第一上海

FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

(Stock Code : 227)

Annual Report

2008

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. Lao Yuan-Yi

Executive Directors

Mr. Xin Shulin, Steve
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 Qi-Hao
Mr. Zhou Xiaohe

COMPANY SECRETARY

Mr. Yeung Wai Kin

REGISTERED OFFICE

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71 Des Voeux Road Central
Hong Kong

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AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

SOLICITORS

Richards Butler
T. H. Koo & Associates
Jennifer Cheung & Co

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited
Standard Chartered Bank

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 of Directors, I hereby present the Group's annual report and audited consolidated financial statements for the year ended 31st December 2008. The Group's consolidated revenue and net loss attributable to shareholders of the Company for the year ended 31st December 2008 amounted to approximately HK$199 million and HK$111 million respectively.

BUSINESS OVERVIEW

The global financial markets went through a tremendously challenging year in 2008, experienced with unprecedented market volatilities, substantial credit crunch and widespread economic recession. Although China still achieved a high GDP growth of 9% in 2008, the global recession is set to be the worst since the Second World War. The trade and financial market linkage now bind the fates of nations closely together. Even the financial systems have resumed stability to some degree in light of the rescue packages launched by various governments, the volatility in the financial markets has already dealt an intensified hit to the real economy. Focusing on financial services and property development industries, the Group's business was inevitably affected. However, we are cautiously optimistic about the economic growth in China. With the solid presence in Chinese Mainland, our healthy financial positions and abundant cash, we will sustain for continuous development during the market trough.

In view of the poor market sentiment, the Group's consolidated net loss attributable to shareholders of the Company was approximately HK$111 million, comparing with a net profit of approximately HK$382 million in 2007, after absorbing the net trading loss of approximately HK$77 million from investment in a Hong Kong registered securities investment fund, which reflects the rapid decline in share price of global stock market. Corporate finance and stockbroking businesses, though continuous to be one of the Group's major profit contributor, were also deterred with the dramatic decline in market trading volume and restrained fund raising activities, resulted in an operating gain of approximately HK$70 million for 2008. The Group's performance was further suffered from the loss of approximately HK$45 million reported by its investment in a listed associate, China Assets (Holdings) Limited ("China Assets"). China Assets was seriously affected by the widespread economic downturn and has made significant provision for impairment on various equity investments in 2008. The Group's consolidated revenue dropped from 2007 by 74% to approximately HK$199 million as a result of the reduction in stockbroking commission and income from trading portfolio.

The total net assets of the Group decreased by 16% from approximately HK$2,839 million in 2007 to approximately HK$2,394 million in 2008. This partly reflected shrinking in share price of the Group's investment in Shenyin Wanguo (H.K.) Limited. As the Group is holding this investment for long-term strategic purpose, the impact on fair value change will not be realised in the income statement until disposal.

The Group adhered to its strategic plan and devoted its efforts and resources to accelerating its three major business sectors: Financial Services, Property and Hotel, and Direct Investment.

Financial Services

Hong Kong financial market has experienced an extremely volatile year in 2008. Despite the confidence of China concept, investors' appetite shrank, especially after the global credit crisis stimulated by the bankruptcy of Lehman Brothers. Hang Seng Index dropped from 27,813 to 14,387 and hit the lowest at 10,676 in October 2008. The negative market sentiments have deeply dampened demand on Hong Kong securities trading. Total market capitalisation and average daily market turnover fell dramatically from HK$20.5 trillion and HK$88.1 billion respectively in 2007 to HK$10.3 trillion and HK$72.1 billion respectively in 2008.

Amid this market downtrend, securities broking, underwriting and corporate finance activities were dwindled sharply. Brokerage commission and underwriting commission, vulnerable to the contraction in trading volume, declined by 51% and 75% respectively. Margin loan size fell notably, impacted from the reduction in leverage on securities trading. However, under our prudent credit policy, our loan quality was sound with no bad debt against the general trend of rising delinquencies. We believe after this severe correction in stock market, investment interest, especially in the Chinese market, will substantiate resilient while our business will revive accordingly.

Despite the financial turmoil, our corporate finance division, as an active player in the financial advisory, completed 35 corporate advisory assignments and acted as compliance advisers to 4 listed companies during the year ended 31st December 2008. We also successfully completed the migration of NetDragon Websoft Inc., a leading Chinese online game developer and operator, and Town Health International Holdings Company Limited, an integrated healthcare service provider, from GEM to the Main Board of the Hong Kong Stock Exchange. We will continue to focus on seeking more corporate advisory deals under the current challenging market condition. It is also our strategy to continue seek for IPO sponsorship opportunities so as to be well prepared when recovery ultimately comes.

Property and Hotel

With the implementation of series of austerity measures by the government, property market in China has undergone a consolidation stage. During the year of 2008, both transaction volume and selling price reduced, especially in first-tier cities, when compared with last year. However, as the government adjusted its macro-economic policies by unveiling its up to RMB4 trillion economic stimulus package and certain regional authorities implemented various industrial-specific measures in late 2008, market confidence was strengthened in early 2009. Both transaction volume and selling price have rebounded slightly, especially on homebuyers market.

The Group's strategy is continuous to develop properties in fast growing second-tier cities in Chinese Mainland such as Kunshan, Wuxi and Zhongshan. Our Property and Hotel Sector is now participating in five development projects of which two are still under development while the one in Kunshan has launched its pre-sales during the year. As our target customers are primarily homebuyers within the region, sales progress is not materially hindered.

Specialising in developing and operating property projects ranging from commercial parks, hotels, service apartments and recreation resorts, the Group currently has accumulated land for development up to a total gross floor area of approximately 390,000 square meters, details as below:

Location	Nature	Total gross floor area	Expected completion date	Percentage of interest attributable to the Group
		(meter square)	(Year)	
Kunshan, Jiangsu	Residential	53,000	2009	70%
Kunshan, Jiangsu	Office and apartment			
– Phase I		45,000	2010	100%
– Phase II		40,000	2011	100%
Wuxi, Jiangsu	Hotel, commercial and apartment	90,000	2011	100%
Wuxi, Jiangsu	Office and industrial	92,000	2012	70%
Zhongshan, Guangdong	Residential and recreation resorts	70,000	2012	80%
Total		**390,000**		

With no disposal of hotel in 2008 when compared with 2007, the Property and Hotel Sector has reported decline of 96% on operating profit to approximately HK$9 million for the year ended 31st December 2008. Operating profit for the year was mainly derived from rental income and investment properties revaluation from a jointly controlled entity, which was partly set-off with land amortisation cost of various sites to be developed. Capital expenditures incurred were approximately HK$169 million and HK$287 million in 2008 and 2007 respectively.

Direct Investment

Under the adverse market environment, the Group has adopted active but prudent approach in pursuing new and potential investment projects. With uncertainty on return from its proposed investment in Shenyang Heat Supply Group, which was announced in November 2007, the Group terminated the acquisition in September 2008.

The Group has continuously scaled down its investments in container transportation and freight forwarding business and motor vehicle meters and components manufacturing business due to the unfavourable market conditions. Harshly hit by the unexpected downturn in export in Chinese Mainland, we consider future on these businesses may even deteriorate and made impairment on relevant assets in 2008.

Another factor bringing the investment loss to the Direct Investment Sector was attributed by the painful results from investments in China Assets. During 2008, China Assets has made full provision against its equity investments in Canton Property Investments Ltd. ("CPI") and Smartbuy Group Holdings Ltd. ("Smartbuy"). CPI, a long-term investment of China Assets in the Chinese property market, has been forced to de-list from Alternative Investment Market of London Stock Exchange due to various management, compliance issues and corporate failure. Smartbuy, an internet-platform design and service provider in Chinese Mainland, has reported significant operational loss badly impacted by the sudden economic turmoil.

PROSPECTS

In 2008, the global economy encountered significant challenges and huge volatility. As this financial turmoil has already brought widespread stick to the fundamental economies, we expect economic recession and financial irregularities will continue in 2009. Global economic growth will post a further slowdown. Financial market is still weak and need further adjustments.

However, with the concerted multinational rescue packages, leaded by the US, European and Chinese governments, we remain hopeful that global economic meltdown should be prevented. Though economies of developed countries still need to sustain in the foreseeable future, after a return of confidence and re-balance of market regularities, their financial markets will be able to stabilised. Together with the up to RMB4 trillion economic stimulus packages announced by the Chinese government, while various economic indicators have shown invigorate results, we believe Chinese Mainland will be able to withstand the challenges ahead. We believe Hong Kong, with China on the back, will be undoubtedly able to revive with a more favourable pace.

The Group will continue its normal pace in expansion of its presence in both financial market and property development in Chinese Mainland. We will make full use of our brand recognition and business network to strengthen our market penetration. On top, we will continue to monitor the market needs to enhance our products and services quality, to capitalise our professional team and to refine the operational efficiency so as to consolidate for capture future business opportunities. Meanwhile, we will continue to pursue, on an active and prudent approach, strategic direct investment projects aiming to optimise its returns to the Company and its shareholders.

DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend (2007: HK$0.02 per ordinary share totaling HK$27,321,000) during 2008.

The Board of Directors does not recommend the payment of a final dividend (2007: HK$0.01 per ordinary share totaling HK$13,915,000, which together with the interim dividend payment amounting to a total of HK$41,236,000) for the year ended 31st December 2008.

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.

LAO YUAN-YI
Chairman

Hong Kong, 17th April 2009

REPORT OF THE DIRECTORS

The Board of Directors submits herewith their report together with the audited consolidated financial statements for the year ended 31st December 2008.

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 21, 22 and 23 to the consolidated financial statements.

An analysis of the Group's performance for the year by business 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 20.

DIVIDEND

The Board of Directors does not recommend the payment of an interim dividend (2007: HK$0.02 per ordinary share totaling HK$27,321,000) during 2008.

The Board of Directors does not recommend the payment of a final dividend (2007: HK$0.01 per ordinary share totalling HK$13,915,000, which together with the interim dividend payment amounting to a total of HK$41,236,000) for the year ended 31st December 2008.

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

Charitable and other donations made by the Group during the year amounted to HK$214,000 (2007: HK$1,904,000).

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.

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 2008, calculated pursuant to Section 79B of the Hong Kong Companies Ordinance, amounted to HK$275,390,000 (2007: HK$260,548,000).

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 2008.

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 of Hong Kong Limited ("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 maximum number of shares subject to the Scheme and any other schemes of the Company (including without limitation to the 1994 Share Option Scheme) does not in aggregate exceed 30 percent of the shares in issue of the Company from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the Scheme must not exceed 122,595,064 shares, being 10 percent of shares in issue as at 25th May 2007, being the date of approval of the renewal of the general mandate limit of the Scheme. The total number of options available for issue under the Scheme as at 31st December 2008 was 122,595,064 shares representing approximately 9% of ordinary shares in issue of the Company as of that day.

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 of Directors 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 2008 are as follows:–

	Options held at 1st January 2008	Options exercised during year *(Note 2)*	Options lapsed during year	Options held at 31st December 2008	Exercise price *HK$*	Date of grant	Exercise period	Vesting period
Directors:–								
Mr. Lao Yuan-Yi	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, Steve	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 Qi-Hao	1,000,000	–	–	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Employees	15,350,000	(4,920,000)	(500,000)	9,930,000	0.680	03/03/2006	03/03/2008-02/03/2016	03/03/2006-02/03/2008
	4,000,000	–	–	4,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
	62,668,000	(4,920,000)	(500,000)	57,248,000				

Notes:

(1) No share options were granted under the Scheme during the year ended 31st December 2008.

