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FIRST SHANGHAI GROUP

(Stock Code : 227)

Annual Report **2009**

FIRST SHANGHAI INVESTMENTS LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman

Mr. LAO Yuan-Yi

Executive Directors

Mr. XIN Shulin
Mr. YEUNG Wai Kin

Non-executive Director

Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*

Independent Non-executive Directors

Prof. WOO Chia-Wei
Mr. LIU Ji
Mr. YU Qihao
Mr. ZHOU Xiaohe

COMPANY SECRETARY

Mr. YEUNG Wai Kin

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

CONTENT

On behalf of the Board, I am pleased to present the Group's annual report and audited consolidated financial statements for the year ended 31st December 2009. The Group's consolidated revenue and net profit attributable to shareholders of the Company for the year ended 31st December 2009 amounted to approximately HK$647 million and HK$186 million respectively.

BUSINESS OVERVIEW

While our economy cannot immune from the impact of the global financial crisis, the global financial market appears to have a remarkable rebound from the worst point of the cycle since the first quarter of 2009. The intensive measures implemented by various governments have significantly enhanced market liquidity and investors' confidence. General economy restores stability while the financial markets reveal signs of a rally. The upturn in the Chinese market was notably quick, marked with an exceed target GDP growth rate of 8.7%. In late 2009, Chinese Mainland's export was even able to experience resilient increase, ending the negative growth rate since the turn of economic recession.

Benefited from the positive momentum in Chinese Mainland, the economy in Hong Kong, have been broadly improved. The financial market was particularly robust with abundant liquidity on the back of market confidence in the Chinese capital market. During the year, we experienced an upsurge in fund-raising activities and hectic price raise in the Hong Kong stock market. Focusing on financial services and property development industries, the Group's business was able to take the advantage of this economic recovery. In 2009, the Group has achieved significant improvement with consolidated net profit attributable to shareholders of the Company of approximately HK$186 million, comparing with a net loss of approximately HK$111 million in 2008. This encouraging result was primarily contributed by the financial services business benefited from the drastic gain in investment sentiment and the demand for our brokerage and corporate finance services. Besides, the Group was able to capture the market opportunities and realise some profit from the property development business in Chinese Mainland. The Group's consolidated revenue raised multiply from HK$199 million in 2008 to HK$647 million in 2009 as a result of increase in securities investment gain and sales of residential properties.

The total net assets of the Group increased by 15% from approximately HK$2,394 million in 2008 to approximately HK$2,749 million in 2009. This was primarily attributable to the satisfactory performance of the year, apart from the investment valuation gain from an associated company and indirect investment in the listed share of Shenyin Wanguo (H.K.) Limited.

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

Tracking the global financial market, Hong Kong stock market fell initially on uncertainties over the global economic performance and worries about the distressed economic recession. The Hang Seng Index dropped to this year's trough at 11,344 in March 2009. With preliminary signs of stabilisation in economies and strong capital inflow to Hong Kong, the Hang Seng Index surged to 21,872 at 31st December 2009, representing a 92% rebound from the trough. Despite the upswing of securities trading activities in the second half of the year, average daily market turnover dropped by 10% to approximately HK$99.6 billion. While with frequent fund-raising activities in the equity market, total equity fund raised boost over 50% to approximately HK$642 billion. Hong Kong achieves to serve as the world's largest fund-raising marketplace in 2009. Total market capitalisation increased 73% to approximately HK$17.9 trillion as a result of the rocketed raising price.

Fruitful from the active market turnover, our financial services business achieved considerable success in capturing our customer demand ranging over securities brokerage, underwriting as well as corporate finance activities, while our securities investment was remarkably benefited from the market price rebound. The Group reported significant growth on the financial services business, with an operating profit of approximately HK$164 million, when compared with an operating loss of approximately HK$37 million in 2008. Revenue hoisted by 238%, mainly attributable to securities investment division and securities brokerage and underwriting division, both accessible to market conditions. Total margin loan size expanded dramatically by 252%, reflected with distinguished growth in market trading turnover and substantial investor confidence in the Chinese capital market.

