment) Financial Instruments: Recognition and Measurement — Eligible Hedged Items;
- HKFRS 1 (Revised) First-time Adoption of Hong Kong Financial Reporting Standards;
- HKFRS 1 (Amendment) First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters;
- HKFRS 2 (Amendment) Group Cash-settled Share-based Payment Transaction;
- HKFRS 5 (Amendment) Non-current Assets Held for Sale and Discontinued Operations;
- HK(IFRIC) - Int 16 Hedges of a Net Investment in a Foreign Operation;
- HK(IFRIC) - Int 17 Distributions of Non-cash Assets to Owners;
- HK(IFRIC) - Int 18 Transfer of Assets from Customers; and
- First and second improvements to HKFRSs published by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. Summary of Significant Accounting Policies *(continued)*

2.1 Basis of preparation *(continued)*

Changes in accounting policy, presentation and disclosures *(continued)*

(f) Standard, amendments, revision and interpretations to existing Standards that are not yet effective and have not been adopted by the Group

The following Standard, amendments, revision and interpretations to existing Standards have been issued but are not effective for the financial year beginning 1st January 2010 and have not been early adopted:

			Effective for accounting periods beginning on or after
•	HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets;	1st January 2012
•	HKAS 24 (Revised)	Related Party Disclosures;	1st January 2011
•	HKAS 32 (Amendment)	Classification of Rights Issues;	1st February 2010
•	HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters;	1st July 2010
•	HKFRS 7 (Amendment)	Disclosures - Transfer of Financial Assets;	1st July 2011
•	HKFRS 9	Financial Instruments;	1st January 2013
•	HKFRS 9 (amended in October 2010)	Financial Liabilities;	1st January 2013
•	HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement; and	1st January 2011
•	HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July 2010

The Group has already commenced an assessment of the related impact of adopting the above Standard, amendments, revision and interpretations to existing Standards to the Group. The Group is not yet in a position to state whether the above amendments will result in substantial changes to the Group's accounting policies and presentation of the financial statements.

In addition, the HKICPA has published third improvements to HKFRSs. These amendments have not been early adopted by the Group and the directors are currently assessing the impact of the amendments to the Group.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2. Summary of Significant Accounting Policies *(continued)*

2.2 Consolidation *(continued)*

(a) Subsidiaries *(continued)*

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 2.5). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.9). Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associated company, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(c) Associated companies

Associated companies are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in associated companies include goodwill (net of any accumulated impairment loss) identified on acquisition (Note 2.5).

2. Summary of Significant Accounting Policies *(continued)*

2.2 Consolidation *(continued)*

(c) Associated companies *(continued)*

The Group's share of its associated companies' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associated companies are recognised in the consolidated income statement.

If the ownership interest in an associated company is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(d) Jointly controlled entities

A jointly controlled entity is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 2.9). The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

2. Summary of Significant Accounting Policies *(continued)*

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors of the Company (the "Board").

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK$), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

2. Summary of Significant Accounting Policies *(continued)*

2.4 Foreign currency translation *(continued)*

(c) Group companies *(continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Intangible assets

(a) Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associated companies and jointly controlled entities is included in "investments in associated companies" and "investments in jointly controlled entities" respectively. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Trading rights

The trading rights at the Hong Kong Futures Exchange Limited ("trading rights") are recognised as intangible assets in the consolidated balance sheet. They have indefinite useful lives and are tested annually for impairment and carried at cost less accumulated impairment losses.

2.6 Property, plant and equipment

(a) Land and buildings in Hong Kong

The Group carries its leasehold land classified as finance lease at cost. Buildings in Hong Kong are carried at cost or at revalued amounts and revaluation surpluses or deficits are dealt with as movements in the assets revaluation reserve. Effective from annual period ending after 30th September 1995, no further revaluations have been carried out. The Group places reliance on paragraph 80A of HKAS 16, "Property, plant and equipment", issued by the HKICPA which provides exemption from the need to make regular revaluations for such assets.

(b) Construction-in-progress

Construction-in-progress comprises other property, plant and equipment under installation, and is stated at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any impairment losses. No depreciation is provided on construction-in-progress until such time as the relevant assets are completed and put into use.

2. Summary of Significant Accounting Policies *(continued)*

2.6 Property, plant and equipment *(continued)*

(c) Other property, plant and equipment

Other property, plant and equipment comprises mainly buildings outside Hong Kong, furniture, fixtures and equipment, plant and machinery, and motor vehicles and trucks are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged in the consolidated income statement during the financial year in which they are incurred.

(d) Depreciation and amortisation

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Over the term of the leases
Buildings	Over the shorter of the term of the leases or 20 to 40 years
Furniture, fixtures and equipment	3 to 7 years
Plant and machinery	10 years
Motor vehicles	5 years
Trucks	8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

(e) Gains and losses on disposals

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in the consolidated income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

2. Summary of Significant Accounting Policies *(continued)*

2.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. It also includes property that is being constructed or developed for future use as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs. Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway and cease once the asset is substantially complete, or suspended if the development of the asset is suspended.

After initial recognition, investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee.

Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- the provisions of the construction contract;
- the stage of completion;
- whether the project/property is standard (typical for the market) or non-standard;
- the level of reliability of cash inflows after completion;
- the development risk specific to the property;
- past experience with similar constructions; and
- status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of leasehold land classified as investment property; others, including contingent rent payments, are not recognised in the consolidated financial statements.

2. Summary of Significant Accounting Policies *(continued)*

2.7 Investment properties *(continued)*

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged in the consolidated income statement during the financial year in which they are incurred.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in the consolidated income statement as part of "other gains — net".

2.8 Leasehold land and land use rights

The up-front prepayments made for leasehold land and land use rights are accounted for as operating leases. They are amortised in the consolidated income statement on a straight-line basis over the periods or the lease of the land use rights, or when there is impairment, the impairment is recognised in the consolidated income statement. They are included in non-current assets.

2.9 Impairment of investments in subsidiaries, associated companies, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The Group assesses at the end of each reporting period whether there is any objective evidence that its interests in the associated companies and jointly controlled entities are impaired. Such objective evidence includes whether there has been any significant adverse changes in the technological, market, economic or legal environment in which the associated companies or jointly controlled entities operate or whether there has been a significant or prolonged decline in value below their cost. If there is an indication that an interest in an associated company or jointly controlled entity is impaired, the Group assesses whether the entire carrying amount of the investment (including goodwill) is recoverable. An impairment loss is recognised in profit or loss for the amount by which the carrying amount is lower than the higher of the investment's fair value less costs to sell or value in use. Any reversal of such impairment loss in subsequent periods is reversed through profit or loss.

Impairment testing of the investments in subsidiaries, associated companies or jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries or jointly controlled entity in the period the dividend is declared or if the carrying amount of the relevant investment in the Company's balance sheet exceeds its carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. Summary of Significant Accounting Policies *(continued)*

2.10 Financial assets

The Group classifies its financial assets into the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

2.10.1 Classification

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-currrent.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as “loans and advances”, “client trust bank balances”, “cash and cash equivalents”, “deposits with banks” and “trade and other receivables” (Note 2.13) in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date.

2.10.2 Recognition and measurement

Regular way of purchases and sales of financial assets are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category, including net gains/(losses) on disposal and remeasurement at fair value, are recognised in the consolidated income statement within “revenue”. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated income statement as part of “revenue” when the Group’s right to receive payments is established.

Changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

2. Summary of Significant Accounting Policies *(continued)*

2.10 Financial assets *(continued)*

2.10.2 Recognition and measurement *(continued)*

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as "gains and losses from available-for-sale financial assets". Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends income on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuers' specific circumstances, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement — is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on available-for-sale financial assets are not reversed through the consolidated income statement. Impairment testing of trade receivables is described in Note 2.13.

2.11 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs, borrowing costs capitalised and professional fees incurred during the construction period. Upon completion, the properties are transferred to properties held for sale.

Net realisable value takes into account the price ultimately expected to be realised, less applicable variable selling expenses and the anticipated costs to completion.

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis method. The cost of finished goods and work in progress comprises raw materials, direct labour, shipping costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2. Summary of Significant Accounting Policies *(continued)*

2.13 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a trade receivable is uncollectible as evidenced by the bankruptcy of the debtor and the collectability of this balance is remote, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

2.14 Client trust bank balances

The Group has classified the clients' monies as client trust bank balances under the current assets section of the consolidated balance sheet and recognised a corresponding trade payables to respective clients under the current liabilities section.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

2.17 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2. Summary of Significant Accounting Policies *(continued)*

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income and directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, associated companies and jointly controlled entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.20 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. Summary of Significant Accounting Policies *(continued)*

2.20 Employee benefits *(continued)*

(b) Discretionary bonus

Discretionary bonus is accrued in the year in which the associated services are rendered by employees of the Group.

Liabilities for discretionary bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(c) Pension obligations

The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited for those employees who leave the scheme prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

As stipulated by rules and regulations in the Chinese Mainland, the Group contributes to state-sponsored retirement plans for its employees in the Chinese Mainland. The Group contributes to the retirement plans certain percentage of the basic salaries of its employees, and has no further obligations for the actual payment of post-retirement benefits.

(d) Employee share-based compensation

The Group operates an equity-settled, employee share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

2.21 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2. Summary of Significant Accounting Policies *(continued)*

2.21 Provisions *(continued)*

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.23 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

(a) Revenue from brokerage and commission, management, consultancy, advisory and handling services rendered is recognised once the duties under the service contracts are performed and outcome of the transactions can be foreseen with reasonable certainty.

(b) Revenue from securities trading represents the net gains/(losses) on disposal and remeasurement of financial assets at fair value through profit or loss. All transactions related to securities trading are recorded in the consolidated financial statements based on trade dates. Accordingly, only those trade dates falling within the accounting year have been taken into account.

(c) Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(d) Revenue from sales of properties is recognised upon completion of sales agreements, which refers to the time when the relevant properties have been completed and delivered to the purchasers pursuant to the sale agreements. Deposits and instalments received on properties sold prior to their completion are included in current liabilities.

(e) Revenue from hotel accommodation, food and beverage sales and other ancillary services is recognised when the services are rendered.

2. Summary of Significant Accounting Policies *(continued)*

2.23 Revenue recognition *(continued)*

(f) Operating lease rental income is recognised on a straight-line basis over the lease periods.

(g) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(h) Dividend income is recognised when the rights to receive payment is established.

2.24 Finance costs

Finance costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other finance costs are expensed as incurred.

2.25 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Assets leased out under operating leases are included in property, plant and equipment, and investment properties in the consolidated balance sheet. Lease income is recognised over the term of the lease on straight-line basis.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the year in which the dividends are approved by the Company's shareholders.

3. Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group has in place controls to manage these risks to an acceptable level without affecting its business. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group's overall risk management function focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Financial risk management of the Group is carried out by the credit committee and finance department of the Group. The top management and the credit committee approve the Group's financial risk management policies. Credit committee and finance department undertake both regular and ad hoc reviews of risk management controls and procedures which are reported to the top management. Detailed analysis of risk management are set out in Note 43 to the consolidated financial statements.

3. Financial Risk Management *(continued)*

3.2 Capital risk management

The Group's objectives when managing capital are to maintain a strong capital base to support the development of its business and to meet regulatory capital requirement at all times. The Group recognises the impact on shareholders' returns of the level of equity capital employed within the Group and seeks to maintain a balance between the returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

Capital of the Group for regulatory and capital management purpose includes share capital, share premium, retained earnings, other reserves and subordinated liabilities. Capital is allocated to various business activities of the Group depending on the risk taken by each business unit and in accordance with the requirements of relevant regulatory bodies, taking into account current and future activities within a time frame.

The Group monitors capital on the basis of the gearing ratio, which is calculated as total debts divided by total shareholders' funds. The Group also monitors capital base of its subsidiaries to ensure compliance with relevant regulatory capital requirements of Securities and Futures Ordinance. Management strives to maintain an optimal capital structure so as to achieve the Group's capital risk management objective as stated above. To achieve this, the Group may adjust the amount of dividend payout and other relevant factors.

The gearing ratios at 31st December 2010 and 2009 are as follows:

	2010 **HK$'000**	2009 HK$'000 (Restated)
Total borrowings *(Note 34)*	**233,862**	14,764
Total equity	**2,879,738**	2,754,601
Gearing ratio	**8.1%**	0.5%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3. Financial Risk Management *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's assets that are measured at fair value at 31st December 2010.

	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss			
— listed securities	**159,043**	**—**	**159,043**
— unlisted, quoted securities	**171,196**	**—**	**171,196**
Available-for-sale financial assets			
— listed securities	**971**	**—**	**971**
— unlisted securities	**—**	**161,616**	**161,616**
	331,210	**161,616**	**492,826**

The following table presents the Group's assets that are measured at fair value at 31st December 2009.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial assets at fair value through profit or loss				
— listed securities	118,985	—	—	118,985
— unlisted, quoted securities	155,793	—	—	155,793
— convertible bond	—	—	5,513	5,513
Available-for-sale financial assets				
— listed securities	971	—	—	971
— unlisted securities	—	192,555	—	192,555
	275,749	192,555	5,513	473,817

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 primarily comprise securities listed in the Stock Exchange of Hong Kong Limited.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

3. Financial Risk Management *(continued)*

3.3 Fair value estimation *(continued)*

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

There were no significant transfers of financial assets between level 1 and level 2 fair value hierarchy classifications.

The following table presents the changes in level 3 instruments for the years ended 31st December 2010 and 2009.

	Convertible bond	
	2010	2009
	HK$'000	HK$'000
Opening balance	**5,513**	—
Addition	**—**	5,679
Losses recognised in consolidated income statement	**(5,513)**	(166)
Closing balance	**—**	5,513

4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in various jurisdictions, mainly in Hong Kong and the Chinese Mainland. Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

4. Critical Accounting Estimates and Judgements *(continued)*

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. Management will revise the depreciation expenses where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Estimated fair value of investment properties

The fair value of each investment property individually is determined at each balance sheet date by independent professional valuers by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income/net income, after allowing for outgoings and in appropriate cases provisions for reversionary income potential. These methodologies are based upon estimates of future results and a set of assumptions as to income and expenses of the property and future economic conditions. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

(d) Fair value of financial instruments

The fair value of financial instruments traded in active markets (such as trading and available-for-sale financial assets securities) is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

(e) Allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of loans and advances, and trade and other receivables. Allowance is made when there are events or changes in circumstances which indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgements and estimates. Where the expectation on the recoverability of loans and advances, and trade and other receivables is different from the original estimate, such difference will impact the carrying value of loans and advances and trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

(f) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its costs, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, change in technology and operational and financing cash flow.

4. Critical Accounting Estimates and Judgements *(continued)*

(g) Impairment of property, plant and equipment

The Group reviews the recoverable amounts of the property, plant and equipment whenever there are events or changes in circumstances which indicate that the carrying amounts may not be recoverable. Impairment loss is recognised when the carrying amount exceeds its recoverable amount. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates.

(h) Provision for impairment of investments in subsidiaries and amounts due from subsidiaries

The Company makes provision for impairment of investments in subsidiaries and amounts due from subsidiaries based on an assessment of the recoverability of these balances. Provision is applied to investments in and amounts due from subsidiaries where events and changes in circumstances indicate these balances may not be collectible. The identification of impairment of these balances requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of investments and receivables and provision for impairment losses in the year in which such estimate has been changed.

(i) Provision for impairment of investments in associated companies and jointly controlled entities

The Group assesses the indicator under HKAS 39 to assess if the investments in associated companies and jointly controlled entities are impaired. Any provision for impairment of these investments is based on an assessment of the recoverability of these balances following the guidance under HKAS 36. The identification of impairment of these balances requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of investments and receivables and provision for impairment losses in the year in which such estimate has been changed.

5. Segment Information

The chief operating decision-maker has been identified as the Board. Management determines the operating segments based on the Group's internal reports, which are then submitted to the Board for performance assessment and resources allocation.

The Board identifies the following reportable operating segments by business perspective:

- Securities investment
- Corporate finance and stockbroking
- Property development
- Property investment and hotel
- Direct investment

The Board assesses the performance of the operating segments based on a measure of segment results and share of results of associated companies and jointly controlled entities.

Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, leasehold land and land use rights, properties under development, properties held for sale, inventories, financial assets and operating cash.

5. Segment Information *(continued)*

The Group operates primarily in Hong Kong and China. In presenting information of geographical segments, segment revenue is based on the geographical destination of delivery of goods.

(a) Operating segments

	Securities investment 2010 HK$'000	Corporate finance and stockbroking 2010 HK$'000	Property development 2010 HK$'000	Property investment and hotel 2010 HK$'000	Direct investment 2010 HK$'000	Group 2010 HK$'000
Income statement						
Revenue	22,282	197,581	47,668	14,707	9,666	291,904
Segment results	17,928	63,333	3,045	64,005	(17,186)	131,125
Unallocated net operating expenses						(26,950)
Operating profit						104,175
Finance income — net						7,646
Share of profits less losses of						
— Associated companies	–	–	–	–	1,223	1,223
— Jointly controlled entities	–	–	–	48,385	3,965	52,350
Profit before taxation						165,394
Taxation						(34,887)
Profit for the year						130,507
Balance sheet						
Segment assets	365,012	1,971,579	676,617	722,888	324,070	4,060,166
Investments in associated companies	–	–	–	–	383,914	383,914
Investments in jointly controlled entities	–	–	–	175,282	33,441	208,723
Tax recoverable						3,205
Deferred tax assets						10,152
Corporate assets						66,923
Total assets						4,733,083
Other information						
Depreciation and amortisation	19	2,002	697	10,928	3,363	17,009

Note: There were no sales among the operating segments.

5. Segment Information *(continued)*

(a) Operating segments *(continued)*

	Securities investment 2009 HK$'000	Corporate finance and stockbroking 2009 HK$'000 (Restated)	Property development 2009 HK$'000 (Restated)	Property investment and hotel 2009 HK$'000 (Restated)	Direct investment 2009 HK$'000	Group 2009 HK$'000 (Restated)
Income statement						
Revenue	106,098	180,975	231,563	3,952	64,910	587,498
Segment results	102,925	61,285	62,872	5,167	(11,630)	220,619
Unallocated net operating expenses						(49,847)
Operating profit						170,772
Finance income — net						13,517
Share of profits less losses of						
— Associated companies	–	–	–	–	12,437	12,437
— Jointly controlled entities	–	–	–	9,877	5,131	15,008
Profit before taxation						211,734
Taxation						(26,978)
Profit for the year						184,756
Balance sheet						
Segment assets	293,817	2,297,223	599,127	400,635	359,126	3,949,928
Investments in associated companies	–	–	–	–	370,845	370,845
Investments in jointly controlled entities	–	–	–	122,632	28,486	151,118
Deferred tax assets						3,415
Corporate assets						205,613
Total assets						4,680,919
Other Information						
Depreciation and amortisation	5	1,873	434	3,749	5,033	11,094

Note: There were no sales among the operating segments.

5. Segment Information *(continued)*

(b) Geographical segments

	Hong Kong 2010 HK$'000	Chinese Mainland and others 2010 HK$'000	Group 2010 HK$'000
Revenue	**213,378**	**78,526**	**291,904**
Non-current assets*	**465,006**	**848,820**	**1,313,826**

	Hong Kong 2009 HK$'000 (Restated)	Chinese Mainland and others 2009 HK$'000 (Restated)	Group 2009 HK$'000 (Restated)
Revenue	283,225	304,273	587,498
Non-current assets*	431,882	655,081	1,086,963

* *Non-current assets exclude available-for-sale financial assets and deferred tax assets.*

6. Other Gains — Net

	Group 2010 HK$'000	2009 HK$'000 (Restated)
Net gain on disposal of interests in subsidiaries	**5,570**	51,699
Gain on disposal of interests in associated companies	**657**	—
Fair value gains on investment properties	**101,401**	13,075
Net foreign exchange gain	**11,457**	1,623
	119,085	66,397

7. Operating Profit

Operating profit is stated after crediting and charging the following:

	Group	
	2010	2009
	HK$'000	HK$'000
		(Restated)
Crediting		
Write back of provision for obsolete stock	**301**	—
Charging		
Depreciation	**14,210**	8,138
Amortisation of leasehold land and land use rights	**3,164**	3,394
Cost of properties sold	**36,762**	192,295
Cost of inventories	**628**	7,234
Stockbroking commission and related expenses	**30,787**	32,946
Staff costs *(Note 13)*	**137,891**	132,877
Operating lease rental in respect of land and buildings	**6,495**	8,304
Auditors' remuneration		
Audit and audit related work		
— the Company's auditor	**2,222**	1,813
— other auditors	**703**	734
Non-audit services — the Company's auditor	**176**	584
Provision for doubtful debts	**964**	16,169
Provision for obsolete stock	**—**	3,329
Net loss on disposal of property, plant and equipment	**70**	820

8. Finance Income — Net

	Group 2010 HK$'000	2009 HK$'000
Finance income		
— Interest income on bank deposits	**6,676**	11,181
— Other interest income	**2,539**	3,207
	9,215	14,388
Finance costs		
— Interest on loans and overdrafts	**(8,851)**	(1,645)
— Less: amounts capitalised as qualifying assets	**7,282**	774
Total finance costs	**(1,569)**	(871)
Finance income — net	**7,646**	13,517