(2) During the year, 4,920,000 shares options were exercised under the Scheme with an exercise price at HK$0.68 per share. The related weighted average closing price immediately before the dates on which the share options were exercised was HK$1.556 per share.

(3) No share options granted under the Scheme were cancelled during the year ended 31st December 2008.

(4) The accounting policy adopted for share options is consistent with that as described in the consolidated financial statements for the year ended 31st December 2008.

DIRECTORS

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

Mr. LAO Yuan-Yi
Mr. XIN Shulin, Steve
Mr. YEUNG Wai Kin
* Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*
** Prof. WOO Chia-Wei
** Mr. LIU Ji
** Mr. YU Qi-Hao
** 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 Qi-Hao and Mr. Zhou Xiaohe are independent non-executive directors of the Company.*

Messrs KWOK Lam Kwong, Larry, *B.B.S., J.P.*, LIU Ji and YU Qi-Hao 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. Lao Yuan-Yi (63). 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 People's Republic of China and the PRC Railway Ministry. Mr. Lao graduated from Shanghai Fudan University and obtained his master degree from Harvard University.

Mr. Xin Shulin, Steve (55). 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 (47). 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.* (53). 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 (71). Appointed as Independent Non-executive Director in 1993. Currently Senior Advisor to Shui On Holdings Limited, and President Emeritus of 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 and Lenovo Holdings Limited. He served on the Commission on Strategic Development of HKSAR, and the Chinese People's Political Consultative Conference in 2007.

Mr. Liu Ji (73). 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 Qi-Hao (62). 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 (56). 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, Henry (46). 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. Li Kwok Hung, (47). Joined the Company in 1999 and is currently the Chairman of First Shanghai Financial Holding Limited. Mr. Li is responsible for the strategic business development and management for the financial services operation of the Group. He is also the Responsible Officer of First Shanghai Securities Limited and First Shanghai Futures Limited under the Securities and Futures Ordinance. Mr. Li possesses over 25 years experience in the securities industry with international and local securities companies. He has an extensive experience in marketing and strategic business development in Hong Kong and Chinese Mainland. Mr. Li graduated with a Diploma in Business Administration from Hong Kong Shue Yan University.

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 2008, 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:

Directors		Number of shares and underlying shares held: Personal Interests	Corporate Interests	Total	% of issued share capital of the Company
Mr. Lao Yuan-Yi *(Note)*	Long position	106,741,636	72,952,000	179,693,636	12.87%
Mr. Xin Shulin, Steve	Long position	8,032,000	–	8,032,000	0.58%
Mr. Yeung Wai Kin	Long position	21,824,304	–	21,824,304	1.56%
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 Qi-Hao	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. Lao Yuan-Yi.

(b) Interests in respect of an associated corporation:

Directors			Number of shares and underlying shares held: Personal Interests	Total	% of issued share capital of the associated corporation
Mr. Lao Yuan-Yi	China Assets	Long position	1,575,000	1,575,000	2.06%
Mr. Yeung Wai Kin	China Assets	Long position	1,350,000	1,350,000	1.76%

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 2008, 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	17.74%
Ms. Chan Chiu, Joy ("Ms. Chan") *(Note 2)*	Long position	159,680,000	12,432,000	57,592,000	229,704,000	16.45%
Mr. Yin Jian, Alexander ("Mr. Yin") *(Note 2)*	Long position	12,432,000	159,680,000	57,592,000	229,704,000	16.45%

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 2008 and 2007.

CONNECTED TRANSACTION

The Company did not have any connected transactions which need to be disclosed during the year ended 31st December 2008.

FIVE YEAR FINANCIAL SUMMARY

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

	2008	2007	2006	2005	2004
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**2,660,536**	3,569,620	2,092,105	1,924,210	1,609,247
Total liabilities	**266,800**	730,653	396,434	510,750	220,756
Total net assets	**2,393,736**	2,838,967	1,695,671	1,413,460	1,388,491
Turnover	**198,702**	765,246	1,319,289	1,148,462	498,190
(Loss)/profit attributable to shareholders	**(111,394)**	382,178	236,573	76,320	80,955
(Losses)/earnings per share					
– basic	**(7.99) cents**	29.56 cents	19.91 cents	6.49 cents	6.90 cents
– fully diluted	**(7.99) cents**	29.11 cents	19.53 cents	6.40 cents	6.78 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 Qi-Hao 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

LAO Yuan-Yi
Chairman

Hong Kong, 17th April 2009

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31st December 2008, the Group recorded a net loss and basic losses per share attributable to shareholders of the Company amounting to approximately HK$111 million and HK$7.99 cents respectively, compared with a net profit and basic earnings per share attributable to shareholders of the Company of approximately HK$382 million and HK$29.56 cents respectively in 2007. Revenue of the Group is approximately HK$199 million, represents a decrease of 74% from 2007.

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 investment projects and our financial services business. As at 31st December 2008, the Group had raised bank loans of approximately HK$3 million (2007: HK$3 million) and held approximately HK$1,089 million (2007: HK$577 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 0.1% (2007: 0.1%). Investment in "financial assets at fair value through income statement" as at 31st December 2008 amounted to approximately HK$110 million (2007: HK$425 million). The Group had no "financial liabilities at fair value through income statement" as at 31st December 2008 (2007: HK$6 million).

The Group's principal operations are transacted and recorded in Hong Kong dollars and Renminbi. The Group expects that Renminbi will remain 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 and leasehold land and land use rights with an aggregate net carrying value of approximately HK$59 million (2007: HK$59 million) and fixed deposits of approximately HK$31 million (2007: HK$33 million) against its bank loans and general banking facilities amounting to HK$16 million (2007: HK$18 million) utilised.

EMPLOYEES

As at 31st December 2008, the Group employed 547 staff, of which 449 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 2008 amounted to approximately HK$136 million (2007: HK$210 million).

MATERIAL ACQUISITION AND DISPOSAL OF GROUP COMPANIES

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

CONTINGENT LIABILITIES

As at 31st December 2008, the Group had no material contingent liabilities.

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 on The Stock Exchange of Hong Kong Limited ("Listing Rules") for the year ended 31st December 2008, 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 2008.

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 Directors of the Company comprises:

Executive Directors:	Mr. Lao Yuan-Yi, Chairman Mr. Xin Shulin, Steve 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 Qi-Hao 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. Lao Yuan-Yi	4/4	100%
Mr. Xin Shulin, Steve	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	3/4	75%
Mr. Liu Ji	3/4	75%
Mr. Yu Qi-Hao	4/4	100%
Mr. Zhou Xiaohe	4/4	100%

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and chief executive officer of the Company is Mr. Lao Yuan-Yi. 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. Lao 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 of Directors 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. Lao Yuan-Yi
Independent Non-executive Directors:	Prof. Woo Chia-Wei Mr. Yu Qi-Hao 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, two 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. Lao Yuan-Yi	2/2	100%
Prof. Woo Chia-Wei	2/2	100%
Mr. Yu Qi-Hao	2/2	100%
Mr. Zhou Xiaohe	2/2	100%

AUDIT COMMITTEE

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

Independent Non-executive Directors:	Mr. Yu Qi-Hao, 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 2008, 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 Qi-Hao	3/3	100%
Prof. Woo Chia-Wei	3/3	100%
Mr. Liu Ji	2/3	67%
Mr. Zhou Xiaohe	3/3	100%
Mr. Kwok Lam Kwong, Larry, *B.B.S., J.P.*	2/3	67%

AUDITOR'S REMUNERATION

For the year ended 31st December 2008, PricewaterhouseCoopers, the Company's auditor, has charged approximately HK$2,081,000 for audit and related services and HK$243,000 for other non-audit services – taxation services.

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong
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INDEPENDENT AUDITOR'S REPORT
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 20 to 86, which comprise the consolidated and company balance sheets as at 31st December 2008, and the consolidated income statement, 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 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 2008 and of the Group's loss 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, 17th April 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Revenue	5	**198,702**	765,246
Cost of sales		**(146,580)**	(242,372)
Gross profit		**52,122**	522,874
Other gains – net	6	**24,586**	143,344
Selling and distribution costs		**(21,544)**	(11,374)
Administrative expenses		**(127,637)**	(272,857)
Operating (loss)/profit	7	**(72,473)**	381,987
Finance costs	8	**(838)**	(27,537)
Share of profits less losses of			
Associated companies	22	**(51,303)**	5,579
Jointly controlled entities	23	**12,933**	62,360
(Loss)/profit before taxation		**(111,681)**	422,389
Taxation	9(a)	**(8,351)**	(43,056)
(Loss)/profit for the year		**(120,032)**	379,333
Attributable to:			
Shareholders of the Company	10	**(111,394)**	382,178
Minority interests		**(8,638)**	(2,845)
		(120,032)	379,333
(Losses)/earnings per share for (loss)/profit attributable to shareholders of the Company during the year			
– Basic	11	**HK$(7.99) cents**	HK$29.56 cents
– Diluted	11	**HK$(7.99) cents**	HK$29.11 cents
Dividends	12	**–**	41,236

The notes on pages 26 to 86 are an integral part of these consolidated financial statements.

BALANCE SHEETS

As at 31st December 2008

		Group		Company	
		2008	2007	**2008**	2007
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets					
Intangible assets	16	**3,393**	3,393	**–**	–
Property, plant and equipment	17	**76,567**	63,567	**327**	419
Investment properties	18	**47,897**	43,766	**–**	–
Leasehold land and land use rights	19	**389,711**	309,498	**–**	–
Properties under development	20	**16,759**	15,843	**–**	–
Investments in subsidiaries	21	**–**	–	**98,016**	97,686
Investments in associated companies	22	**261,715**	412,881	**–**	–
Investments in jointly controlled entities	23	**157,056**	140,208	**11,793**	11,793
Deferred tax assets	37	**2,053**	2,531	**–**	–
Available-for-sale financial assets	24	**134,689**	393,934	**133,718**	390,617
Loans and advances	25	**27,457**	11,747	**11,546**	11,747
		1,117,297	1,397,368	**255,400**	512,262
Current assets					
Inventories	26	**5,885**	13,510	**–**	–
Properties under development	20	**73,268**	–	**–**	–
Loans and advances	25	**85,040**	584,070	**–**	–
Trade receivables	27	**134,496**	418,622	**–**	–
Other receivables, prepayments and deposits	28	**41,614**	153,536	**4,573**	3,675
Amounts due from subsidiaries	29(a)	**–**	–	**1,321,055**	1,325,753
Tax recoverable	9(b)	**4,107**	167	**–**	–
Financial assets at fair value through income statement	30	**110,020**	425,366	**–**	–
Deposits with banks	31	**153,099**	–	**93,567**	–
Cash and cash equivalents	32	**935,710**	576,981	**84,212**	133,376
		1,543,239	2,172,252	**1,503,407**	1,462,804
Current liabilities					
Trade and other payables	33	**234,390**	668,126	**5,078**	33,710
Amounts due to subsidiaries	29(b)	**–**	–	**157,126**	106,236
Tax payable	9(b)	**28,306**	52,978	**–**	–
Financial liabilities at fair value through income statement	30	**–**	5,632	**–**	–
Borrowings	34	**3,402**	3,217	**–**	–
		266,098	729,953	**162,204**	139,946
Net current assets		**1,277,141**	1,442,299	**1,341,203**	1,322,858