In view of the sub-prime crisis in the last quarter of 2008, the corporate finance activities were adversely affected in the first half of 2009. Nevertheless, our corporate finance division, as an active player in the financial advisory field, completed 32 corporate advisory transactions and undertook compliance adviser engagements for 6 listed companies in 2009. Our corporate finance division was ranked as the 6th in terms of transaction amount among the financial advisers for mergers and acquisitions in Hong Kong and Chinese Mainland during the first half of 2009 by Bloomberg. In July 2009, we successfully lead-managed an IPO case, namely Chigo Holding Limited (Stock Code: 0449), with fund-raising size of approximately HK$189 million. In late December 2009, we had completed sponsorship for two IPO cases, namely Mobi Development Co., Ltd. (Stock Code: 0947) and Carpenter Tan Holdings Limited (Stock Code: 0837), with fund-raising size of approximately HK$655 million and HK$161 million respectively. Market capitalisation of Chigo Holding Limited, Mobi Development Co., Ltd. and Carpenter Tan Holdings Limited were approximately HK$2,774 million, HK$2,360 million and HK$1,083 million respectively as at 31st December 2009.

To strengthen our market niche in the financial services industries, the Group will continue to expand our products range and to further enhance our online securities trading platform. We will also continue to focus on financial advisory services for mergers and acquisitions and other corporate transactions under the current challenging market conditions. It is also our strategy to continue seeking for IPO sponsorship opportunities in addition to the financial advisory services.

Property and Hotel

During the year, both market transaction volume and property price in Chinese Mainland raised sharply, especially in first-tier cities, when compared with 2008. However, as a policy-sensitive industry, the property development sector remained volatile. The central government continued to implement stimulative fiscal policies, moderately loose monetary policies and a series of internal demand promotion policies to stabilise the economic conditions. On the other hand, to suppress the overheating property market, the central government has launched a series of austerity measures target for the property market since the second half year of 2009, which slightly restrained the market transaction volume in most major cities.

The Group's strategy is continuous to develop properties in fast growing second-tier cities in Chinese Mainland, especially in Yangtze River Delta region. We continue to specialise in developing and operating property projects ranging from commercial parks, hotels, service apartments and recreation resorts.

In 2009, the Group has recognised GFA and revenue amounted to approximately 39,000 square meters and HK$232 million respectively from the property development business, mainly attributable to a project located in Kunshan, Jiangsu. Capital expenditures incurred for the year were approximately HK$407 million.

On 31st August 2009, the Group disposed of its entire equity interest in two subsidiaries which hold two parcels of land located in Kunshan, for a cash consideration of HK$108 million. The transaction was completed and the Group has reported a net gain on disposal of approximately HK$33 million.

To meet our development requirement, the Group continued to strengthen the land reserve and was able to anticipate the initial exposure in Huangshan, Anhui Province by acquisition of a new land parcel in November 2009. The Group is currently participating in six projects with total gross floor area of approximately 411,000 square meters as summarised below:

Location	**Product nature**	**Expected completion date** *(Year)*	**% of interest attributable to the Group**	**Total gross floor area** *(sq.m.)*	**Area sold in 2009** *(sq.m.)*	**Accumulated area sold** *(sq.m.)*
Zhangjiang, Shanghai	Office and commercial	Completed	50%	56,000	–	27,000
Kunshan, Jiangsu	Residential	Completed	70%	55,000	39,000	39,000
Wuxi, Jiangsu	Hotel, commercial and apartment	2011	100%	92,000	–	–
Wuxi, Jiangsu	Office and industrial					
– Phase I		2010	70%	33,000	–	–
– Phase II		2012	70%	59,000	–	–
Huangshan, Anhui	Residential and recreation resorts	2012	100%	52,000	–	–
Zhongshan, Guangdong	Residential and recreation resorts	2012	80%	64,000	–	–
Total				411,000	39,000	66,000

Direct Investment

Results of the Group's Direct Investment were still affected by the stresses experienced from the global economic crisis. Despites the market environment has been improved, threat of an overheating economy and impact upon withdrawal of the intensive government measures is still uncertain. The Group has continued to exercise a high level of caution in managing our equity investment portfolio.