9. Taxation

Hong Kong profits tax has been provided for at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

(a) The amount of taxation charged to the consolidated income statement represents:

	Group 2010 HK$'000	2009 HK$'000
Hong Kong profits tax		
Current	**8,958**	10,241
Over-provision in previous years	**(907)**	(205)
Overseas taxation		
Current	**3,084**	12,570
Under-provision in previous years	**765**	—
Deferred taxation *(Note 37)*	**22,987**	4,372
Taxation charge	**34,887**	26,978

9. Taxation *(continued)*

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	Group 2010 HK$'000	2009 HK$'000 (Restated)
Profit before taxation (net of share of profits less losses of associated companies and jointly controlled entities)	**111,821**	184,289
Tax calculated at a taxation rate of 16.5% (2009: 16.5%)	**18,450**	30,408
Effect of different taxation rates in other countries	**8,293**	(143)
Income not subject to taxation	**(6,091)**	(26,850)
Expenses not deductible for taxation purposes	**2,361**	1,447
Over-provision in previous years, net	**(142)**	(205)
Unrecognised deferred tax assets	**10,450**	14,945
Corporate withholding tax	**755**	2,489
Others	**130**	10
	34,206	22,101
Land appreciation tax	**681**	4,877
Taxation charge	**34,887**	26,978

(b) The amount of taxation in the Group's consolidated balance sheet represents:

	Group 2010 HK$'000	2009 HK$'000
Recoverable		
Hong Kong	**374**	—
Overseas	**2,831**	—
	3,205	—
Payable		
Hong Kong	**780**	3,104
Overseas	**28,429**	31,577
	29,209	34,681

10. Profit Attributable to Shareholders of the Company

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$72,293,000 (2009: HK$66,810,000).

11. Earnings per Share

The calculation of basic and diluted earnings per share is based on the Group's profit attributable to shareholders of HK$114,367,000 (2009 restated: HK$187,885,000). The basic earnings per share is based on the weighted average number of 1,398,913,012 (2009: 1,397,749,340) shares in issue during the year.

The Company has share options outstanding during the year which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of 10,590,944 (2009: 7,235,172) dilutive potential ordinary shares.

12. Dividends

The Board recommends the payment of a final dividend of HK$0.01 (2009: HK$0.012) per ordinary share, totaling HK$13,989,000 (2009: HK$16,787,000). Such dividend is to be approved by the shareholders at the annual general meeting of the Company on 20th May 2011. These financial statements do not reflect this final dividend payable.

	2010 **HK$'000**	2009 HK$'000
Proposed final dividend of HK$0.01 (2009: HK$0.012) per ordinary share	**13,989**	16,787

13. Staff Costs (including Directors' Emoluments)

	Group	
	2010 **HK$'000**	2009 HK$'000
Wages, salaries and allowance	**126,707**	123,015
Retirement benefit costs *(Note 15)*	**4,279**	4,323
Other employee benefits	**6,905**	5,539
	137,891	132,877

14. Directors' and Senior Management's Emoluments

(a) Directors' emoluments

The remuneration of every Director for the year ended 31st December 2010 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	2010 Total HK$'000
Executive directors:					
Mr. LO Yuen Yat	**—**	**2,754**	**4,000**	**236**	**6,990**
Mr. XIN Shulin	**—**	**2,246**	**2,800**	**192**	**5,238**
Mr. YEUNG Wai Kin	**—**	**2,400**	**2,800**	**206**	**5,406**
Non-executive director:					
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	**270**	**—**	**—**	**—**	**270**
Independent non-executive directors:					
Prof. WOO Chia-Wei	**270**	**—**	**—**	**—**	**270**
Mr. LIU Ji	**270**	**—**	**—**	**—**	**270**
Mr. YU Qihao	**270**	**—**	**—**	**—**	**270**
Mr. ZHOU Xiaohe	**270**	**—**	**—**	**—**	**270**

The remuneration of every Director for the year ended 31st December 2009 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	2009 Total HK$'000
Executive directors:					
Mr. LO Yuen Yat	—	2,598	7,000	223	9,821
Mr. XIN Shulin	—	2,120	5,000	181	7,301
Mr. YEUNG Wai Kin	—	2,264	5,000	194	7,458
Non-executive director:					
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	270	—	—	—	270
Independent non-executive directors:					
Prof. WOO Chia-Wei	270	—	—	—	270
Mr. LIU Ji	270	—	—	—	270
Mr. YU Qihao	270	—	—	—	270
Mr. ZHOU Xiaohe	270	—	—	—	270

14. Directors' and Senior Management's Emoluments *(continued)*

(a) Directors' emoluments *(continued)*

Details of share options granted, exercised and lapsed during the year are disclosed in the Report of the Directors.

No Directors have waived emoluments in respect of the years ended 31st December 2010 and 2009.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2009: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2009: two) individuals during the year are as follows:

	2010 **HK$'000**	2009 HK$'000
Basic salaries, allowances and benefits-in-kind	**3,878**	4,592
Discretionary bonuses	**12,000**	11,090
Retirement benefit costs	**146**	287
	16,024	15,969

The emoluments fell within the following bands:

Emolument bands **HK$**	**Number of individuals** **2010**	 2009
7,000,001–7,500,000	**1**	—
7,500,001–8,000,000	**—**	1
8,000,001–8,500,000	**—**	1
8,500,001–9,000,000	**1**	—
	2	2

15. Retirement Benefit Costs

The Group participates in defined contribution retirement schemes which are available to Hong Kong employees. The rates of contributions are 5% of basic salary from the employees and 5% to 10% from the employer depending on the length of service of the individuals. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group's contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

HK$36,000 (2009: HK$44,000) of defined contribution retirement schemes in Hong Kong was forfeited during the year. There were no outstanding balance as at the balance sheet dates of 2010 and 2009 available to reduce the contributions payable in the future years.

Contributions totaling HK$196,000 (2009: HK$190,000) were payable to the retirement scheme at the year-end and are included in trade and other payables.

The Group also contributes to retirement plans for its employees in the Chinese Mainland and overseas. The rates of contributions are approximately ranging from 17% to 28% of basic salary from the Group for its employees in the Chinese Mainland and approximately 12% of basic salary from the Group for its overseas employees.

16. Intangible Assets

Group

	Goodwill HK$'000	**Trading rights HK$'000**	**Total HK$'000**
Cost			
At 1st January 2010	**4,173**	**400**	**4,573**
Acquisition of a subsidiary	**378**	**–**	**378**
Disposal of a subsidiary	**(2,447)**	**–**	**(2,447)**
At 31st December 2010	**2,104**	**400**	**2,504**
Accumulated impairment loss			
At 1st January 2010	**–**	**–**	**–**
Impairment	**378**	**–**	**378**
At 31st December 2010	**378**	**–**	**378**
Net book value			
At 31st December 2010	**1,726**	**400**	**2,126**

16. Intangible Assets *(continued)*

Group *(continued)*

	Goodwill HK$'000	Trading rights HK$'000	Total HK$'000
Cost			
At 1st January 2009	2,993	400	3,393
Acquisition of a subsidiary	1,180	—	1,180
At 31st December 2009	4,173	400	4,573
Accumulated impairment loss			
At 1st January and 31st December 2009	—	—	—
Net book value			
At 31st December 2009	4,173	400	4,573

Impairment test for goodwill

Goodwill acquired through business combination has been allocated to the property development, property investment and hotel, and direct investment segments for impairment testing.

The recoverable amount of the lowest level of cash-generating unit has been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by management covering a period of five years. There are a number of assumptions and estimates involved in the preparation of cash flow projections for the period covered by the approved budget. Key assumptions include the expected growth in revenues and gross margin, timing of future capital expenditures and selection of discount rates. Management determines budgeted gross margin based on past performance and its expectations for the market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. The discount rate applied to cash flow projection is 10%.

17. Property, Plant and Equipment

(a) Group

	Land and buildings	Buildings					
	Long-term leases in Hong Kong HK$'000	Medium-term leases outside Hong Kong HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles and trucks HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost or valuation							
At 1st January 2010, as previously reported	22,664	23,991	29,705	11,102	59,006	164,179	310,647
Adjustment for adoption of amendment to HKAS 17	36,837	–	–	–	–	–	36,837
At 1st January 2010, as restated	59,501	23,991	29,705	11,102	59,006	164,179	347,484
Acquisition of a subsidiary	–	–	57	–	–	–	57
Additions	–	–	9,796	27	2,136	115,035	126,994
Transfer from construction-in-progress	–	169,159	115,062	–	–	(284,221)	–
Transfer from properties held for sale	–	4,504	–	–	–	–	4,504
Transfer from investment properties	–	13,188	–	–	–	–	13,188
Disposals	–	–	(2,702)	(4,414)	(35,906)	–	(43,022)
Disposals of subsidiaries	–	–	(1,207)	–	(1,134)	–	(2,341)
Exchange differences	–	976	218	388	1,672	5,688	8,942
At 31st December 2010	59,501	211,818	150,929	7,103	25,774	681	455,806
Accumulated depreciation and impairment loss							
At 1st January 2010, as previously reported	8,189	17,815	20,948	9,803	50,258	344	107,357
Adjustment for adoption of amendment to HKAS 17	550	–	–	–	–	–	550
At 1st January 2010, as restated	8,739	17,815	20,948	9,803	50,258	344	107,907
Depreciation for the year	607	3,356	8,111	269	1,867	–	14,210
Disposals	–	–	(2,566)	(3,981)	(30,394)	–	(36,941)
Disposals of subsidiaries	–	–	(964)	–	(749)	–	(1,713)
Exchange differences	–	637	193	345	1,542	–	2,717
At 31st December 2010	9,346	21,808	25,722	6,436	22,524	344	86,180
Net book value							
At 31st December 2010	50,155	190,010	125,207	667	3,250	337	369,626