BALANCE SHEETS (continued)

As at 31st December 2008

		Group		Company	
	Note	**2008** **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Total assets less current liabilities		**2,394,438**	2,839,667	**1,596,603**	1,835,120
Non-current liability					
Deferred tax liabilities	37	**702**	700	**–**	–
Net assets		**2,393,736**	2,838,967	**1,596,603**	1,835,120
Equity					
Share capital	35	**279,277**	278,293	**279,277**	278,293
Reserves	36	**2,040,134**	2,505,598	**1,317,326**	1,556,827
Capital and reserves attributable to the Company's shareholders		**2,319,411**	2,783,891	**1,596,603**	1,835,120
Minority interests		**74,325**	55,076	**–**	–
Total equity		**2,393,736**	2,838,967	**1,596,603**	1,835,120

On behalf of the Board

Lao Yuan-Yi
Director

Yeung Wai Kin
Director

The notes on pages 26 to 86 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2008

	Note	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Net cash inflow/(outflow) from operating activities	*38(a)*	**671,725**	(248,532)
Hong Kong profits tax paid		**(35,113)**	(3,589)
Overseas taxation paid		**(3,955)**	(12,088)
Net cash generated from/(used in) operating activities		**632,657**	(264,209)
Cash flows from investing activities			
Interest received		**20,549**	18,777
Dividends received from jointly controlled entities and associated companies		**3,179**	6,530
Increase in deposits with banks		**(153,099)**	–
Purchase of property, plant and equipment		**(26,132)**	(12,095)
Proceeds from disposal of property, plant and equipment		**159**	299
Purchase of leasehold land and land use rights		**(62,221)**	(66,029)
Purchase of properties under development		**(70,617)**	(12,720)
Acquisition of subsidiaries		**–**	(22,100)
Increase in partial interest of a subsidiary		**(312)**	–
Net cash inflow in respect of the disposal of subsidiaries	*38(b)*	**–**	195,950
Increase in investment in an associated company		**(1,850)**	(965)
Proceeds from disposal of interest in an associated company		**–**	300
Purchase of available-for-sale financial assets		**(349)**	(2,346)
Proceeds from disposal of available-for-sale financial assets		**–**	50,571
Repayment of loans by third parties		**7,757**	–
Net cash (used in)/generated from investing activities		**(282,936)**	156,172
Cash flows from financing activities			
Interest paid		**(838)**	(27,979)
Capital contribution to a subsidiary by its minority shareholders		**27,867**	12,477
Dividend paid		**(13,958)**	(33,451)
Issue of new shares on placement		**–**	194,720
Issue of new shares on exercise of share options		**3,321**	46,419
Net cash generated from financing activities		**16,392**	192,186
Net increase in cash and cash equivalents		**366,113**	84,149
Cash and cash equivalents at 1st January		**576,981**	476,142
Exchange differences		**(7,384)**	16,690
Cash and cash equivalents at 31st December		**935,710**	576,981
Analysis of balances of cash and cash equivalents			
Cash at bank and in hand		**176,080**	211,221
Short-term bank deposits			
– secured		**10,000**	15,042
– unsecured		**749,630**	350,718
Cash and cash equivalents as above		**935,710**	576,981

The notes on pages 26 to 86 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2008

	Attributable to shareholders of the Company									Minority 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 2008	**278,293**	**843,911**	**45,641**	**280,534**	**14,006**	**12,262**	**390,617**	**53,952**	**864,675**	**55,076**	**2,838,967**
Issue of new shares on exercise of share options	984	3,715	(1,378)	–	–	–	–	–	–	–	3,321
Employee share option benefits	–	–	219	–	–	–	–	–	–	–	219
Capital contribution to a subsidiary by its minority shareholders	–	–	–	–	–	–	–	–	–	27,867	27,867
Increase in partial interest of a subsidiary	–	–	–	–	–	–	–	–	–	(312)	(312)
Share of post acquisition reserve of an associated company	–	–	–	(99,625)	–	–	–	–	–	–	(99,625)
Fair value loss of available-for-sale financial assets	–	–	–	–	–	–	(256,899)	–	–	–	(256,899)
Deferred tax effect on revalued asset	–	–	–	–	–	72	–	–	–	–	72
Currency translation differences	–	–	–	–	–	–	–	13,784	–	332	14,116
Transfer from retained earnings	–	–	–	210	–	–	–	–	(210)	–	–
Loss for the year	–	–	–	–	–	–	–	–	(111,394)	(8,638)	(120,032)
2007 final dividend paid	–	–	–	–	–	–	–	–	(13,958)	–	(13,958)
At 31st December 2008	**279,277**	**847,626**	**44,482**	**181,119**	**14,006**	**12,334**	**133,718**	**67,736**	**739,113**	**74,325**	**2,393,736**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31st December 2008

	Attributable to shareholders of the Company										Minority interests	Total
	Share capital	Share premium	Employee share-based compensation reserve	Capital reserve	Capital redemption reserve	Assets revaluation reserve	Investment revaluation reserve	Convertible bonds equity 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$'000*	*HK$'000*
At 1st January 2007	238,773	597,406	16,498	164,364	14,006	12,262	41,272	–	22,020	515,812	73,258	1,695,671
Recognition of equity components of convertible bonds	–	–	–	–	–	–	–	2,382	–	–	–	2,382
Issue of new shares on placement	19,000	175,720	–	–	–	–	–	–	–	–	–	194,720
Issue of new shares on conversion of convertible bonds	4,828	27,030	–	–	–	–	–	(2,382)	–	–	–	29,476
Issue of new shares on exercise of share options	15,692	43,755	(13,028)	–	–	–	–	–	–	–	–	46,419
Employee share option benefits	–	–	42,171	–	–	–	–	–	–	–	–	42,171
Disposals of subsidiaries	–	–	–	205	–	–	–	–	(3,047)	–	(29,952)	(32,794)
Capital contribution to a subsidiary by its minority shareholders	–	–	–	–	–	–	–	–	–	–	12,477	12,477
Share of post acquisition reserves of associated companies	–	–	–	116,101	–	–	–	–	–	–	–	116,101
Fair value gain of available-for-sale financial assets	–	–	–	–	–	–	327,699	–	–	–	–	327,699
Reserve realised upon disposal of available-for-sale financial assets	–	–	–	–	–	–	21,646	–	–	–	–	21,646
Currency translation differences	–	–	–	–	–	–	–	–	34,979	–	2,138	37,117
Transfer to retained earnings	–	–	–	(136)	–	–	–	–	–	136	–	–
Profit for the year	–	–	–	–	–	–	–	–	–	382,178	(2,845)	379,333
2006 final dividend paid	–	–	–	–	–	–	–	–	–	(6,130)	–	(6,130)
2007 interim dividend paid	–	–	–	–	–	–	–	–	–	(27,321)	–	(27,321)
At 31st December 2007	278,293	843,911	45,641	280,534	14,006	12,262	390,617	–	53,952	864,675	55,076	2,838,967

The notes on pages 26 to 86 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 and stockbroking, property development, property investment and hotel, and direct investment 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 of Directors on 17th April 2009.

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") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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 income statement.

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.

(a) *Amendments and interpretation to existing Standards effective in 2008*

– Amendments to HKAS 39 and HKFRS 7	Reclassification of Financial Assets; and
– HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of these amendments and interpretation do not have significant impact on the Group's consolidated financial statements.

(b) *Interpretations to existing Standards effective in 2008 but not relevant to the Group's operation*

The following interpretations to existing Standards are mandatory for accounting periods beginning on or after 1st January 2008 but are not relevant to the Group's operations:

– HK(IFRIC) – Int 12	Service Concession Arrangements; and
– HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(c) Standard, amendments and revisions to existing Standards that are not yet effective and have not been early adopted by the Group

The following Standard, amendments and revisions to existing Standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2009 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
– HKAS 1 (Revised)	Presentation of Financial Statements;	1st January 2009
– HKAS 2 (Amendment)	Inventories;	1st January 2009
– HKAS 7 (Amendment)	Statement of Cash Flows;	1st January 2009
– HKAS 8 (Amendment)	Accounting Policies, Changes in Accounting Estimates and Errors;	1st January 2009
– HKAS 10 (Amendment)	Events after the Balance Sheet Date;	1st January 2009
– HKAS 16 (Amendment)	Property, Plant and Equipment;	1st January 2009
– HKAS 18 (Amendment)	Revenue;	1st January 2009
– HKAS 23 (Revised)	Borrowing Costs;	1st January 2009
– HKAS 27 (Revised)	Consolidated and Separate Financial Statements;	1st July 2009
– HKAS 28 (Amendment)	Investments in Associates;	1st January 2009
– HKAS 31 (Amendment)	Interests in Joint Ventures;	1st January 2009
– HKAS 32 (Amendment)	Financial Instruments: Presentation;	1st January 2009
– HKAS 34 (Amendment)	Interim Financial Reporting;	1st January 2009
– HKAS 36 (Amendment)	Impairment of Assets;	1st January 2009
– HKAS 38 (Amendment)	Intangible Assets;	1st January 2009
– HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement;	1st January 2009
– HKAS 40 (Amendment)	Investment Property;	1st January 2009
– Amendments to HKFRS 1 and HKAS 27	HKFRS 1 (Amendment), "First Time Adoption of HKFRS" and HKAS 27 (Amendment), "Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate";	1st January 2009
– HKFRS 1 (Amendment)	First Time Adoption of HKFRS;	1st July 2009
– HKFRS 2 (Amendment)	Share-based Payment Vesting Conditions and Cancellations;	1st January 2009
– HKFRS 3 (Revised)	Business Combinations;	1st July 2009
– HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations;	1st July 2009
– HKFRS 7 (Amendment)	Financial Instruments: Disclosures; and	1st January 2009
– HKFRS 8	Operating Segments	1st January 2009

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

(d) *Amendments and interpretations to existing Standards that are not yet effective and not relevant to the Group's operations*

The following amendments and interpretations to existing Standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2009 or later periods but are not relevant for the Group's operations:

		Effective for accounting periods beginning on or after
– HKAS 19 (Amendment)	Employee Benefits;	1st January 2009
– HKAS 20 (Amendment)	Accounting for Government Grants and Disclosure of Government Assistance;	1st January 2009
– HKAS 29 (Amendment)	Financial Reporting in Hyperinflationary Economies;	1st January 2009
– Amendments to HKAS 32 and HKAS 1	HKAS 32 (Amendment), "Financial Instruments: Presentation" and HKAS 1 (Amendment), "Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation";	1st January 2009
– HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items;	1st July 2009
– Amendments to HKAS 39 and HK(IFRIC) – Int 9	HKAS 39 (Amendment), "Financial Instruments: Recognition and Measurement" and HK(IFRIC) – Int 9, "Reassessment of Embedded Derivatives";	30th June 2009
– HKAS 41 (Amendment)	Agriculture;	1st January 2009
– HK(IFRIC) – Int 13	Customer Loyalty Programmes;	1st July 2008
– HK(IFRIC) – Int 15	Agreements for Construction of Real Estates;	1st January 2009
– HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation;	1st October 2008
– HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners; and	1st July 2009
– HK(IFRIC) – Int 18	Transfers of Assets from Customers	1st July 2009

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

(a) *Subsidiaries*

Subsidiaries are all 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (Note 2.5). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, 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 2.10). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(b) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of new assets of the subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

(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).