During the year, China Assets (Holdings) Limited ("China Assets"), continues to be the major investment of our Direct Investment Sector, shown slight recovery with raise in capital value of its investments, including KongZhong Corporation, Shangdong Lukang Pharmaceutical Co., Ltd. and two private securities funds. During 2009, China Assets recorded net profit and investment reserve increments attributable to the Group of approximately HK$9 million and HK$90 million respectively.

PROSPECTS

The market condition in 2009 was heartening but unanticipated challenging. With uncertainties on impact upon withdrawal of the intensive government measures and mounting fear of inflation that linger market confidence, recovery on the core global economy remain restricted. Nevertheless, with the general market confidence on the economy of Chinese Mainland, and the massive policies implemented by the central government, the Group is conservatively optimistic about the prospects of financial and property markets.

Backing on our brand recognition and business network, the Group will continue its normal pace in expansion of its presence in both financial services and property development industries in Hong Kong and Chinese Mainland. We will keep on working diligently with potential market needs by enhancing our products and services quality, capitalising our professional team and refining our operational efficiency so as to strengthen our market penetration and 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 recommends the payment of a final dividend of HK$0.012 (2008: HK$Nil) per ordinary share, totaling HK$16,787,000 (2008: HK$Nil), which together with the interim dividend payment amounting to a total of HK$16,787,000 (2008: HK$Nil) for the year ended 31st December 2009.

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, 9th April 2010

The Board submits herewith their report together with the audited consolidated financial statements for the year ended 31st December 2009.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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

RESULTS

The results for the year are set out in the consolidated income statement on page 22.

DIVIDEND

The Board recommends the payment of a final dividend of HK$0.012 (2008: HK$Nil) per ordinary share, totaling HK$16,787,000 (2008: HK$Nil), which together with the interim dividend payment amounting to a total of HK$16,787,000 (2008: HK$Nil) for the year ended 31st December 2009.

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$5,000 (2008: HK$214,000).

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 2009, calculated pursuant to Section 79B of the Hong Kong Companies Ordinance, amounted to HK$342,200,000 (2008: HK$275,390,000).

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 2009.

SHARE OPTIONS

On 24th May 2002, the shareholders of the Company approved the termination of the 1994 Share Option Scheme and the adoption of a new scheme (the "Scheme") to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange. The 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 ordinary 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 ordinary 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 2009 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 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 2009 are as follows:–

	Options held at 1st January 2009	Options exercised during year (*Note 2*)	Options held at 31st December 2009	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	8,032,000	–	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. YEUNG Wai Kin	11,810,000	–	11,810,000	0.564	30/11/2005	30/05/2006-11/12/2015	30/11/2005-29/05/2006
	8,032,000	–	8,032,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	1,000,000	–	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Prof. WOO Chia– Wei	1,000,000	–	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. LIU Ji	500,000	–	500,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Mr. YU Qihao	1,000,000	–	1,000,000	1.950	23/05/2007	23/11/2007-22/05/2017	23/05/2007-22/11/2007
Employees	9,930,000	(2,530,000)	7,400,000	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
	57,248,000	(2,530,000)	54,718,000				

Notes:

(1) No share options were granted or lapsed under the Scheme during the year ended 31st December 2009.

(2) During the year, 2,530,000 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$1.095 per share.

(3) No share options granted under the Scheme were cancelled during the year ended 31st December 2009.

(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 2009.

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

* *Mr. KWOK Lam Kwong, Larry, B.B.S., J.P. is a non-executive director of the Company.*
** *Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe are independent non-executive directors of the Company.*

Mr. LAO Yuan-Yi, Mr. XIN Shulin and Prof. WOO Chia-Wei 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 (64). Chairman & Managing Director. Joined the Company in 1993. Currently Chairman of China Assets (Holdings) Limited, the Company's associated company which is listed on The Stock Exchange of Hong Kong Limited. Previously senior policy researcher at China's National Research Centre for Science & Technology and Social Development, and worked at the PRC State Science & Technology Commission, Ministry of Communications of The Peoples Republic of China and the PRC Railway Ministry. Mr. Lao graduated from Shanghai Fudan University and obtained his master degree from Harvard University.