17. Property, Plant and Equipment *(continued)*

(a) Group *(continued)*

	Land and buildings	Buildings					
	Long-term leases in Hong Kong HK$'000	Medium-term leases outside Hong Kong HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles and trucks HK$'000	Construction-in-progress HK$'000	Total HK$'000
Cost or valuation							
At 1st January 2009, as previously reported	22,664	29,266	32,812	12,768	66,599	27,535	191,644
Adjustment for adoption of amendment to HKAS 17	36,837	–	–	–	–	–	36,837
At 1st January 2009, as restated	59,501	29,266	32,812	12,768	66,599	27,535	228,481
Acquisition of a subsidiary	–	–	27	58	–	–	85
Additions	–	–	2,753	4	2,214	136,667	141,638
Disposals	–	–	(5,196)	(77)	(9,189)	–	(14,462)
Disposals of subsidiaries	–	(5,326)	(740)	(1,671)	(714)	(36)	(8,487)
Exchange differences	–	51	49	20	96	13	229
At 31st December 2009	59,501	23,991	29,705	11,102	59,006	164,179	347,484
Accumulated depreciation and impairment loss							
At 1st January 2009, as previously reported	7,622	17,329	23,865	10,126	56,135	–	115,077
Adjustment for adoption of amendment to HKAS 17	510	–	–	–	–	–	510
At 1st January 2009, as restated	8,132	17,329	23,865	10,126	56,135	–	115,587
Depreciation for the year	607	1,743	2,583	511	2,694	–	8,138
Impairment loss	–	–	–	–	–	344	344
Disposals	–	–	(5,124)	(70)	(8,221)	–	(13,415)
Disposals of subsidiaries	–	(1,285)	(412)	(780)	(435)	–	(2,912)
Exchange differences	–	28	36	16	85	–	165
At 31st December 2009	8,739	17,815	20,948	9,803	50,258	344	107,907
Net book value							
At 31st December 2009	50,762	6,176	8,757	1,299	8,748	163,835	239,577

17. Property, Plant and Equipment *(continued)*

(a) Group *(continued)*

The analysis of the cost or valuation at 31st December 2010 of the above assets is as follows:

	Land and buildings	Buildings					
	Long-term leases in Hong Kong HK$'000	**Medium-term leases outside Hong Kong HK$'000**	**Furniture, fixtures and equipment HK$'000**	**Plant and machinery HK$'000**	**Motor vehicles and trucks HK$'000**	**Construction-in-progress HK$'000**	**Total HK$'000**
At cost	**48,376**	**211,818**	**150,929**	**7,103**	**25,774**	**681**	**444,681**
At professional valuation — 1994	**11,125**	**–**	**–**	**–**	**–**	**–**	**11,125**
	59,501	**211,818**	**150,929**	**7,103**	**25,774**	**681**	**455,806**

The analysis of the cost or valuation at 31st December 2009 of the above assets is as follows:

	Land and buildings	Buildings					
	Long-term leases in Hong Kong HK$'000	Medium-term leases outside Hong Kong HK$'000	Furniture, fixtures and equipment HK$'000	Plant and machinery HK$'000	Motor vehicles and trucks HK$'000	Construction-in-progress HK$'000	Total HK$'000
At cost, as previously reported	11,539	23,991	29,705	11,102	59,006	164,179	299,522
Adjustment for adoption of amendment to HKAS 17	36,837	–	–	–	–	–	36,837
At cost, as restated	48,376	23,991	29,705	11,102	59,006	164,179	336,359
At professional valuation — 1994	11,125	–	–	–	–	–	11,125
	59,501	23,991	29,705	11,102	59,006	164,179	347,484

Certain buildings are stated at professional valuation in 1994 less accumulated depreciation. If these buildings have been stated on the historical cost basis, their net book amount would be HK$8,560,000 (2009: HK$8,892,000).

17. Property, Plant and Equipment *(continued)*

(b) Company

	Motor vehicles	
	2010	2009
	HK$'000	HK$'000
Cost		
At 1st January and 31st December	**457**	457
Accumulated depreciation		
At 1st January	**222**	130
Depreciation for the year	**90**	92
At 31st December	**312**	222
Net book value		
At 31st December	**145**	235

18. Investment Properties

	Group	
	2010	2009
	HK$'000	HK$'000
Valuation at 1st January	**73,378**	47,897
Transfer from properties under development and properties held for sale	**107,947**	12,368
Transfer to property, plant and equipment	**(13,188)**	—
Transfer to leasehold land and land use rights	**(2,758)**	—
Fair value gains	**101,401**	13,075
Exchange differences	**1,372**	38
Valuation at 31st December	**268,152**	73,378

Investment properties were revalued at 31st December 2010 on an open market value basis by independent, professionally qualified valuers who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

18. Investment Properties *(continued)*

The Group's interests in investment properties at valuation are analysed as follows:

	2010 HK$'000	2009 HK$'000
In Hong Kong, held on		
— leases over 50 years	**12,000**	10,000
Outside Hong Kong, held on		
— leases between 10 to 50 years	**256,152**	63,378
	268,152	73,378

	2010 HK$'000	2009 HK$'000
Rental income recognised in consolidated income statement for investment properties	**3,648**	**1,035**

19. Leasehold Land and Land Use Rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and the movements in the net book value thereof are analysed as follows:

	2010 HK$'000	2009 HK$'000
Net book value at 1st January, as previously reported	**350,732**	389,711
Effect of change in accounting policy	**(257,847)**	(293,430)
Adjustment for adoption of amendment of HKAS 17	**(36,287)**	(36,327)
Net book value at 1st January, as restated	**56,598**	59,954
Transfer from investment properties	**2,758**	—
Amortisation for the year	**(3,164)**	(3,394)
Transfer from properties held for sale	**1,153**	—
Disposal of a subsidiary	—	(55)
Exchange differences	**1,947**	93
Net book value at 31st December	**59,292**	56,598
Represented by:		
— in relation to land for hotel operation	**48,737**	45,234
— in relation to land for own use	**10,555**	11,364
	59,292	56,598

The Group's interests in leasehold land and land use rights are located outside Hong Kong and held on leases between 10 to 50 years.

20. Investments in Subsidiaries

	Company 2010 HK$'000	2009 HK$'000
Unlisted investments, at cost	**38,350**	39,442
Loan to a subsidiary	**70,000**	70,000
Less: accumulated impairment losses	**(18,469)**	(18,287)
	89,881	91,155

The loan to a subsidiary is unsecured, denominated in Hong Kong dollar and interest bearing at Hong Kong prime rate plus 1% (2009: Hong Kong prime rate plus 1%) and not repayable within the next twelve months as at the balance sheet date. The carrying value of the loan to a subsidiary approximates its fair value as at 31st December 2010.

The following is a list of the principal subsidiaries at 31st December (see note (a) below):

Name	Place of incorporation/ establishment (see note (b) below)	Particulars of issued share capital/ registered capital	Effective interest held 2010	Effective interest held 2009	Principal activities
Shares held directly:					
First Shanghai Direct Investments Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Investment holding
First Shanghai Finance Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Money lending
First Shanghai Management Services Limited	Hong Kong	1,200,000 ordinary shares of HK$1 each	**100%**	100%	Agency, management and secretarial services
First Shanghai Nominees Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Nominee services
First Shanghai Properties Limited	Hong Kong	16,500,002 ordinary shares of HK$1 each	**100%**	100%	Property investment
Leung Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
Headmost Technology Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding

20. Investments in Subsidiaries *(continued)*

Name	Place of incorporation/ establishment (see note (b) below)	Particulars of issued share capital/ registered capital	Effective interest held 2010	2009	Principal activities
Shares held directly: *(continued)*					
P.I. Investments Australia Pty. Limited	Australia	2,000,000 ordinary shares of A$1 each	**100%**	100%	Securities investment
UAT Holdings Limited	British Virgin Islands	100 ordinary shares of US$1 each	**100%**	100%	Investment holding
Yearson Properties Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
Shares held indirectly:					
Atlas Securities Pty. Limited	Australia	2 ordinary shares of A$1 each	**100%**	100%	Securities investment
Billion Bright Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Securities investment
Bonvision Consulting (Shenzhen) Company Limited	Chinese Mainland (c)	HK$1,000,000	**100%**	100%	Financial consultancy
Bonvision Consultancy (Beijing) Company Limited	Chinese Mainland (c)	HK$500,000	**100%**	100%	Financial consultancy
Bonvision Consulting (Shanghai) Limited	Chinese Mainland (c)	US$200,000	**100%**	100%	Financial consultancy
Bright Shining Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
China Betung Automobile (H.K.) Company Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Clear Profit Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
Crimson Pharmaceutical (Hong Kong) Limited	Hong Kong	1,000 ordinary shares of HK$1 each	**51%**	51%	Investment holding
Crimson Pharmaceutical (Shanghai) Company Limited	Chinese Mainland (c)	US$1,400,000	**51%**	51%	Pharmaceutical services

20. Investments in Subsidiaries *(continued)*

Name	Place of incorporation/ establishment (see note (b) below)	Particulars of issued share capital/ registered capital	Effective interest held 2010	2009	Principal activities
Shares held indirectly: *(continued)*					
CVIC International Container Transportation Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Draco Equity Investment Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Securities investment
Ever Achieve Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
Excel Partner Holdings Limited	Hong Kong	1 ordinary share of HK$1 each	**100%**	—	Investment holding
First eFinance Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Internet financial service system services
Sirton Pharmaceuticals S.p.A. (formerly known as First Pharmaceutical S.p.A.)	Italy	300,000 ordinary shares of EUR1 each	**100%**	—	Pharmaceutical services
First Shanghai Asset Management Limited	Hong Kong	6,000,000 ordinary shares of HK$1 each	**100%**	100%	Assets Management
First Shanghai Capital Limited	Hong Kong	22,000,000 ordinary shares of HK$1 each	**100%**	100%	Corporate finance
First Shanghai Financial Holding Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
First Shanghai Futures Limited	Hong Kong	19,000,000 ordinary shares of HK$1 each	**100%**	100%	Futures broking
First Shanghai Properties (Kunshan) Company Limited	Chinese Mainland (d)	US$5,000,000	**70%**	70%	Property development
First Shanghai Real Estate (Holdings) Limited	Hong Kong	10 ordinary shares of HK$1 each	**100%**	100%	Investment holding
First Shanghai Securities Limited	Hong Kong	85,000,000 ordinary shares of HK$1 each	**100%**	100%	Stockbroking
First Shanghai Venture Capital Management (Shenzhen) Company Limited	Chinese Mainland (c)	HK$1,000,000	**100%**	100%	Venture capital management & consultancy