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 reserves is recognised in reserves. 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 in associated companies are recognised in the consolidated income statement.

(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 reserves is recognised in reserves. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Consolidation *(continued)*

(d) *Jointly controlled entities (continued)*

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision for impairment losses (Note 2.10). The results of jointly controlled entities are accounted for by the Company on the basis of dividends received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

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, which is the Company's functional and 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.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the consolidated income statement, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through income statement 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 the fair value reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Foreign currency translation *(continued)*

(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 dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. 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 cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries/associated companies/jointly controlled entities at the date of acquisition. 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.

(b) Trading rights

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment

(a) *Buildings in Hong Kong*

In previous years, the Group carried its buildings in Hong Kong at cost or at revalued amounts and revaluation surpluses or deficits are dealt with as movements in the assets revaluation reserve. Effective from 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 hotel and properties under construction, and 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.

(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*

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:

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 2.10).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Property, plant and equipment *(continued)*

(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.

2.7 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.

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 were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

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.

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.

Changes in fair values are recognised in the consolidation 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.

2.9 Properties under development

Properties under development are included as non-current assets, except for the expected completion dates are within twelve months after the balance sheet date. These are classified as current assets.

Property under development is stated at the lower of cost and net realisable value. Net realisable value is determined by reference to estimated sales proceeds of the properties sold in the ordinary course of business less costs to complete development and estimated selling expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Properties under development *(continued)*

Properties under development comprise prepayment for leasehold land and land use rights, construction costs, borrowing costs capitalised and professional fee incurred during the development period. In the course of property development, the amortisation charge of leasehold land and land use rights is included as part of the costs of the property under development.

On completion, the properties, together with related leasehold land and land use rights, are transferred to completed properties held for sale.

2.10 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.

2.11 Financial assets

The Group classifies its financial assets into the following categories: at fair value through income statement, 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.

2.11.1 Classification

(a) *Financial assets at fair value through income statement*

Financial assets at fair value through income statement 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.

(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" 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

2.11.2 Recognition and measurement

Regular way 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 income statement. Financial assets carried at fair value through income statement 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 income statement 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 income statement" category, including net gains/(losses) on disposal and remeasurement at fair value, are recognised in the consolidated income statement within "revenue". Interest and dividend income are presented in the consolidated income statement within "other gains – net" in the year in which they arise.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in consolidated income statement, and translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

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 equity instruments are not reversed through the consolidated income statement. Impairment testing of trade receivables is described in Note 2.13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

2.13 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 within "selling and distribution costs". 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 against "selling and distribution costs" in the consolidated income statement.

2.14 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 and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.15 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.

2.16 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 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.

2.18 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 directly in equity. In this case, the tax is also recognised in equity.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 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.

(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 by 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 Chinese Mainland, the Group contributes to state-sponsored retirement plans for its employees in 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 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.

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.

2.21 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.

2.22 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 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 income statement. All transactions related to securities trading are recorded in the 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 when the risks and rewards of the properties are passed to the purchasers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

(e) Hotel room income is recognised when services are rendered.

(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.

2.23 Finance costs

Finance costs incurred for the construction of any qualifying asset 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.

2.24 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.

2.25 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 polices 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 42 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.

During the year of 2008, the Group complied with all of the relevant externally imposed regulatory capital requirements. The gearing ratio at 31st December 2008 and 2007 was as follows:

	2008	2007
	HK$'000	*HK$'000*
Total borrowings *(Note 34)*	**3,402**	3,217
Total equity	**2,393,736**	2,838,967
Gearing ratio	**0.1%**	0.1%

3.3 Fair value estimation

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

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for equity securities traded on inactive markets or private issuers.

The carrying value less impairment provision of trade and other receivables and loans and advances are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.10. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Income taxes

The Group is subject to income taxes in various jurisdictions, mainly in Hong Kong and 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.

(c) 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.

(d) 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.

(e) 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 active market is mainly based on available recent market information such as most recent market transaction price with third parties and the latest available financial information existing at each balance sheet date. Quoted market price or dealer quotes for similar instruments are used for equity securities traded on inactive markets or private issuers.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(f) Allowance for write-down of inventories to net realisable value

The Group makes allowance for write-down of inventories based on assessment of the net realisable value of existing inventories. Allowance is made if there is an indication that the net realisable value of inventories is lower than the cost. Calculation of net realisable value requires the use of judgements and estimates.

(g) 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 loan 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.

(h) 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.

(i) 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 indicated 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.

5. SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of its subsidiaries, associated companies and jointly controlled entities are set out in Notes 21, 22 and 23 to the consolidated financial statements.

The Group has determined the business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment assets consist primarily of intangible assets, property, plant and equipment, investment properties, leasehold land and land use rights, properties under development, inventories, financial assets and operating cash. Segment liabilities comprise operating liabilities and borrowings but exclude taxation and deferred taxation. Capital expenditure comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights, and properties under development.

In respect of geographical segment reporting, revenue is based on the country in which the customers are located.

5. SEGMENT INFORMATION *(continued)*

(a) Primary reporting format – business segments

The Group is organised into five main business segments:

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

	Securities investment 2008 HK$'000	Corporate finance and stockbroking 2008 HK$'000	Property development 2008 HK$'000	Property investment and hotel 2008 HK$'000	Direct investment and management 2008 HK$'000	Group 2008 HK$'000
Income statement						
Revenue	(110,975)	213,294	–	4,486	91,897	198,702
Segment results	(102,974)	70,454	(6,343)	1,480	(35,090)	(72,473)
Finance costs	–	(539)	–	(32)	(267)	(838)
Share of profits less losses of						
– Associated companies	51	–	–	–	(51,354)	(51,303)
– Jointly controlled entities	–	–	–	13,592	(659)	12,933
Loss before taxation						(111,681)
Taxation						(8,351)
Loss for the year						(120,032)
Balance sheet						
Segment assets	136,100	610,491	550,001	282,365	656,648	2,235,605
Investments in associated companies	–	–	–	–	261,715	261,715
Investments in jointly controlled entities	–	–	–	134,378	22,678	157,056
Tax recoverable						4,107
Deferred tax assets						2,053
Total assets						2,660,536
Segment liabilities	57	81,598	94,412	6,599	55,126	237,792
Tax payable						28,306
Deferred tax liabilities						702
Total liabilities						266,800
Other information						
Capital expenditure	–	2,892	147,596	21,390	1,031	172,909
Depreciation	4	2,103	214	922	6,288	9,531
Impairment of property, plant and equipment	–	–	–	–	5,670	5,670
Amortisation of leasehold land and land use rights	–	–	3,162	2,714	717	6,593

Note: There are no sales among the business segments.

5. SEGMENT INFORMATION *(continued)*

(a) Primary reporting format – business segments *(continued)*

	Securities investment	Corporate finance and stockbroking	Property development *(Note (b))*	Property investment and hotel *(Note (b))*	Direct investment and management *(Note (b))*	Group
	2007	2007	2007	2007	2007	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Income statement						
Revenue	164,392	463,149	–	30,006	107,699	765,246
Segment results	141,736	198,051	943	152,109	(110,852)	381,987
Finance costs	–	(23,968)	–	(2,932)	(637)	(27,537)
Share of profits less losses of						
– Associated companies	3,249	–	–	–	2,330	5,579
– Jointly controlled entities	–	–	–	63,326	(966)	62,360
Profit before taxation						422,389
Taxation						(43,056)
Profit for the year						379,333
Balance sheet						
Segment assets	438,071	1,078,544	335,449	209,885	951,884	3,013,833
Investments in associated companies	214	–	–	–	412,667	412,881
Investments in jointly controlled entities	–	–	–	118,148	22,060	140,208
Tax recoverable						167
Deferred tax assets						2,531
Total assets						3,569,620
Segment liabilities	124,212	302,656	23,217	6,123	220,767	676,975
Tax payable						52,978
Deferred tax liabilities						700
Total liabilities						730,653
Other information						
Capital expenditure	–	2,955	186,859	100,007	1,379	291,200
Depreciation	100	1,778	101	5,929	6,719	14,627
Amortisation of leasehold land and land use rights	–	–	1,124	2,139	678	3,941

Notes:

(a) There are no sales among the business segments.

(b) To conform with the business segment presentation in current year, the Group's investment holding and management, and container transportation and freight forwarding services, previously presented as separate segments, have been reclassified to be disclosed under direct investment and management segment. The Group's property development and property investment businesses, previously included in property development and investment, have been separated to be disclosed under property development segment and property investment and hotel segment respectively. The Group's hotel operation, previously presented as a separate segment, has been reclassified to be disclosed under property investment and hotel segment.

5. SEGMENT INFORMATION *(continued)*

(b) Secondary reporting format – geographical segments

	Revenue 2008 HK$'000	Segment results 2008 HK$'000	Total assets 2008 HK$'000	Capital expenditure 2008 HK$'000
Hong Kong	**107,531**	**(25,269)**	**1,062,728**	**3,402**
Chinese Mainland	**94,255**	**(40,865)**	**1,165,251**	**169,465**
Others	**(3,084)**	**(6,339)**	**7,626**	**42**
	198,702	**(72,473)**	**2,235,605**	**172,909**
Investments in associated companies			**261,715**	
Investments in jointly controlled entities			**157,056**	
Tax recoverable			**4,107**	
Deferred tax assets			**2,053**	
Total assets			**2,660,536**	

	Revenue 2007 HK$'000	Segment results 2007 HK$'000	Total assets 2007 HK$'000	Capital expenditure 2007 HK$'000
Hong Kong	622,552	254,217	2,103,501	2,378
Chinese Mainland	134,375	123,139	891,879	288,822
Others	8,319	4,631	18,453	–
	765,246	381,987	3,013,833	291,200
Investments in associated companies			412,881	
Investments in jointly controlled entities			140,208	
Tax recoverable			167	
Deferred tax assets			2,531	
Total assets			3,569,620	

Note: There are no sales among the geographical segments.