20. Investments in Subsidiaries *(continued)*

Name	Place of incorporation/ establishment (see note (b) below)	Particulars of issued share capital/ registered capital	Effective interest held 2010	2009	Principal activities
Shares held indirectly: *(continued)*					
Golad Resources Limited	British Virgin Islands	100 ordinary shares of US$1 each	**100%**	100%	Investment holding
HK Landshine Real Estate Limited	Hong Kong	1 ordinary share of HK$1 each	**100%**	100%	Investment holding
Huangshan Hui Zhong Property Development Company Limited	Chinese Mainland (c)	US$10,000,000	**100%**	100%	Property development
Kunshan Shi Jingying Hotel Management Company Limited	Chinese Mainland (e)	RMB1,000,000	**70%**	—	Hotel operation
Leading Business Limited	British Virgin Islands	1,450,000 ordinary shares of US$1 each	**100%**	100%	Property investment
Perfect Honour Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
P.H.A. Investments Pty. Limited	Australia	60,000 ordinary shares of A$2 each	**78.6%**	78.6%	Investment holding
P.H.A. Trading Pty. Limited	Australia	2 ordinary shares of A$0.5 each	**78.6%**	78.6%	Investment holding
Shanghai Fu Heng Properties Management Limited	Chinese Mainland (e)	RMB500,000	**55%**	55%	Property management
Shanghai Huan Ya Insurance Agency Company Limited	Chinese Mainland (e)	RMB20,000,000	**—**	62%	Insurance broker
Shanghai Transvision Network Application Service Company Limited	Chinese Mainland (c)	US$1,800,000	**100%**	100%	Investment holding
Shanghai Yi Hang Logistic Network Management Limited	Chinese Mainland (e)	RMB1,700,000	**88.8%**	88.8%	Logistics services
Shanghai Zhong Chuang International Container Storage & Transportation Company Limited	Chinese Mainland (d)	US$11,025,000	**62%**	62%	Container transportation and freight forwarding
Staying Power International Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding

20. Investments in Subsidiaries *(continued)*

Name	Place of incorporation/ establishment (see note (b) below)	Particulars of issued share capital/ registered capital	Effective interest held 2010	2009	Principal activities
Shares held indirectly: *(continued)*					
Talent Creation Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
United Asia Transport Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Wise United Investments Limited	British Virgin Islands	1 ordinary share of US$1 each	**100%**	100%	Securities investment
Wise Success Investments Limited	British Virgin Islands	1 ordinary share of US$1 each	**100%**	—	Securities investment
Wuxi HK Landshine Real Estate Company Limited	Chinese Mainland (d)	US$20,000,000	**70%**	70%	Property development
Wuxi Sunshine Hotel Company Limited	Chinese Mainland (e)	RMB1,000,000	**100%**	—	Hotel operation
Wuxi Sunshine Real Estate Limited	Chinese Mainland (c)	US$30,000,000	**100%**	100%	Hotel operation
Yin Zin Company Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Zhongshan Sunshine Resort Limited	Chinese Mainland (c)	RMB80,000,000	**80%**	80%	Property development

Notes:

(a) *The above table includes the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results of the year or form a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.*

(b) *The subsidiaries operate principally in their places of incorporation.*

(c) *Subsidiaries incorporated in the Chinese Mainland registered as wholly-owned foreign enterprises.*

(d) *Subsidiaries incorporated in the Chinese Mainland registered as sino-foreign equity joint ventures.*

(e) *Subsidiaries incorporated in the Chinese Mainland registered as limited companies.*

21. Investments in Associated Companies

	Group 2010 HK$'000	2009 HK$'000
At 1st January	**370,845**	261,715
Increase in investment in an associated company	—	6,210
Share of associated companies' results		
— Profit before taxation	**4,086**	14,418
— Taxation	**(2,863)**	(1,981)
Share of an associated company's reserves	**26,327**	90,318
Disposal of associated companies	**(15,935)**	—
Exchange differences	**1,454**	165
At 31st December	**383,914**	370,845

The following is a list of the associated companies at 31st December:

Name	Place of incorporation/ establishment	Particulars of issued share capital/ registered capital	Effective interest held 2010	Effective interest held 2009	Principal activities
China Assets (Holdings) Limited ("China Assets") (see note (a) below)	Hong Kong	76,558,160 ordinary shares of US$0.1 each	**33.34%**	33.34%	Investment holding
China Assets Investment Management Limited	Hong Kong	2,000 ordinary shares of HK$1 each	**28%**	28%	Management and investment advisory services
Yanfeng Visteon Betung Automotive Instrumentation Company Limited	Chinese Mainland	RMB61,950,000	**—**	30%	Sales of motor vehicle meters and components
Zhejiang Shaohong Instrument Company Limited	Chinese Mainland	US$430,000	**—**	30%	Sales of motor vehicle meter and components
Holygene Corporation (see note (b) below)	British Virgin Islands	4,250,000 ordinary shares of US$1 each	**51.29%**	51.29%	Pharmaceutical services

Notes:

(a) *China Assets operates principally in Hong Kong and is listed on The Stock Exchange of Hong Kong Limited. The market value of the listed security as at 31st December 2010 was approximately HK$126,338,000 (2009:HK$140,121,000).*

(b) *Holygene Corporation is deemed to be our associated company of the Group as the Group owns less than half of the voting power of the entity.*

21. Investments in Associated Companies *(continued)*

Additional information in respect of the Group's interests in its associated companies is given as follows:

	2010 **HK$'000**	2009 HK$'000
Revenue	**94,660**	133,956
Profit for the year	**1,223**	12,437
Assets	**410,647**	454,236
Liabilities	**(26,733)**	(83,391)
Net assets	**383,914**	370,845

The Group has not recognised losses amounting to HK$5,858,000 (2009: HK$ Nil) for Holygene Corporation. The accumulated losses not recognised were HK$5,858,000 (2009: HK$ Nil).

22. Investments in Jointly Controlled Entities

	Group		**Company**	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
At 1st January	**151,118**	157,056	**11,793**	11,793
Share of jointly controlled entities' results				
— Profit before taxation	**53,750**	16,550	**—**	—
— Taxation	**(1,400)**	(1,542)	**—**	—
Dividend income	**—**	(21,839)	**—**	—
Disposal of a jointly controlled entity	**—**	639	**(11,793)**	—
Exchange differences	**5,255**	254	**—**	—
At 31st December	**208,723**	151,118	**—**	11,793

22. Investments in Jointly Controlled Entities *(continued)*

The following is a list of the jointly controlled entities at 31st December:

Name	Place of incorporation/ establishment and operation	Effective interest in ownership/voting power/profit sharing 2010	2009	Principal activities
Goodbaby Bairuikang Hygienic Products Company Limited ("Goodbaby Bairuikang") (see note (a) below)	Chinese Mainland	**50%**	50%	Production of diapers and related hygienic products
Shanghai Zhangjiang Property Development Company Limited ("Zhangjiang") (see note (b) below)	Chinese Mainland	**50%**	50%	Property development

Notes:

(a) *Goodbaby Bairuikang was established as an equity joint venture in the Chinese Mainland in December 1997 for a term of 50 years.*

(b) *Zhangjiang was established as an equity joint venture in the Chinese Mainland in October 2002 for a term of 50 years.*

Additional information in respect of the Group's interests in its jointly controlled entities is given as follows:

	2010 HK$'000	2009 HK$'000
Income	**97,170**	41,821
Expenses	**(44,820)**	(26,813)
Profit for the year	**52,350**	15,008
Assets		
Non-current assets	**234,681**	177,877
Current assets	**35,817**	28,534
	270,498	206,411
Liabilities		
Non-current liabilities	**33,961**	20,274
Current liabilities	**27,814**	35,019
	61,775	55,293
Net assets	**208,723**	151,118

There are no contingent liabilities relating to the Group's interests in the jointly controlled entities, and no contingent liabilities of the jointly controlled entities itself.

23. Available-for-sale Financial Assets

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1st January	**193,526**	134,689	**192,555**	133,718
Fair value change transfer to other comprehensive income	**(30,939)**	58,837	**(30,939)**	58,837
At 31st December	**162,587**	193,526	**161,616**	192,555

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed securities				
— Equity securities, Overseas	**971**	971	**—**	—
Unlisted securities				
— Equity securities	**161,616**	192,555	**161,616**	192,555
	162,587	193,526	**161,616**	192,555
Market value of listed securities	**971**	971	**—**	—

The fair value of unlisted securities is determined by reference to published price quotations in an active market of the underlying investments held by the investee.

24. Loans and Advances

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans and advances *(note (a))*	**116,147**	111,611	**64,006**	64,087
Provision for impairment	**(78,054)**	(82,537)	**(52,590)**	(52,590)
	38,093	29,074	**11,416**	11,497
Less: non-current portion	**(21,993)**	(11,497)	**(11,416)**	(11,497)
Current portion	**16,100**	17,577	**—**	—
Margin loans *(note (b))*	**329,722**	294,207	**—**	—
	345,822	311,784	**—**	—

Notes:

(a) *As at 31st December 2010, loans and advances include HK$11,752,000, HK$14,925,000 and HK$11,416,000 which bear effective interest at 10%, 6% and 8.5% per annum respectively.*

As at 31st December 2009, loans and advances include HK$1,459,000 which bears interest at Hong Kong prime rate plus 1% per annum, HK$15,931,000 and HK$187,000 which bear effective interest at 7% and 5% per annum respectively, and the remaining of HK$11,497,000 at 8.5% per annum.

The weighted average effective interest rate at 31st December 2010 was 7.98% (2009: 7.51%) per annum.

The carrying value of loans and advances approximates to their fair value.

The movements in the provision for impairment of loans and advances are as follows:

	Group	
	2010	*2009*
	HK$'000	*HK$'000*
At 1st January	***82,537***	*82,523*
Disposal of a subsidiary	***(4,607)***	*—*
Exchange differences	***124***	*14*
At 31st December	***78,054***	*82,537*

24. Loans and Advances *(continued)*

Notes: (continued)

The carrying amounts of loans and advances are denominated in the following currencies:

	Group	
	2010	2009
	HK$'000	HK$'000
Hong Kong dollars	**11,416**	11,497
Renminbi	**26,677**	16,119
US dollars	**–**	1,458
	38,093	29,074

(b) *Margin loans to third parties are secured by the underlying pledged securities, bear interest at Hong Kong prime rate to prime rate plus 3% (2009: Hong Kong prime rate plus 1% to 3%) per annum, and are repayable on demand. The carrying values of margin loans approximate to their fair values. No ageing analysis is disclosed as, in the opinion of the Directors, an ageing analysis is not meaningful in view of the nature of the business of securities margin financing.*

25. Properties under Development

	Group		
	2010	2009	2008
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Leasehold land and land use rights	**186,316**	253,248	301,838
Construction costs	**49,491**	70,103	86,043
	235,807	323,351	387,881
Amounts are expected to be completed:			
— Within normal operating cycle included under current assets	**235,807**	143,974	206,546
— Beyond normal operating cycle included under non-current assets	**–**	179,377	181,335
	235,807	323,351	387,881

The properties under development are located in the Chinese Mainland.

The Group's interests in leasehold land and land use rights outside Hong Kong at cost are held on leases between 10 to 50 years.

26. Inventories

	Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**–**	21
Finished goods	**555**	697
	555	718

27. Trade Receivables

		Group	
	2010	2009	2008
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Due from stockbrokers and clearing houses	**85,449**	63,853	31,312
Due from stockbroking clients	**90,768**	198,909	46,345
Trade receivables	**45,453**	80,395	69,697
Bills receivable	**–**	—	1,587
	221,670	343,157	148,941
Provision for impairment	**(15,934)**	(15,194)	(7,305)
	205,736	327,963	141,636

All trade receivables are either repayable within one year or on demand. The fair value of the Group's trade receivables is approximately the same as the carrying value.

The settlement terms of trade receivables attributable to the securities trading and stockbroking business are two days after the trade date, and those of trade receivables attributable to the futures broking business are one day after the trade date. For the remaining business of the Group, trade receivables are on general credit terms of 30 to 90 days.

27. Trade Receivables *(continued)*

The ageing analysis of the trade receivables is as follows:

	Group		
	2010	2009	2008
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
0–30 days	**203,089**	321,641	123,733
31–60 days	**1,361**	2,286	5,354
61–90 days	**681**	2,489	3,381
Over 90 days	**605**	1,547	9,168
	205,736	327,963	141,636

The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1st January	**15,194**	7,305
Provision for impairment during the year	**755**	14,674
Receivables written back	**–**	(299)
Receivables written off	**(31)**	(841)
Disposal of a subsidiary	**(575)**	(5,658)
Exchange differences	**591**	13
At 31st December	**15,934**	15,194

The carrying amounts of trade receivables are denominated in the following currencies:

	Group		
	2010	2009	2008
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Hong Kong dollars	**204,672**	320,241	122,100
Renminbi	**1,064**	7,722	19,536
	205,736	327,963	141,636

28. Other Receivables, Prepayments and Deposits

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other receivables	**14,175**	43,029	**40**	4,917
Prepayments and deposits	**19,956**	12,133	**638**	636
	34,131	55,162	**678**	5,553

Other receivables, prepayments and deposits are either repayable within one year or on demand. Accordingly, the fair values of the Group's and the Company's other receivables, prepayments and deposits are approximately the same as the carrying values.

Included in other receivables is a dividend receivable from a jointly controlled entity of the Group of approximately HK$9,681,000 (2009: HK$16,170,000).

29. Amounts Due From/To Subsidiaries

(a) Amounts due from subsidiaries

	Company	
	2010	2009
	HK$'000	HK$'000
Amounts due from subsidiaries	**1,772,732**	1,608,206
Provision for impairment	**(264,410)**	(305,123)
	1,508,322	1,303,083

The amounts due from subsidiaries are unsecured, interest free and repayable on demand. Out of the total, approximately HK$1,421,444,000 (2009: HK$1,219,348,000) and HK$86,878,000 (2009: HK$83,735,000) are denominated in Hong Kong dollars and Renminbi respectively.

29. Amounts Due From/To Subsidiaries *(continued)*

(a) Amounts due from subsidiaries *(continued)*

The movements in the provision for impairment on amounts due from subsidiaries are as follows:

	Company	
	2010	2009
	HK$'000	HK$'000
At 1st January	**305,123**	368,597
Provision for impairment during the year	**–**	6,537
Provision for impairment written back	**(40,713)**	—
Disposal of subsidiaries	**–**	(70,011)
At 31st December	**264,410**	305,123

(b) Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest free and repayable on demand. Out of the total, approximately HK$28,083,000 (2009: HK$48,907,000) and HK$Nil (2009: HK$7,743,000) are denominated in Hong Kong dollars and Renminbi respectively.

30. Financial Assets at Fair Value through Profit or Loss

	Group	
	2010	2009
	HK$'000	HK$'000
Equity securities		
— Listed, Hong Kong	**145,104**	98,431
— Listed, Overseas	**13,939**	20,554
— Quoted, Hong Kong	**171,196**	155,793
Market value of financial assets	**330,239**	274,778
Convertible bond	**–**	5,513
	330,239	280,291

Financial assets at fair value through profit or loss are presented within the section of operating activities as part of changes in working capital in the consolidated cash flow statement (Note 38(a)).

The fair value of all quoted securities is determined by reference to current bid prices in an active market.

31. Deposits with Banks

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured	**15,000**	15,000	**10,000**	10,000
Unsecured	**26,611**	140,563	**–**	83,299
	41,611	155,563	**10,000**	93,299

The carrying amounts of the deposits with banks are denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**26,000**	132,178	**–**	70,000
Renminbi	**–**	86	**–**	–
US dollars	**15,611**	23,299	**10,000**	23,299
	41,611	155,563	**10,000**	93,299

As at 31st December 2010, no deposit is placed with banks in the Chinese Mainland.

As at 31st December 2009, deposits of HK$86,000 are placed with banks in the Chinese Mainland. The remittance of these funds out of the Chinese Mainland is subject to exchange control restrictions imposed by the Chinese government.

As at 31st December 2010, deposits amounting to HK$15,000,000 have been pledged to certain banks as security for certain facilities granted by the banks.

The effective interest rate on the deposits ranged from 0.63% to 2.50% (2009: 0.30% to 2.88%) per annum with original maturities of more than three months. These deposits have an average maturity of 180 days.

32. Cash and Cash Equivalents and Client Trust Bank Balances

	Group		
	2010	2009	2008
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Cash at bank and in hand	**349,915**	270,014	176,080
Short-term bank deposits			
— secured	**—**	—	10,000
— unsecured	**177,236**	402,264	749,630
Total cash and cash equivalents	**527,151**	672,278	935,710
Client trust bank balances	**1,143,906**	1,382,491	1,117,332
	1,671,057	2,054,769	2,053,042

	Company	
	2010	2009
	HK$'000	HK$'000
Cash at bank and in hand	**6,131**	95,073

The carrying amounts of cash and cash equivalents and client trust bank balances are denominated in the following currencies:

	Group			Company	
	2010	2009	2008	**2010**	2009
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)	(Restated)		
Hong Kong dollars	**1,307,030**	1,572,146	1,594,922	**4,730**	5,255
Renminbi	**257,253**	348,853	375,013	**—**	—
US dollars	**51,470**	115,184	69,329	**1,397**	89,814
EURO	**34,130**	—	—	**—**	—
Australian dollars	**21,162**	18,574	13,766	**—**	—
Others	**12**	12	12	**4**	4
	1,671,057	2,054,769	2,053,042	**6,131**	95,073

Bank balances of HK$183,949,000 (2009: HK$349,639,000) are placed with banks in the Chinese Mainland. The remittance of these funds out of the Chinese Mainland is subject to exchange control restrictions imposed by the Chinese government.

32. Cash and Cash Equivalents and Client Trust Bank Balances *(continued)*

The effective interest rate on short-term deposits ranged from 0.31% to 1.91% (2009: 0.05% to 1.71%) per annum and these deposits have an average maturity of 60 days.

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' deposits arising from normal business transactions. The Group has classified in the consolidated balance sheet, the clients' deposits as client trust bank balances in the current assets section and recognised the corresponding trade payables to the respective customers in the current liabilities section. The Group is not allowed to use the clients' monies to settle its own obligations under the Hong Kong Securities and Futures Ordinance. As such, these monies are not included in cash and cash equivalents of the Group for cash flow purposes in the consolidated cash flow statement.

33. Trade and Other Payables

	Group		
	2010	2009	2008
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
Due to stockbrokers and dealers	**1,758**	—	—
Due to stockbroking clients	**1,308,608**	1,679,475	1,187,930
Trade payables	**164,426**	66,756	30,350
Total trade payables	**1,474,792**	1,746,231	1,218,280
Advance receipts from customers	**7,485**	20,140	85,017
Accruals and other payables	**70,570**	102,799	55,565
	1,552,847	1,869,170	1,358,862

	Company	
	2010	2009
	HK$'000	HK$'000
Accruals and other payables	**12,673**	23,636

The majority of the trade and other payables are either repayable within one year or on demand except where certain trade payables to stockbroking clients represent margin deposits received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand. The fair values of the Group's and Company's trade and other payables are approximately the same as the carrying values.

Trade and other payables to clients also include those payables placed in trust and segregated accounts with authorised institutions of HK$1,158,889,000 (2009: HK$1,391,878,000).

Trade and other payables are non-interest bearing except for the amount due to stockbroking clients which bear interest at the rate with reference to the bank deposit savings rate.

33. Trade and Other Payables *(continued)*

No ageing analysis is disclosed for amounts due to stockbrokers, dealers and stockbroking clients as in the opinion of Directors, it does not give additional value in view of the nature of these businesses.

The ageing analysis of the trade payables is as follows:

	Group		
	2010	2009	2008
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
0–30 days	**136,159**	61,052	1,563
31–60 days	**6,943**	3,713	1,126
61–90 days	**1,877**	370	840
Over 90 days	**19,447**	1,621	26,821
	164,426	66,756	30,350

The carrying amounts of the trade and other payables are denominated in the following currencies:

	Group			Company	
	2010	2009	2008	**2010**	2009
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)	(Restated)		
Hong Kong dollars	**1,357,486**	1,745,668	1,215,198	**12,673**	23,636
Renminbi	**190,872**	122,825	141,713	**—**	—
US dollars	**4,048**	212	989	**—**	—
Australian dollars	**441**	465	962	**—**	—
	1,552,847	1,869,170	1,358,862	**12,673**	23,636

34. Borrowings

	Group	
	2010	2009
	HK$'000	HK$'000
Non-current		
Bank loans — secured	**206,832**	11,357
Current		
Other loans — unsecured	**3,526**	3,407
Bank loans — secured	**23,504**	—
	27,030	3,407
	233,862	14,764

34. Borrowings *(continued)*

The Group's borrowings were repayable as follows:

	Group			
	Bank loans		Other loans	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**23,504**	–	**3,526**	3,407
Between 1 and 2 years	**124,569**	–	**–**	–
Over 5 years	**82,263**	11,357	**–**	–
At 31st December	**230,336**	11,357	**3,526**	3,407

The Group has pledged properties, leasehold land and land use rights and properties under development with an aggregate net carrying value of approximately HK$657 million (2009: HK$224 million) and fixed deposits of approximately HK$15 million (2009: HK$15 million).

Bank borrowings will mature and be repayable in November 2011 to October 2017. The weighted average effective interest rate at 31st December 2010 was 5.61% (2009: 5.57%) per annum. The carrying amount of borrowings approximates its fair value and is denominated in Renminbi.

35. Share Capital

	Ordinary shares of HK$0.2 each			
	2010		2009	
	Number of shares (thousands)	**HK$'000**	Number of shares (thousands)	HK$'000
Authorised:				
At 1st January and 31st December	**2,000,000**	**400,000**	2,000,000	400,000
Issued and fully paid:				
At 1st January	**1,398,913**	**279,783**	1,396,383	279,277
Exercise of share options *(Note)*	**–**	**–**	2,530	506
At 31st December	**1,398,913**	**279,783**	1,398,913	279,783

35. Share Capital *(continued)*

Note:

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The purpose of the Scheme is to assist in recruiting, retaining and motivating key staff members. Under the terms of the Scheme, the Directors have the discretion to grant to employees and Directors of any member of the Group to subscribe for shares of the Company.