6. OTHER GAINS – NET

	Group	
	2008	2007
	HK$'000	*HK$'000*
Gain on disposal of interest in subsidiaries	**–**	145,703
Loss on disposal of an associated company	**–**	(1,022)
Loss on deemed disposal of partial interest in an associated company	**–**	(1,833)
Loss on disposal of available-for-sale financial assets	**–**	(4,431)
Impairment of available-for-sale financial assets *(Note 24)*	**(2,695)**	(17,788)
Interest income	**25,760**	18,777
Investment income, net	**23,065**	139,406
Net fair value gains on investment properties	**1,521**	3,938
	24,586	143,344

7. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after crediting and charging the following:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Crediting		
Net gain on disposal of property, plant and equipment	**–**	86
Net foreign exchange gain	**16,515**	13,521
Charging		
Depreciation	**9,531**	14,627
Amortisation of leasehold land and land use rights	**6,593**	3,941
Direct expense in respect of container transportation and freight forwarding services	**31,718**	29,864
Cost of inventories	**22,697**	35,029
Stockbroking commission and related expense	**34,722**	75,792
Stamp duty and other transaction costs	**37,975**	81,705
Staff costs *(Note 13)*	**135,986**	209,524
Operating lease rental in respect of land and buildings	**9,220**	7,170
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	**2,081**	2,041
– other auditors	**598**	539
Non-audit services – the Company's auditor	**243**	127
Provision for doubtful debts	**11,517**	1,471
Provision for obsolete stock	**3,712**	4,449
Impairment of property, plant and equipment	**5,670**	–
Net loss on disposal of property, plant and equipment	**285**	–

8. FINANCE COSTS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**838**	27,537

9. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2007: 17.5%) 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	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current	**8,122**	29,612
Over-provision in previous years	**(1,215)**	(259)
Overseas taxation		
Current	**1,347**	14,799
Over-provision in previous years	**(455)**	–
Deferred taxation *(Note 37)*	**552**	(1,096)
Taxation charge	**8,351**	43,056

9. TAXATION *(continued)*

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

The taxation on the Group's (loss)/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	
	2008	2007
	HK$'000	*HK$'000*
(Loss)/profit before taxation (net of share of profits less losses of associated companies and jointly controlled entities)	**(73,311)**	354,450
Tax calculated at a taxation rate of 16.5% (2007: 17.5%)	**(12,096)**	62,029
Effect of different taxation rates in other countries	**(3,003)**	402
Income not subject to taxation	**(4,594)**	(43,821)
Expenses not deductible for taxation purposes	**11,728**	7,235
Over-provision in previous years	**(1,670)**	(259)
Unrecognised deferred tax assets	**17,976**	17,392
Others	**10**	78
Taxation charge	**8,351**	43,056

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Recoverable		
Hong Kong	**1,783**	–
Overseas	**2,324**	167
	4,107	167
Payable		
Hong Kong	**780**	27,204
Overseas	**27,526**	25,774
	28,306	52,978

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$28,800,000 (2007: HK$12,062,000).

11. (LOSSES)/EARNINGS PER SHARE

The calculation of basic and diluted (losses)/earnings per share is based on the Group's loss attributable to shareholders of HK$111,394,000 (2007: Group's profit attributable to shareholders of HK$382,178,000). The basic (losses)/earnings per share is based on the weighted average number of 1,394,749,571 (2007: 1,292,967,048) shares in issue during the year. The diluted earnings per share for 2007 is based on 1,312,969,167 shares which is the weighted average number of shares in issue during 2007 plus the weighted average number of 20,002,119 shares deemed to be issued at no consideration if all outstanding options had been exercised. Diluted losses per share for 2008 is the same as the basic losses per share as the potential additional ordinary shares are anti-dilutive.

12. DIVIDENDS

The Board of Directors does not recommend the payment of a final dividend (2007: HK$0.01 per ordinary share totaling HK$13,915,000, which together with the interim dividend payment amounting to a total of HK$41,236,000) for the year ended 31st December 2008.

	2008	2007
	HK$'000	*HK$'000*
Interim dividend paid of HK$Nil (2007: HK$0.02) per ordinary share	**–**	27,321
Proposed final dividend of HK$Nil (2007: HK$0.01) per ordinary share	**–**	13,915
	–	41,236

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2008	2007
	HK$'000	*HK$'000*
Wages, salaries and allowance	**125,986**	157,250
Retirement benefit costs *(Note 15)*	**4,532**	4,330
Other employee benefits	**5,249**	5,773
Employee share option benefits *(Note 35)*	**219**	42,171
	135,986	209,524

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31st December 2008 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Retirement benefit costs	Employee share option benefits	2008 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. Lao Yuan-Yi	–	**2,598**	–	**223**	–	**2,821**
Mr. Xin Shulin, Steve	–	**2,120**	–	**181**	–	**2,301**
Mr. Yeung Wai Kin	–	**2,264**	–	**194**	–	**2,458**
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 Qi-Hao	**270**	–	–	–	–	**270**
Mr. Zhou Xiaohe	**270**	–	–	–	–	**270**

The remuneration of every Director for the year ended 31st December 2007 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Retirement benefit costs	Employee share option benefits	2007 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. Lao Yuan-Yi	–	2,598	8,686	223	13,034	24,541
Mr. Xin Shulin, Steve	–	2,120	6,151	177	8,765	17,213
Mr. Yeung Wai Kin	–	2,264	5,161	194	8,765	16,384
Mr. Hu Yi Ming *(a)*	–	330	–	1	–	331
Non-executive director:						
Mr. Kwok Lam Kwong, Larry, *B.B.S., J.P.*	270	–	–	–	1,091	1,361
Independent non-executive directors:						
Prof. Woo Chia-Wei	270	–	–	–	1,091	1,361
Mr. Liu Ji	270	–	–	–	545	815
Mr. Yu Qi-Hao	270	–	–	–	1,091	1,361
Mr. Zhou Xiaohe *(b)*	56	–	–	–	–	56

(a) *Resigned on 31st July 2007*

(b) *Appointed on 7th October 2007*

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 2008 and 2007.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year do not include (2007: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining five (2007: two) individuals during the year are as follows:

	2008	2007
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits-in-kind	**27,209**	3,111
Discretionary bonuses	**4,956**	22,960
Retirement benefit costs	**286**	170
Employee share option benefits	**70**	2,463
	32,521	28,704

The emoluments fell within the following bands:

Emolument bands	**Number of individuals**	
HK$	**2008**	2007
2,000,001 – 3,000,000	**1**	–
4,000,001 – 5,000,000	**2**	–
5,000,001 – 5,500,000	**1**	–
12,000,001 – 12,500,000	**–**	1
15,000,001 – 15,500,000	**1**	–
16,000,001 – 16,500,000	**–**	1
	5	2

15. RETIREMENT BENEFIT COSTS

The Group operates 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$139,000 (2007: HK$60,000) 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 2008 and 2007 available to reduce the contributions payable in the future years.

Contributions totaling HK$194,000 (2007: HK$173,000) 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 and 31st December 2008	**2,993**	**1,638**	**4,631**
Accumulated amortisation			
At 1st January and 31st December 2008	**–**	**1,238**	**1,238**
Net book value			
At 31st December 2008	**2,993**	**400**	**3,393**

	Goodwill *HK$'000*	Trading rights *HK$'000*	Total *HK$'000*
Cost			
At 1st January and 31st December 2007	2,993	1,638	4,631
Accumulated amortisation			
At 1st January and 31st December 2007	–	1,238	1,238
Net book value			
At 31st December 2007	2,993	400	3,393

Impairment test for goodwill

Goodwill acquired through business combination has been allocated to the property investment and hotel, and direct investment and management 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 to ten 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

	Buildings						
	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles and trucks	Construction-in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation							
At 1st January 2008	22,664	27,450	41,211	12,042	63,698	6,454	173,519
Additions	–	–	4,189	35	1,199	20,709	26,132
Disposals	–	–	(13,833)	(5)	(1,578)	–	(15,416)
Exchange differences	–	1,816	1,245	696	3,280	372	7,409
At 31st December 2008	22,664	29,266	32,812	12,768	66,599	27,535	191,644
Accumulated depreciation and impairment loss							
At 1st January 2008	7,056	14,668	33,313	8,820	46,095	–	109,952
Charge for the year	566	1,801	3,033	803	3,328	–	9,531
Impairment loss	–	–	–	–	5,670	–	5,670
Disposals	–	–	(13,521)	(4)	(1,447)	–	(14,972)
Exchange differences	–	860	1,040	507	2,489	–	4,896
At 31st December 2008	7,622	17,329	23,865	10,126	56,135	–	115,077
Net book value							
At 31st December 2008	15,042	11,937	8,947	2,642	10,464	27,535	76,567

Impairment loss

Due to the economic downturn, the Group has assessed the recoverable amounts of certain motor vehicles and trucks. Based on this assessment, the carrying amount of the motor vehicles and trucks was written down by HK$5,670,000 (included in "Administrative expenses"). The estimates of recoverable amount was based on value in use of the motor vehicles and trucks by applying 10% discount rate.

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Group *(continued)*

	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 2007	22,664	192,104	63,158	36,139	61,832	6,910	382,807
Additions	–	–	3,492	268	2,205	6,130	12,095
Disposals	–	–	(992)	(589)	(1,761)	–	(3,342)
Disposals of subsidiaries *(Note 38(b))*	–	(172,525)	(26,556)	(25,549)	(2,714)	(7,002)	(234,346)
Reclassification	–	–	(277)	–	289	(12)	–
Exchange differences	–	7,871	2,386	1,773	3,847	428	16,305
At 31st December 2007	22,664	27,450	41,211	12,042	63,698	6,454	173,519
Accumulated depreciation							
At 1st January 2007	6,489	20,144	35,130	10,427	42,277	–	114,467
Charge for the year	567	4,299	4,668	1,611	3,482	–	14,627
Disposals	–	–	(918)	(589)	(1,622)	–	(3,129)
Disposals of subsidiaries *(Note 38(b))*	–	(11,008)	(6,785)	(3,329)	(1,167)	–	(22,289)
Reclassification	–	–	(149)	–	149	–	–
Exchange differences	–	1,233	1,367	700	2,976	–	6,276
At 31st December 2007	7,056	14,668	33,313	8,820	46,095	–	109,952
Net book value							
At 31st December 2007	15,608	12,782	7,898	3,222	17,603	6,454	63,567

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Group *(continued)*

The analysis of the cost or valuation at 31st December 2008 of the above assets is as follows:

	Buildings						
	Long-term leases in Hong Kong	**Medium-term leases outside Hong Kong**	**Furniture, fixtures and equipment**	**Plant and machinery**	**Motor vehicles and trucks**	**Construction-in-progress**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
At cost	**11,539**	**29,266**	**32,812**	**12,768**	**66,599**	**27,535**	**180,519**
At professional valuation–1994	**11,125**	**–**	**–**	**–**	**–**	**–**	**11,125**
	22,664	**29,266**	**32,812**	**12,768**	**66,599**	**27,535**	**191,644**

The analysis of the cost or valuation at 31st December 2007 of the above assets is as follows:

	Buildings						
	Long-term leases in Hong Kong	Medium-term leases outside Hong Kong	Furniture, fixtures and equipment	Plant and machinery	Motor vehicles and trucks	Construction-in-progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	11,539	27,450	41,211	12,042	63,698	6,454	162,394
At professional valuation–1994	11,125	–	–	–	–	–	11,125
	22,664	27,450	41,211	12,042	63,698	6,454	173,519

The carrying amount of the land and buildings in Hong Kong under long-term leases would have been HK$9,224,000 (2007: HK$9,557,000) had they been stated at cost less accumulated depreciation.

17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) Company

	Motor vehicles	
	2008	2007
	HK$'000	*HK$'000*
Cost		
At 1st January	**457**	442
Additions	**–**	457
Disposals	**–**	(442)
At 31st December	**457**	457
Accumulated depreciation		
At 1st January	**38**	375
Charge for the year	**92**	90
Disposals	**–**	(427)
At 31st December	**130**	38
Net book value		
At 31st December	**327**	419

18. INVESTMENT PROPERTIES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Valuation at 1st January	**43,766**	39,828
Net fair value gains	**1,521**	3,938
Exchange differences	**2,610**	–
Valuation at 31st December	**47,897**	43,766

The investment properties were revalued at 31st December 2008 on an open market value basis by an independent, professionally qualified valuer, Chung, Chan & Associates.