No share options were exercised under the Scheme approved by the shareholders of the Company during the year.

During the year ended 31st December 2009, 2,530,000 new shares of HK$0.2 each were issued upon exercise of options under the Scheme approved by the shareholders of the Company at the exercise price HK$0.68 per share. These shares rank pari passu with the existing shares of the Company. The related weighted average share price at the time of exercise was HK$1.088 per share.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2010		2009	
	Average exercise price per share HK$	**Number of Options (thousands)**	Average exercise price per share HK$	Number of Options (thousands)
At 1st January	**1.479**	**54,718**	1.444	57,248
Exercised	**—**	**—**	0.680	(2,530)
Lapsed	**1.950**	**(1,000)**	—	—
At 31st December	**1.470**	**53,718**	1.479	54,718
Options exercisable at 31st December		**53,718**		54,718

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Expiry date	**Exercise price** HK$	**Number of options 2010 (thousands)**	2009 (thousands)
11th December 2015	0.564	**11,810**	11,810
2nd March 2016	0.680	**7,400**	7,400
22nd May 2017	1.950	**34,508**	35,508
		53,718	54,718

36. Reserves

	Attributable to shareholders of the Company								
Group	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January 2010, as previously reported	849,536	43,773	273,642	14,006	12,334	192,555	68,790	923,212	2,377,848
Effect of change in accounting policy	–	–	–	–	–	–	–	6,005	6,005
At 1st January 2010, as restated	849,536	43,773	273,642	14,006	12,334	192,555	68,790	929,217	2,383,853
Profit for the year	–	–	–	–	–	–	–	114,367	114,367
Fair value loss on available-for-sale financial assets	–	–	–	–	–	(30,939)	–	–	(30,939)
Exchange reserve realised upon disposal of subsidiaries	–	–	–	–	–	–	(4,861)	–	(4,861)
Exchange reserve realised upon disposal of associated companies	–	–	–	–	–	–	(2,608)	–	(2,608)
Currency translation differences	–	–	–	–	–	–	28,507	–	28,507
Share of post-acquisition reserves of an associated company	–	–	26,327	–	–	–	–	–	26,327
Disposals of subsidiaries	–	–	(858)	–	–	–	–	858	–
Disposals of associated companies	–	–	(199)	–	–	–	–	199	–
Transfer from retained earnings	–	–	445	–	–	–	–	(445)	–
Transfer of reserve upon lapse of share options	–	(1,091)	–	–	–	–	–	1,091	–
2009 final dividend paid	–	–	–	–	–	–	–	(16,787)	(16,787)
At 31st December 2010	849,536	42,682	299,357	14,006	12,334	161,616	89,828	1,028,500	2,497,859

36. Reserves *(continued)*

Group	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
	Attributable to shareholders of the Company								
At 1st January 2009, as previously reported	847,626	44,482	181,119	14,006	12,334	133,718	67,736	739,113	2,040,134
Effect of change in accounting policy	–	–	–	–	–	–	–	4,424	4,424
At 1st January 2009, as restated	847,626	44,482	181,119	14,006	12,334	133,718	67,736	743,537	2,044,558
Profit for the year	–	–	–	–	–	–	–	187,885	187,885
Fair value gain on available-for-sale financial assets	–	–	–	–	–	58,837	–	–	58,837
Exchange reserve realised upon disposal of subsidiaries	–	–	–	–	–	–	(5,597)	–	(5,597)
Currency translation differences	–	–	–	–	–	–	6,651	–	6,651
Share of post-acquisition reserves of an associated company	–	–	90,318	–	–	–	–	–	90,318
Issue of new shares upon exercise of share options	1,910	(709)	–	–	–	–	–	–	1,201
Transfer from retained earnings	–	–	2,205	–	–	–	–	(2,205)	–
At 31st December 2009	849,536	43,773	273,642	14,006	12,334	192,555	68,790	929,217	2,383,853

Note:

Included in capital reserve an amount of HK$9,456,000 (2009: HK$9,868,000) which represents PRC statutory reserve.

36. Reserves *(continued)*

Company	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January 2010	**849,536**	**43,773**	**2,104**	**14,006**	**192,555**	**342,200**	**1,444,174**
Proft for the year	**—**	**—**	**—**	**—**	**—**	**72,293**	**72,293**
Fair value loss on available-for-sale financial assets	**—**	**—**	**—**	**—**	**(30,939)**	**—**	**(30,939)**
Transfer of reserve upon lapse of share options	**—**	**(1,091)**	**—**	**—**	**—**	**—**	**(1,091)**
2009 final dividend paid	**—**	**—**	**—**	**—**	**—**	**(16,787)**	**(16,787)**
At 31st December 2010	**849,536**	**42,682**	**2,104**	**14,006**	**161,616**	**397,706**	**1,467,650**

Company	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January 2009	847,626	44,482	2,104	14,006	133,718	275,390	1,317,326
Profit for the year	—	—	—	—	—	66,810	66,810
Fair value gain on available-for-sale financial assets	—	—	—	—	58,837	—	58,837
Issue of new shares upon exercise of share options	1,910	(709)	—	—	—	—	1,201
At 31st December 2009	849,536	43,773	2,104	14,006	192,555	342,200	1,444,174

37. Deferred Taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts, not to be recovered within twelve months, are as follows:

	Group 2010 HK$'000	2009 HK$'000
Deferred tax assets	**(10,152)**	(3,415)
Deferred tax liabilities	**37,427**	7,703
	27,275	4,288

37. Deferred Taxation *(continued)*

The gross movements in the deferred taxation are as follows:

	Group 2010 HK$'000	2009 HK$'000
At 1st January	**4,288**	(1,351)
Recognised in the consolidated income statement *(Note 9(a))*	**22,987**	4,372
Acquisition of a subsidiary	**—**	1,267
At 31st December	**27,275**	4,288

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

The Group's deferred tax liabilities represented the following:

	Depreciation HK$'000	**Fair value gains HK$'000**	**Withholding tax HK$'000**	**Total HK$'000**
At 1st January 2010	**776**	**4,438**	**2,489**	**7,703**
Recognised in the consolidated income statement	**127**	**29,056**	**541**	**29,724**
At 31st December 2010	**903**	**33,494**	**3,030**	**37,427**

	Depreciation HK$'000	Fair value gains HK$'000	Withholding tax HK$'000	Total HK$'000
At 1st January 2009	702	—	—	702
Recognised in the consolidated income statement	74	3,171	2,489	5,734
Acquisition of a subsidiary	—	1,267	—	1,267
At 31st December 2009	776	4,438	2,489	7,703

37. Deferred Taxation *(continued)*

The Group's deferred tax assets represented tax losses recognised:

	Group	
	2010	2009
	HK$'000	HK$'000
At 1st January	**3,415**	2,053
Recognised in the consolidated income statement	**6,737**	1,362
At 31st December	**10,152**	3,415

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred tax benefits of approximately HK$54,187,000 (2009: HK$54,773,000) in respect of tax losses amounting to approximately HK$328,406,000 (2009: HK$331,956,000) that can be carried forward indefinitely against future taxable income.

38. Notes to the Consolidated Cash Flow Statement

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

	2010	2009
	HK$'000	HK$'000
		(Restated)
Profit before taxation	**165,394**	211,734
Share of net profits of associated companies	**(1,223)**	(12,437)
Share of net profits of jointly controlled entities	**(52,350)**	(15,008)
Finance income	**(9,215)**	(14,388)
Finance costs	**1,569**	871
Impairment of goodwill	**378**	—
Net loss on disposal of property, plant and equipment	**70**	820
Depreciation	**14,210**	8,138
Impairment of property, plant and equipment	**—**	344
Fair value gains on investment properties	**(101,401)**	(13,075)
Amortisation of leasehold land and land use rights	**3,164**	3,394
Provision for doubtful debts	**964**	16,169
(Reversal of provision)/provision for obsolete stock	**(301)**	3,329
Net gain on disposal of interests in subsidiaries	**(5,570)**	(51,699)
Gain on disposal of interests in associated companies	**(657)**	—
Operating profit before working capital changes	**15,032**	138,192
Net (increase)/decrease in properties under development and properties held for sale	**(346,868)**	9,006
Decrease in inventories	**181**	1,788
Increase in loans and advances	**(35,526)**	(210,833)
Decrease/(increase) in trade receivables	**119,500**	(199,833)
Decrease/(increase) in other receivables, prepayments and deposits	**837**	(727)
Increase in financial assets at fair value through profit or loss	**(49,948)**	(170,271)
(Decrease)/increase in trade and other payables	**(172,342)**	194,724
Net cash outflow from operating activities	**(469,134)**	(237,954)

38. Notes to the Consolidated Cash Flow Statement *(continued)*

(b) Disposal of subsidiaries

On 15th January 2010, the Group disposed of its 62% equity interest in Shanghai Huan Ya Insurance Agency Company Limited which was principally engaged in providing insurance broking service and recorded a gain of approximately HK$6 million for the year ended 31st December 2010. In addition, the Group disposed certain subsidiaries during the year with losses amounted to HK$435,000.

	2010 HK$'000
Net assets disposed of:	
Intangible assets	2,447
Property, plant and equipment	628
Inventories	447
Loans and advances	199
Trade receivables	7,568
Other receivables, prepayments and deposits	14,415
Cash and cash equivalents	3,765
Trade and other payables	(4,083)
Tax payable	(145)
Non-controlling interests	(8,246)
	16,995
Realisation of exchange reserve	(4,861)
Net gain on disposal of interests in subsidiaries	5,570
	17,704
Satisfied by:	
Cash consideration received	17,704

Analysis of the net cash inflow in respect of the disposal of subsidiaries:

	2010 HK$'000
Bank balances and cash disposed	(3,765)
Cash consideration	17,704
Net cash inflow in respect of the disposal of subsidiaries	13,939

39. Contingent Liabilities

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties *(Note)*	**19,152**	165,762	**—**	—
Guarantee for undrawn bank facilities of a subsidiary	**—**	—	**60,000**	60,000
Guarantee for payment of a subsidiary	**—**	—	**20,788**	—
	19,152	165,762	**80,788**	60,000

Note:

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties in Chinese Mainland. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates.

40. Commitments

(a) Capital commitments for property, plant and equipment, leasehold land and land use rights and properties under development:

	Group	
	2010	2009
	HK$'000	HK$'000
Contracted but not provided for	**358,469**	207,655
Authorised but not contracted	**585,385**	1,109,590

The Company does not have any material capital commitments.