18. INVESTMENT PROPERTIES *(continued)*

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

	2008	2007
	HK$'000	*HK$'000*
In Hong Kong, held on		
– leases over 50 years	**7,200**	7,500
Outside Hong Kong, held on		
– leases between 10 to 50 years	**40,697**	36,266
	47,897	43,766

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 movement in the net book value thereof is analysed as follows:

	Land for property development	**Land for hotel operation**	**Land for own use**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Net book value at 1st January 2008	**169,228**	**91,134**	**49,136**	**309,498**
Additions	**76,160**	**–**	**–**	**76,160**
Amortisation				
– charge for the year	**(3,162)**	**(2,516)**	**(915)**	**(6,593)**
– capitalised in properties under development	**(2,656)**	**–**	**–**	**(2,656)**
Exchange differences	**9,735**	**3,242**	**325**	**13,302**
Net book value at 31st December 2008	**249,305**	**91,860**	**48,546**	**389,711**

	Land for property development	Land for hotel operation	Land for own use	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net book value at 1st January 2007	–	17,915	49,563	67,478
Additions	171,608	92,910	–	264,518
Amortisation				
– charge for the year	(1,124)	(1,941)	(876)	(3,941)
– capitalised in properties under development	(1,256)	–	–	(1,256)
Disposal of subsidiaries *(Note 38(b))*	–	(18,372)	–	(18,372)
Exchange differences	–	622	449	1,071
Net book value at 31st December 2007	169,228	91,134	49,136	309,498

19. LEASEHOLD LAND AND LAND USE RIGHTS *(continued)*

The Group's interests in leasehold land and land use rights at their net book values are analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
In Hong Kong, held on		
– leases over 50 years	**36,327**	36,367
Outside Hong Kong, held on		
– leases between 10 to 50 years	**353,384**	273,131
	389,711	309,498

20. PROPERTIES UNDER DEVELOPMENT

	Group	
	2008	2007
	HK$'000	*HK$'000*
NON-CURRENT		
Leasehold land and land use rights	**1,233**	1,256
Construction costs	**15,526**	14,587
	16,759	15,843
CURRENT		
Leasehold land and land use rights	**2,751**	–
Construction costs	**70,517**	–
	73,268	–
	90,027	15,843

The properties under development are located in Chinese Mainland.

21. INVESTMENTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	*HK$'000*
Unlisted investments, at cost	**44,902**	44,739
Loan to a subsidiary	**70,000**	70,000
Less: accumulated impairment losses	**(16,886)**	(17,053)
	98,016	97,686

21. INVESTMENTS IN SUBSIDIARIES *(continued)*

The loan to a subsidiary is unsecured, interest bearing at prime rate plus 1% (2007: prime rate plus 1%) and not repayable within the next twelve months as at the balance sheet date. The effective interest rate at 31st December 2008 was prime rate quoted by The Hongkong and Shanghai Banking Corporation Limited plus 1% (2007: prime rate plus 1%). The carrying value of the loan to a subsidiary approximates its fair value as at 31st December 2008.

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 2008	Effective interest held 2007	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
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:					
Addsmart Investments Limited	British Virgin Islands	1 ordinary share of US$1 each	**100%**	100%	Securities investment
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

21. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held **2008**	2007	Principal activities
Shares held indirectly: *(continued)*					
Bonvision Consultancy (Beijing) Company Limited	Chinese Mainland (c)	HK$500,000	**100%**	100%	Financial consultancy
Bonvision Technology (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
Changchun FAW Sihuan Betung Instrument Company Limited	Chinese Mainland (d)	RMB7,700,000	**55%**	55%	Manufacture of autoparts
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
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
First eFinance Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Internet financial service system services
First Shanghai Assets (Kunshan) Company Limited	Chinese Mainland (c)	US$10,000,000	**100%**	100%	Property development
First Shanghai Capital Limited	Hong Kong	17,000,000 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

21. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held 2008	2007	Principal activities
Shares held indirectly: *(continued)*					
First Shanghai Properties (Kunshan) Company Limited	Chinese Mainland (d)	US$5,000,000	**70%**	70%	Property development
First Shanghai Securities Limited	Hong Kong	85,000,000 ordinary shares of HK$1 each	**100%**	100%	Stockbroking
First Shanghai Venture Capital Management Limited	Chinese Mainland (c)	HK$1,000,000	**100%**	100%	Venture capital & management
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
HK Sunshine Real Estate Limited	Hong Kong	10 ordinary shares of HK$1 each	**100%**	100%	Investment holding
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%**	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)	RMB2,000,000	**88.8%**	75.5%	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

21. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held 2008	Effective interest held 2007	Principal activities
Shares held indirectly: *(continued)*					
Staying Power International Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
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%	Transportation services
Wuxi HK Landshine Real Estate Company Limited	Chinese Mainland (d)	US$20,000,000	**70%**	–	Property development
Wuxi Sunshine Real Estate Limited	Chinese Mainland (c)	US$13,000,000	**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.

22. INVESTMENTS IN ASSOCIATED COMPANIES

	Group 2008 HK$'000	2007 HK$'000
Carrying value at 1st January	**412,881**	297,570
Share of associated companies' results		
– (Loss)/profit before taxation	**(48,147)**	7,890
– Taxation	**(3,156)**	(2,311)
Share of associated companies' reserves	**(99,625)**	116,101
Dividend received	**(265)**	(6,530)
Increase in investment in an associated company	**1,850**	965
Disposal of an associated company	**–**	(1,107)
Deemed disposal of partial interest of an associated company	**–**	(1,833)
Exchange differences	**(1,823)**	2,136
Carrying value at 31st December	**261,715**	412,881

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

Name	Place of incorporation/ establishment	Particulars of issued share capital/ registered capital	Effective interest held 2008	Effective interest held 2007	Principal activities
China Assets (Holdings) Limited ("China Assets") (see note (a) below)	Hong Kong	76,588,160 ordinary shares of US$0.1 each	**33.34%**	33.02%	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%**	30%	Sales of motor vehicle meters and components
Zhejiang Shaohong Instrument Company Limited	Chinese Mainland	US$430,000	**30%**	30%	Sales of motor vehicle meter and components
First Shanghai Fund Management Limited	British Virgin Islands	100 ordinary shares of US$1 each	**–**	20%	Fund management

Note:

(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 2008 was approximately HK$66,359,000 (2007:HK$204,844,000).

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

	2008 HK$'000	2007 HK$'000
Revenue	**106,317**	123,196
(Loss)/profit for the year	**(51,303)**	5,579
Assets	**325,033**	484,218
Liabilities	**(63,318)**	(71,337)
Net assets	**261,715**	412,881

23. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Carrying value at 1st January	**140,208**	72,336	**11,793**	11,793
Share of jointly controlled entities' results				
– Profit before taxation	**16,015**	82,934	**–**	–
– Taxation	**(3,082)**	(20,574)	**–**	–
Dividend received	**(2,914)**	–	**–**	–
Exchange differences	**6,829**	5,512	**–**	–
Carrying value at 31st December	**157,056**	140,208	**11,793**	11,793

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

Name	Place of incorporation/ establishment and operation	Effective interest in ownership/voting power/profit sharing 2008	2007	Principal activities
First Shanghai Public Utility Investments Limited ("FSPUL") (see note (a) below)	Hong Kong	**50%**	50%	Investment holding
Goodbaby Bairuikang Hygienic Products Company Limited ("Goodbaby Bairuikang") (see note (b) below)	Chinese Mainland	**50%**	50%	Production of diapers and related hygienic products
Shanghai Zhangjiang Property Development Company Limited ("Zhangjiang") (see note (c) below)	Chinese Mainland	**50%**	50%	Property development

Notes:

(a) FSPUL was established in Hong Kong in 2007 as investment holding company.

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

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

23. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

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

	2008	2007
	HK$'000	*HK$'000*
Income	**45,140**	108,315
Expenses	**(32,207)**	(45,955)
Profit for the year	**12,933**	62,360
Assets		
Non-current assets	**176,831**	163,836
Current assets	**20,829**	120,783
	197,660	284,619
Liabilities		
Non-current liabilities	**20,130**	25,752
Current liabilities	**20,474**	118,659
	40,604	144,411
Net assets	**157,056**	140,208

There are no contingent liabilities relating to the Group's interest in the joint venture, and no contingent liabilities of the venture itself.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		**Company**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Carrying value at 1st January	**393,934**	115,033	**390,617**	62,918
Additions	**349**	2,346	**–**	–
Disposals	**–**	(33,356)	**–**	–
Fair value change transfer to equity	**(256,899)**	327,699	**(256,899)**	327,699
Impairment *(Note 6)*	**(2,695)**	(17,788)	**–**	–
Carrying value at 31st December	**134,689**	393,934	**133,718**	390,617

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(continued)*

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed securities				
– Equity securities, Hong Kong	**971**	971	**–**	–
Unlisted securities				
– Equity securities traded on private issuers	**133,718**	392,963	**133,718**	390,617
	134,689	393,934	**133,718**	390,617
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.

25. LOANS AND ADVANCES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loans and advances *(note (a))*	**111,380**	113,237	**64,136**	64,337
Provision for impairment	**(82,523)**	(77,777)	**(52,590)**	(52,590)
	28,857	35,460	**11,546**	11,747
Less: non-current portion	**(27,457)**	(11,747)	**(11,546)**	(11,747)
Current portion	**1,400**	23,713	**–**	–
Margin loans *(note (b))*	**83,640**	560,469	**–**	–
Provision for impairment	**–**	(112)	**–**	–
	83,640	560,357	**–**	–
	85,040	584,070	**–**	–

25. LOANS AND ADVANCES *(continued)*

Notes:

(a) The loans and advances include HK$1,400,000 (2007: HK$1,332,000) which bears interest at prime rate plus 1% (2007: prime rate plus 1%) per annum, HK$15,911,000 (2007: HK$20,572,000) which bears interest at 7% (2007: 5%) per annum, and the remaining of HK$11,546,000 (2007: HK$13,556,000) which is non-interest bearing.

The weighted average effective interest rate at 31st December 2008 was 7.53% (2007: 8.25%) per annum.

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

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Provision for impairment at 1st January	**77,777**	79,836
Provision for impairment during the year	**4,746**	–
Receivables written off	**–**	(2,059)
Provision for impairment at 31st December	**82,523**	77,777

(b) Margin loans to third parties are secured by the underlying pledged securities, bear interest at prime rate plus 1% to 3% per annum in 2008 and 2007, and are repayable on demand. The carrying value of margin loans approximates to their fair value. 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.

The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group. At 31st December 2008, the total value of securities pledged as collateral in respect of the margin loans was approximately HK$582,185,000 (2007: HK$3,090,456,000). The balances represent the market value of securities as at 31st December 2008 and 2007.

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Provision for impairment at 1st January	**112**	538
Provision for impairment during the year	**–**	44
Receivables written off	**(112)**	(470)
Provision for impairment at 31st December	**–**	112

26. INVENTORIES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Raw materials	**316**	9,219
Work-in-progress	**1,215**	2,194
Finished goods	**4,354**	2,097
	5,885	13,510

27. TRADE RECEIVABLES

	Group	
	2008	2007
	HK$'000	*HK$'000*
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	**24,172**	68,683
Due from stockbroking clients	**46,345**	280,589
Trade receivables	**69,697**	73,439
Bills receivable	**1,587**	557
	141,801	423,268
Provision for impairment	**(7,305)**	(4,646)
	134,496	418,622

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

The ageing analysis of the trade receivables is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**116,593**	396,209
31 – 60 days	**5,354**	6,704
61 – 90 days	**3,381**	4,021
Over 90 days	**9,168**	11,688
	134,496	418,622

27. TRADE RECEIVABLES *(continued)*

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Provision for impairment at 1st January	**4,646**	5,154
Provision for impairment during the year	**5,828**	1,936
Receivables written back	**(1,911)**	(69)
Receivables written off	**(1,378)**	(2,649)
Exchange differences	**120**	274
Provision for impairment at 31st December	**7,305**	4,646

28. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other receivables	**24,213**	132,766	**3,942**	3,039
Prepayments and deposits	**17,401**	20,770	**631**	636
	41,614	153,536	**4,573**	3,675

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

Included in other receivables is amount due from a jointly controlled entity of the Group amounted to HK$1,278,000 (2007: HK$101,895,000). The balance is unsecured, interest free and repayable on demand.

29. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(a) Amounts due from subsidiaries

	Company	
	2008	2007
	HK$'000	*HK$'000*
Amounts due from subsidiaries	**1,689,652**	1,659,280
Provision for impairment	**(368,597)**	(333,527)
	1,321,055	1,325,753

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

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	
	2008	2007
	HK$'000	*HK$'000*
Provision for impairment at 1st January	**333,527**	287,647
Provision for impairment during the year	**35,070**	45,880
Provision for impairment at 31st December	**368,597**	333,527

(b) Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest free and repayable on demand.

30. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH INCOME STATEMENT

	Group	
	2008	2007
	HK$'000	*HK$'000*
Financial assets at fair value through income statement		
Equity securities		
– Listed, Hong Kong	**7,500**	41,018
– Listed, Overseas	**26,221**	231,034
– Unlisted, quoted, Hong Kong	**76,299**	153,314
Market value of financial assets	**110,020**	425,366
Financial liabilities at fair value through income statement		
Derivative financial instruments – Equity options	**–**	5,632
Market value of financial liabilities	**–**	5,632

Financial assets/liabilities at fair value through income statement 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 unlisted, quoted securities is determined by reference to current bid prices in an active market.

31. DEPOSITS WITH BANKS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Secured	**5,000**	–	**–**	–
Unsecured	**148,099**	–	**93,567**	–
	153,099	–	**93,567**	–

Deposits of HK$45,443,000 (2007: HK$Nil) 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 PRC government.

The effective interest rate on the deposits ranged from 1.10% to 3.24% per annum and these deposits have an average maturity of 150 days.

32. CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**176,080**	211,221	**4,774**	4,827
Short-term bank deposits				
– secured	**10,000**	15,042	**10,000**	10,042
– unsecured	**749,630**	350,718	**69,438**	118,507
	935,710	576,981	**84,212**	133,376

Bank balances of HK$375,802,000 (2007: HK$268,914,000) 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 PRC government.

The effective interest rate on short-term deposits ranged from 0.35% to 3.75% (2007: 1.50% to 4.45%) per annum and these deposits have an average maturity of 60 days.

33. TRADE AND OTHER PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Due to stockbrokers and dealers	**–**	3,738	**–**	–
Due to stockbroking clients	**63,458**	356,385	**–**	–
Trade payables	**30,350**	30,442	**–**	–
Total trade payables	**93,808**	390,565	**–**	–
Accruals and other payables	**140,582**	277,561	**5,078**	33,710
	234,390	668,126	**5,078**	33,710

All trade and other payables are either repayable within one year or on demand. The fair values of the Group's and Company's trade and other payables is approximately the same as the carrying values.

The ageing analysis of the trade payables is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
0 – 30 days	**65,021**	362,532
31 – 60 days	**1,126**	1,730
61 – 90 days	**840**	1,965
Over 90 days	**26,821**	24,338
	93,808	390,565

34. BORROWINGS

	Group	
	2008	2007
	HK$'000	*HK$'000*
Other loans – unsecured	**3,402**	3,217

The Group has pledged properties and leasehold land and land use rights with an aggregate net carrying value of approximately HK$59 million (2007: HK$59 million) and fixed deposits of approximately HK$31 million (2007: HK$33 million) against its bank loans and general banking facilities amounting to HK$16 million (2007: HK$18 million) utilised.

The effective interest rate at 31st December 2008 was 4.32% (2007: 4.32%) per annum. The carrying amount of borrowings approximates its fair value and is denominated in Renminbi.

35. SHARE CAPITAL

	Ordinary shares of HK$0.2 each			
	2008		2007	
	Number of shares *(thousands)*	***HK$'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	**1,391,463**	**278,293**	1,193,867	238,773
New issue on placement *(Note (a))*	**–**	**–**	95,000	19,000
New issue on conversion of convertible bonds *(Note (b))*	**–**	**–**	24,136	4,828
Exercise of share options *(Note (c))*	**4,920**	**984**	78,460	15,692
At 31st December	**1,396,383**	**279,277**	1,391,463	278,293

Notes:

(a) For the year ended 31st December 2007, 95,000,000 new ordinary shares of HK$0.2 each were issued pursuant to a Placing Agreement and two Top-up Subscription Agreements dated 7th June 2007 at a placing price of HK$2.05 per ordinary share to finance the Group's general working capital. These shares rank pari passu with the existing shares of the Company.

(b) On 27th June 2007, the Company acquired from its major shareholder and director, Mr. Lao Yuan-Yi and his daughter, Ms. Lao Yuan, Vivian, a land use right (Note 19) through acquiring 100% of the share capital of and the benefit of loans of approximately HK$21 million advanced to HK Sunshine Real Estate Limited and its wholly owned subsidiary, Wuxi Sunshine Real Estate Limited (together, the "Sunshine Group") that are principally engaged in property development and investment. The aggregate consideration is approximately HK$53,960,000, represents the fair value of net assets of Sunshine Group acquired determined by an independent professional valuer, of which approximately HK$22,100,000 was settled in cash and the balance was settled by the issue of two-year 1% convertible bonds of the Company, with a face value of approximately HK$31,860,000.

In November 2007, 24,136,363 new ordinary shares of HK$0.2 each were issued on full conversion of such convertible bonds, at an exercise price of HK$1.32 per ordinary share. These shares rank pari passu with the existing shares of the Company.

(c) 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.

35. SHARE CAPITAL *(continued)*

Notes: (continued)

The maximum number of shares subject to the Scheme and any other schemes of the Company (including without limitation to the 1994 Share Option Scheme) does not in aggregate exceed 30 percent of the shares in issue of the Company from time to time. The total number of shares may be issued upon exercise of all options to be granted under the Scheme must not exceed 122,595,064 shares, being 10 percent of shares in issue as at 25th May 2007, being the date of approval of the resolution to approve the renewal of general mandate limit of the Scheme.

During the year, 4,920,000 (2007: 78,460,000) new shares of HK$0.2 each were issued upon exercise of options under the Scheme approved by the shareholders of the Company at exercise price HK$0.68 (2007: HK$0.283 to HK$1.95) 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$1.582 (2007: HK$1.783) per share.

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

	2008		2007	
	Average exercise price per share *HK$*	**Number of Options** *(thousands)*	Average exercise price per share *HK$*	Number of Options *(thousands)*
At 1st January	**1.378**	**62,668**	0.586	105,570
Granted	**–**	**–**	1.950	36,808
Exercised	**0.680**	**(4,920)**	0.592	(78,460)
Lapsed	**0.680**	**(500)**	0.680	(1,250)
At 31st December	**1.444**	**57,248**	1.378	62,668
Options exercisable at 31st December		**57,248**		47,318

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** **2008** *(thousands)*	2007 *(thousands)*
11th December 2015	0.564	**11,810**	11,810
2nd March 2016	0.680	**9,930**	15,350
22nd May 2017	1.950	**35,508**	35,508
		57,248	62,668

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 2008	**843,911**	**45,641**	**280,534**	**14,006**	**12,262**	**390,617**	**53,952**	**864,675**	**2,505,598**
Issue of new shares on exercise of share options	**3,715**	**(1,378)**	**–**	**–**	**–**	**–**	**–**	**–**	**2,337**
Employee share option benefits	**–**	**219**	**–**	**–**	**–**	**–**	**–**	**–**	**219**
Share of post acquisition reserve of an associated company	**–**	**–**	**(99,625)**	**–**	**–**	**–**	**–**	**–**	**(99,625)**
Fair value loss of available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**(256,899)**	**–**	**–**	**(256,899)**
Deferred tax effect on revalued asset *(Note 37)*	**–**	**–**	**–**	**–**	**72**	**–**	**–**	**–**	**72**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**–**	**13,784**	**–**	**13,784**
Transfer from retained earnings	**–**	**–**	**210**	**–**	**–**	**–**	**–**	**(210)**	**–**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(111,394)**	**(111,394)**
2007 final dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,958)**	**(13,958)**
At 31st December 2008	**847,626**	**44,482**	**181,119**	**14,006**	**12,334**	**133,718**	**67,736**	**739,113**	**2,040,134**

	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*	Convertible bonds equity reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1st January 2007	597,406	16,498	164,364	14,006	12,262	41,272	–	22,020	515,812	1,383,640
Recognition of equity components of convertible bonds	–	–	–	–	–	–	2,382	–	–	2,382
Issue of new shares on placement	175,720	–	–	–	–	–	–	–	–	175,720
Issue of new shares on conversion of convertible bonds	27,030	–	–	–	–	–	(2,382)	–	–	24,648
Issue of new shares on exercise of share options	43,755	(13,028)	–	–	–	–	–	–	–	30,727
Employee share option benefits	–	42,171	–	–	–	–	–	–	–	42,171
Disposals of subsidiaries	–	–	205	–	–	–	–	(3,047)	–	(2,842)
Share of post acquisition reserves of associated companies	–	–	116,101	–	–	–	–	–	–	116,101
Fair value gain of available-for-sale financial assets	–	–	–	–	–	327,699	–	–	–	327,699
Reserve realised upon disposal of available-for-sale financial assets	–	–	–	–	–	21,646	–	–	–	21,646
Currency translation differences	–	–	–	–	–	–	–	34,979	–	34,979
Transfer to retained earnings	–	–	(136)	–	–	–	–	–	136	–
Profit for the year	–	–	–	–	–	–	–	–	382,178	382,178
2006 final dividend paid	–	–	–	–	–	–	–	–	(6,130)	(6,130)
2007 interim dividend paid	–	–	–	–	–	–	–	–	(27,321)	(27,321)
At 31st December 2007	843,911	45,641	280,534	14,006	12,262	390,617	–	53,952	864,675	2,505,598

36. RESERVES *(continued)*

Note: Capital reserve mainly includes goodwill arising on acquisition of subsidiaries, associated companies and jointly controlled entities by the Company and its subsidiaries, and share of available-for-sale financial assets reserve and statutory reserve of associated companies and jointly controlled entities. As stipulated by regulations in the Chinese Mainland, the Company's subsidiaries established and operated in Chinese Mainland are required to appropriate a portion of their after-tax profit (after offsetting prior year losses) for a general reserve fund and an enterprise expansion fund, at rates as determined by their respective Boards of Directors. The general reserve fund can be utilised to offset prior year losses or be utilised for the issuance of bonus shares, whilst the enterprise expansion fund can be utilised for the development of business operations. For the year ended 31st December 2008, a total amount of HK$210,000 (2007: HK$136,000) was transferred to/from retained earnings from/to statutory reserve.