40. Commitments *(continued)*

(b) Commitments under operating leases

The Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of property, plant and equipment, and investment properties as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Not later than one year	**8,205**	3,187
Later than one year but not later than five years	**23,463**	7,354
More than five years	**2,160**	223
	33,828	10,764

The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of property, plant and equipment, and leasehold land and land use rights as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Not later than one year	**7,719**	7,297
Later than one year but not later than five years	**4,673**	3,939
	12,392	11,236

The Company does not have any material commitments under operating leases.

41. Business Combinations

On 20th April 2010, the Group acquired 100% of the registered capital of Kunshan Shi Jingying Hotel Management Company Limited, a hotel management company in Chinese Mainland, for a cash consideration of HK$1,138,000. The acquired business contributed revenue of HK$2,919,000 and net gain of HK$149,000 to the Group for the period from the date of acquisition to 31st December 2010. If the acquisition had occurred on 1st January 2010, consolidated revenue and consolidated profit for the year would have been HK$295,433,000 and HK$130,420,000 respectively.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
— Cash paid	**1,138**
Fair value of net assets acquired	**(760)**
Goodwill	**378**

41. Business Combinations *(continued)*

The assets and liabilities at 20th April 2010 arising from the acquisition are as follows:

	Acquiree's carrying amount and fair value HK$'000
Property, plant and equipment	57
Cash and cash equivalents	554
Other receivables, prepayments and deposits	919
Inventories	164
Trade and other payables	(934)
Fair value of net assets acquired	760

	HK$'000
Cash consideration	(1,138)
Cash and cash equivalents in subsidiary acquired	554
Total net cash outflow on acquisition	(584)

42. Related Party Transactions

Details of the key management compensation has been disclosed in Note 14.

43. Analysis of Financial Risk Management

(a) Credit risk analysis

Credit risk is managed on a group basis. The Group's credit risk mainly arises from loans and receivables, deposits with banks, client trust bank balances and cash and cash equivalents.

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at the reporting date is carrying value of each class and category of financial assets mentioned above. The Group has put in place policies to ensure that sales of products and services and sales of properties are made to customers with an appropriate credit history and the Group performs periodic credit evaluation of its customers. The directors are of the opinion that adequate provision for uncollectible trade receivables has been made in the consolidated financial statements.

The Group's cash at bank, bank deposits and client trust bank balances are placed with reputable banks. There were no recent history of default of cash and cash equivalents and short-term deposits from such financial institutions. Management does not expect any of these institutions to fail to meets its obligations.

43. Analysis of Financial Risk Management *(continued)*

(a) Credit risk analysis *(continued)*

The following analysis shows the credit quality of the Group's loans and receivables that are exposed to credit risk:

	Loans and advances — long term 2010 HK$'000	**Loans and advances — short term 2010 HK$'000**	**Trade receivables 2010 HK$'000**	**Other receivables 2010 HK$'000**
Gross amount				
— neither past due nor impaired	**21,993**	**345,822**	**194,718**	**14,175**
— past due but not impaired				
— less than three months	**—**	**—**	**10,046**	**—**
— between three to six months	**—**	**—**	**814**	**—**
— over six months	**—**	**—**	**158**	**—**
— impaired	**52,590**	**25,464**	**15,934**	**7,645**
	74,583	**371,286**	**221,670**	**21,820**

	Loans and advances — long term 2009 HK$'000	Loans and advances — short term 2009 HK$'000	Trade receivables 2009 HK$'000 (Restated)	Other receivables 2009 HK$'000
Gross amount				
— neither past due nor impaired	11,497	311,784	308,844	43,029
— past due but not impaired				
— less than three months	—	—	17,162	—
— between three to six months	—	—	1,464	—
— over six months	—	—	493	—
— impaired	52,590	29,947	15,194	7,011
	64,087	341,731	343,157	50,040

As at year end, the collaterals furnished by the margin clients for security of their loans and advances from the Group are mainly listed securities, the majority of which are listed in Hong Kong. The total market value of securities amounted to HK$2,105,474,000 (2009: HK$2,155,867,000) and margin loans receivable amounted to HK$329,722,000 (2009: HK$294,207,000).

The maximum exposure to credit risk before collateral held or other credit enhancements approximates to the carrying value.

43. Analysis of Financial Risk Management *(continued)*

(a) Credit risk analysis *(continued)*

The following analysis shows the credit quality of the Company's loans and receivables that are exposed to credit risk:

	Other receivables 2010 HK$'000	**Loans and advances 2010 HK$'000**	**Loan to a subsidiary 2010 HK$'000**	**Amounts due from subsidiaries 2010 HK$'000**
Gross amount				
— neither past due nor impaired	**40**	**11,416**	**70,000**	**1,508,322**
— impaired	**—**	**52,590**	**—**	**264,410**
	40	**64,006**	**70,000**	**1,772,732**

	Other receivables 2009 HK$'000	Loans and advances 2009 HK$'000	Loan to a subsidiary 2009 HK$'000	Amounts due from subsidiaries 2009 HK$'000
Gross amount				
— neither past due nor impaired	4,917	11,497	70,000	1,303,083
— impaired	—	52,590	—	305,123
	4,917	64,087	70,000	1,608,206

The loans and receivables that are within the credit period granted are not considered as impaired. These relate to a number of independent customers with no recent history of default.

The individually impaired trade receivables mainly relate to a number of independent customers, which are in unexpected different economic situations.

Save as disclosed above, no financial assets were past due but not impaired at the balance sheet dates of 2010 and 2009. None of the financial assets that are fully performing has been renegotiated in 2010 and 2009.

43. Analysis of Financial Risk Management *(continued)*

(b) Liquidity risk analysis

Surplus cash is invested in interest bearing current accounts, time deposits, money market deposits and marketable securities by choosing instruments with appropriate maturities or sufficient liquidity to meet operational needs. At the reporting date, the Group held cash at bank and in hand of HK$349,915,000 (2009: HK$270,014,000) that are expected to readily generate cash inflows for managing liquidity risk.

The following analysis shows the Group's contractual maturity of non-derivative financial liabilities:

	Less than one year 2010 HK$'000	**More than one year 2010 HK$'000**
Borrowings		
Current other loans — unsecured	**3,526**	**—**
Current bank loans — secured	**23,504**	**—**
Non-current bank loans — secured	**—**	**206,832**
Trade and other payables	**1,510,818**	**—**
Financial guarantee contracts	**19,152**	**—**
	1,557,000	**206,832**

	Less than one year 2009 HK$'000 (Restated)	More than one year 2009 HK$'000
Borrowings		
Current other loans — unsecured	3,407	—
Non-current bank loans — secured	—	11,357
Trade and other payables	1,813,145	—
Financial guarantee contracts	165,762	—
	1,982,314	11,357

The Company's contractual trade and other payables and financial guarantee contracts amounting to HK$1,270,000 (2009: HK$1,469,000) and HK$80,788,000 (2009: HK$60,000,000) respectively will mature within one year.

The amounts disclosed above are the contractual undiscounted cash flows.

43. Analysis of Financial Risk Management *(continued)*

(c) Market risk analysis — foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong dollars and Renminbi. Revenue and majority of its operating costs and cost of sales are in Hong Kong dollars and Renminbi basis. No significant foreign exchange risk arising from future commercial transactions, recognised assets and liabilities and net investments in foreign operations is expected in the foreseeable future. The Group does not use any derivative financial instruments to hedge its foreign exchange risk.

At 31st December 2010, if Renminbi had strengthened/weakened by 5% against the Hong Kong dollars, with all other variables held constant, post-tax profit for the year would have been HK$4,134,000 higher/lower, mainly as a result of foreign exchange gain on translation of Renminbi-denominated bank deposits. There is no significant impact on equity as most of the available-for-sale securities are denominated in Hong Kong dollars.

At 31st December 2009, if Renminbi had strengthened/weakened by 5% against the Hong Kong dollars, with all other variables held constant, post-tax profit for the year would have been HK$134,000 lower/higher, mainly as a result of foreign exchange losses on translation of Renminbi-denominated trade and other payables. There is no significant impact on equity as most of the available-for-sale securities are denominated in Hong Kong dollars.

In determining the percentage of the currency fluctuation, the Group has considered the economic environments in which it operates.

(d) Market risk analysis — interest rate risk

The Group's significant interest-bearing assets are margin loans, cash at bank and bank deposits, and client trust bank balances, where the interest rate is low in the current environment.

The Group is also exposed to changes in interest rates which arises from its bank loans and amounts due to stockbroking clients. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's practice is to maintain a reasonable balance between variable and fixed rate borrowings. The Group has not used any derivatives to hedge its exposure to interest rate risk.

The Company's income and operating cash flows are substantially independent of changes in market interest rates as the interest rate is low in the current environment and the Company has no significant interest-bearing assets, other than loan to a subsidiary, cash at bank and bank deposits. The Company has not used any derivatives to hedge its exposure to interest rate risk.

At 31st December 2010, if interest rates on the Group's margin loans, cash at bank and bank deposits had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been HK$8,985,000 (2009: HK$11,107,000) higher/lower. There is no impact on equity.

At 31st December 2010, if interest rates on the Company's loan to a subsidiary, cash at bank and bank deposits had been 100 basis points higher/lower with all other variables held constant, the Company's post-tax profit for the year would have been HK$861,000 (2009: HK$2,584,000) higher/lower. There is no impact on equity.

For the year ended 31st December 2010, finance costs amounted to HK$7,282,000 (2009: HK$774,000) were capitalised as qualifying assets from loans specifically taken out for the purpose of financing such assets. Consequently, there is no impact to the post-tax profit for the year and equity.

43. Analysis of Financial Risk Management *(continued)*

(e) Market risk analysis — price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's equity investments for trading purpose are mainly publicly traded or quoted in Hong Kong, the Chinese Mainland and America. The Group's equity investments classified as available-for-sale are mainly publicly traded or quoted in Hong Kong.

The Group's equity exposures are mainly in long-term equity investments, which are reported as "available-for-sale financial assets" set out in Note 23 to the consolidated financial statements. Equities held for trading purpose are included under "financial assets at fair value through profit or loss" set out in Note 30 to the consolidated financial statements.

At 31st December 2010, if the listed price, quoted price or fair value of each equity investment classified as financial assets at fair value through profit or loss and available-for-sale financial assets had appreciated/ depreciated by 10%, with all other variables held constant, post-tax profit for the year would have been HK$33,024,000 (2009: HK$28,029,000) higher/lower, mainly as a result of unrealised gains/losses on equity securities classified as financial assets at fair value through profit or loss. Equity would have been HK$16,259,000 (2009: HK$19,353,000) higher/lower, arising from gain/loss on equity securities classified as available-for-sale financial assets.

44. Approval of Financial Statements

These consolidated financial statements were approved by the Board on 24th March 2011.