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 2008	**843,911**	**45,641**	**2,104**	**14,006**	**390,617**	**260,548**	**1,556,827**
Issue of new shares on exercise of share options	**3,715**	**(1,378)**	**–**	**–**	**–**	**–**	**2,337**
Employee share option benefits	**–**	**219**	**–**	**–**	**–**	**–**	**219**
Fair value loss of available-for-sale financial assets	**–**	**–**	**–**	**–**	**(256,899)**	**–**	**(256,899)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**28,800**	**28,800**
2007 final dividend paid	**–**	**–**	**–**	**–**	**–**	**(13,958)**	**(13,958)**
At 31st December 2008	**847,626**	**44,482**	**2,104**	**14,006**	**133,718**	**275,390**	**1,317,326**

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 2007	597,406	16,498	2,104	14,006	62,918	281,937	974,869
Issue of new shares on placement	175,720	–	–	–	–	–	175,720
Issue of new shares on conversion of convertible bonds	27,030	–	–	–	–	–	27,030
Issue of new shares on exercise of share options	43,755	(13,028)	–	–	–	–	30,727
Employee share option benefits	–	42,171	–	–	–	–	42,171
Fair value gain of available-for-sale financial assets	–	–	–	–	327,699	–	327,699
Profit for the year	–	–	–	–	–	12,062	12,062
2006 final dividend paid	–	–	–	–	–	(6,130)	(6,130)
2007 interim dividend paid	–	–	–	–	–	(27,321)	(27,321)
At 31st December 2007	843,911	45,641	2,104	14,006	390,617	260,548	1,556,827

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	
	2008	2007
	HK$'000	*HK$'000*
Deferred tax assets	**(2,053)**	(2,531)
Deferred tax liabilities	**702**	700
	(1,351)	(1,831)

The gross movement in the deferred taxation is as follows:

	Group	
	2008	2007
	HK$'000	*HK$'000*
At 1st January	**(1,831)**	(735)
Recognised in the consolidated income statement *(Note 9(a))*	**552**	(1,096)
Recognised directly to reserves *(Note 36)*	**(72)**	–
At 31st December	**(1,351)**	(1,831)

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

Deferred tax liabilities represented accelerated tax depreciation:

	Group	
	2008	2007
	HK$'000	*HK$'000*
At 1st January	**700**	496
Recognised in the consolidated income statement	**74**	204
Recognised directly to reserves	**(72)**	–
At 31st December	**702**	700

Deferred tax assets represented tax losses recognised:

	Group	
	2008	2007
	HK$'000	*HK$'000*
At 1st January	**2,531**	1,231
Recognised in the consolidated income statement	**(478)**	1,300
At 31st December	**2,053**	2,531

37. DEFERRED TAXATION *(continued)*

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of approximately HK$49,095,000 (2007: HK$49,203,000) in respect of tax losses amounting to approximately HK$297,544,000 (2007: HK$281,159,000) that can be carried forward indefinitely against future taxable income.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2008	2007
	HK$'000	*HK$'000*
(Loss)/profit before taxation	**(111,681)**	422,389
Share of net loss/(profit) of associated companies	**51,303**	(5,579)
Share of net profit of jointly controlled entities	**(12,933)**	(62,360)
Interest income	**(25,760)**	(18,777)
Finance costs	**838**	27,537
Net loss/(gain) on disposal of property, plant and equipment	**285**	(86)
Impairment of property, plant and equipment	**5,670**	–
Net fair value gains on investment properties	**(1,521)**	(3,938)
Gain on disposal of interest in subsidiaries	**–**	(145,703)
Loss on disposal of an associated company	**–**	1,022
Loss on deemed disposal of partial interest in an associated company	**–**	1,833
Loss on disposal of available-for-sale financial assets	**–**	4,431
Impairment of available-for-sale financial assets	**2,695**	17,788
Depreciation	**9,531**	14,627
Amortisation of leasehold land and land use rights	**6,593**	3,941
Employee share option benefits	**219**	42,171
Operating (loss)/profit before working capital changes	**(74,761)**	299,296
Decrease in inventories	**7,625**	1,539
Decrease/(increase) in trade receivables	**284,126**	(271,158)
Decrease/(increase) in other receivables, prepayments and deposits	**97,983**	(82,322)
Decrease/(increase) in loans and advances	**480,774**	(360,148)
Decrease/(increase) in financial assets at fair value through income statement	**315,346**	(267,462)
(Decrease)/increase in trade and other payables	**(433,736)**	426,091
(Decrease)/increase in financial liabilities at fair value through income statement	**(5,632)**	5,632
Net cash inflow/(outflow) from operating activities	**671,725**	(248,532)

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Disposal of subsidiaries

	2007
	HK$'000
Net assets disposed of:	
Property, plant and equipment	212,057
Leasehold land and land use rights	18,372
Inventories	3,843
Trade receivables	10,099
Other receivables, prepayments and deposits	1,218
Cash and cash equivalents	8,195
Trade and other payables	(20,293)
Tax payable	(432)
Borrowings	(144,449)
Minority interests	(29,952)
	58,658
Investment in an associated company	(216)
Gain on disposal of interests in subsidiaries	145,703
	204,145
Satisfied by:	
Cash consideration received	204,145

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

	2007
	HK$'000
Bank balances and cash disposed	(8,195)
Cash consideration	204,145
Net cash inflow in respect of the disposal of subsidiaries	195,950

39. FINANCIAL GUARANTEE

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantee for undrawn bank facilities of a subsidiary	**–**	–	**60,000**	60,000

40. COMMITMENTS

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Contracted but not provided for	**290,342**	96,787
Authorised but not contracted	**740,627**	798,933
The Group's share of capital commitments of a jointly controlled entity and an associated company not included in the above is as follows:		
Authorised but not contracted	**–**	257,270

The Company did not have any material capital commitments.

(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	
	2008	2007
	HK$'000	*HK$'000*
Not later than one year	**2,682**	5,181
Later than one year but not later than five years	**3,340**	3,530
More than five years	**335**	1,126
	6,357	9,837

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	
	2008	2007
	HK$'000	*HK$'000*
Not later than one year	**7,359**	5,609
Later than one year but not later than five years	**4,737**	2,037
	12,096	7,646

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

41. RELATED PARTY TRANSACTIONS

During the year, the Group had the following material transactions with related parties, which were carried out in normal course of business at terms determined and agreed by both parties.

(a) Transactions with related parties

	2008 HK$'000	2007 HK$'000
Purchase of raw materials from associated companies	–	1,425
Acquisition of assets from related parties	–	53,960

(b) Key management compensation

Key management compensation has been disclosed in Note 14.

42. 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, 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 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 and bank deposits are placed with reputable banks and financial institutions with good credit ratings. Given the stringent criteria, management does not expect any of these institutions to fail to meets its obligations.

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 2008 HK$'000	Loans and advances – short term 2008 HK$'000	Trade receivables 2008 HK$'000	Other receivables 2008 HK$'000
Gross amount				
– neither past due nor impaired	15,910	83,640	120,673	22,978
– past due but not impaired				
– less than three months	–	–	11,834	–
– between three to six months	–	–	613	–
– over six months	–	1,400	1,326	–
– impaired	64,137	29,933	7,355	6,935
	80,047	114,973	141,801	29,913

42. ANALYSIS OF FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk analysis *(continued)*

	Loans and advances – long term 2007 HK$'000	Loans and advances – short term 2007 HK$'000	Trade receivables 2007 HK$'000	Other receivables 2007 HK$'000
Gross amount				
– neither past due nor impaired	–	578,613	376,528	132,766
– past due but not impaired				
– less than three months	–	–	32,091	–
– between three to six months	–	–	6,955	–
– over six months	–	1,332	2,891	–
– impaired	64,337	29,424	4,803	–
	64,337	609,369	423,268	132,766

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

	Other receivables 2008 HK$'000	**Loans and advances 2008 HK$'000**	**Loan to a subsidiary 2008 HK$'000**	**Amounts due from subsidiaries 2008 HK$'000**
Gross amount				
– neither past due nor impaired	**3,942**	**–**	**70,000**	**754,377**
– impaired	**–**	**64,136**	**–**	**935,275**
	3,942	**64,136**	**70,000**	**1,689,652**

	Other receivables 2007 HK$'000	Loans and advances 2007 HK$'000	Loan to a subsidiary 2007 HK$'000	Amounts due from subsidiaries 2007 HK$'000
Gross amount				
– neither past due nor impaired	3,039	–	70,000	981,612
– impaired	–	64,337	–	677,668
	3,039	64,337	70,000	1,659,280

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.

42. ANALYSIS OF FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk analysis *(continued)*

None of the financial assets that are fully performing have been renegotiated in 2008 and 2007.

Save as disclosed above, no financial assets were past due but not impaired at the balance sheet dates of 2008 and 2007. None of the financial assets that are fully performing has been renegotiated in 2008 and 2007.

(b) Liquidity risk analysis

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of underlying businesses, senior management of the Group aims to maintain flexibility in funding by keeping committed credit lines available.

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

	Less than one year 2008 *HK$'000*	Less than one year 2007 *HK$'000*
Borrowings		
Current other loans – unsecured	**3,402**	3,217
Trade and other payables	**216,254**	586,721
Financial liabilities at fair value through income statement	**–**	5,632
	219,656	595,570

The Company's contractual trade and other payables amounting to HK$1,470,000 (2007: HK$7,516,000) will mature within one year.

The amounts disclosed above are the contractual undiscounted cash flows.

(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 dollar and Renminbi. Revenue and majority of its operating costs and cost of sales are in Hong Kong dollar 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 2008, if Renminbi had strengthened/weakened by 5% against the Hong Kong dollar, with all other variables held constant, post-tax loss for the year would have been HK$294,000 higher/lower, mainly as a result of foreign exchange losses on translation of Renminbi-denominated trade and other payables.

42. ANALYSIS OF FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk analysis – foreign exchange risk *(continued)*

At 31st December 2007, if Renminbi had strengthened/weakened by 10% against the Hong Kong dollar, with all other variables held constant, post-tax profit for 2007 would have been HK$422,000 higher/lower, mainly as a result of foreign exchange gains on translation of Renminbi-denominated loans and receivables and cash at bank.

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 income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets, other than margin loans, cash at bank and bank deposits. The Group's exposure to changes in interest rates is mainly attributable to its bank loans. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

The Company is not exposed to interest rate risk as its loans to subsidiaries were issued at fixed rates or interest free.

At 31st December 2008, if interest rates on margin loans, cash at bank and bank deposits had been 100 basis points higher/lower with all other variables held constant, post-tax loss for the year would have been HK$11,724,000 lower/higher (2007: post-tax profit would have been HK$5,770,000 higher/lower). There is no impact on equity.

(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 income statement. 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 in equity for trading purpose are preliminary publicly traded or quoted in Hong Kong, the Chinese Mainland and America.

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 24 to the consolidated financial statements. Equities held for trading purpose are included under "financial assets at fair value through income statement" set out in Note 30 to the consolidated financial statements.

At 31st December 2008, if the listed or quoted price of each equity investment classified as financial assets at fair value through income statement and available-for-sale financial assets had appreciated/depreciated by 10%, with all other variables held constant, post-tax loss for the year would have been HK$11,002,000 lower/higher (2007: post-tax profit would have been HK$43,216,000 higher/lower), mainly as a result of unrealised gains/losses on equity securities classified as financial assets at fair value through income statement. Equity would have been HK$13,372,000 (2007: HK$39,062,000) higher/lower, arising from gain/loss on equity securities classified as available-for-sale financial assets.

43. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board of Directors on 17th April 2009.