Mr. XIN Shulin (56). 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 (48). 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.* (54). 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 PRC.

Professor WOO Chia-Wei (72). 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.

Mr. LIU Ji (74). Appointed as Independent Non-executive Director in 2004. Mr. Liu is the Honorary President of China Europe International Business School in Shanghai. He holds the posts of Deputy Chairman, Research Fellow and Member of the Academic Board, The Chinese Academy of Social Sciences, and Executive President of China Europe International Business School since 1993. Mr. Liu graduated from the Department of Power Mechanical Engineering, Qinghua University, Beijing.

Mr. YU Qihao (63). 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 (57). 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 (47). 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 (48). 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.

Mr. QIU Hong (40). Joined the Company in 2000 and is currently the Chief Executive Officer of First Shanghai Financial Holding Limited. Mr. Qiu is responsible for the implementation of business management, development, sales and marketing strategies. Prior to joining the Group, Mr. Qiu had worked for a multi-national audit and consulting companies and was responsible for the audit, strategic planning and corporate financing activities. With extensive experience and expertise in financial industry and is specialising in corporate financing, stock listing, equity capital market and rules and regulation of the financial market in Hong Kong and Chinese Mainland. Mr. Qiu graduated from the Zhong Shan University with a Bachelor's Degree in Economics and he holds a Master of Philosophy (Economics) from the Chinese University of Hong Kong.

DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31st December 2009, the interests of each director and chief executive in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of SFO or as notified to the Company were as follows:–

(a) Interests in respect of the Company:

		Number of shares and underlying shares held			
Directors		**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	12.85%
Mr. XIN Shulin	Long position	8,032,000	–	8,032,000	0.57%
Mr. YEUNG Wai Kin	Long position	21,184,304	–	21,184,304	1.51%
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	Long position	1,000,000	–	1,000,000	0.07%
Prof. WOO Chia-Wei	Long position	1,000,000	–	1,000,000	0.07%
Mr. LIU Ji	Long position	500,000	–	500,000	0.04%
Mr. YU Qihao	Long position	1,000,000	–	1,000,000	0.07%
Mr. ZHOU Xiaohe	Long position	160,000	–	160,000	0.01%

Note: 72,952,000 shares are held by Kinmoss Enterprises Limited, a company wholly owned by Mr. 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	1,250,000	1,250,000	1.63%

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

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31st December 2009, 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 Asset (Holdings) Limited ("China Assets") *(Note 1)*	Long position	–	–	247,674,500	247,674,500	17.70%
Ms. CHAN Chiu, Joy ("Ms. Chan") *(Note 2)*	Long position	159,680,000	12,432,000	57,592,000	229,704,000	16.42%
Mr. YIN Jian, Alexander ("Mr. Yin") *(Note 2)*	Long position	12,432,000	159,680,000	57,592,000	229,704,000	16.42%

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 2009 and 2008.

CONNECTED TRANSACTION

The Company did not have any connected transactions which need to be disclosed during the year ended 31st December 2009.

FIVE YEAR FINANCIAL SUMMARY

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

	2009	2008	2007	2006	2005
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**3,283,036**	2,660,536	3,569,620	2,092,105	1,924,210
Total liabilities	**534,440**	266,800	730,653	396,434	510,750
Total net assets	**2,748,596**	2,393,736	2,838,967	1,695,671	1,413,460
Turnover	**646,676**	198,702	765,246	1,319,289	1,148,462
Profit/(loss) attributable					
to shareholders	**186,304**	(111,394)	382,178	236,573	76,320
Earnings/(losses) per share					
– basic	**13.33 cents**	(7.99) cents	29.56 cents	19.91 cents	6.49 cents
– fully diluted	**13.26 cents**	(7.99) cents	29.11 cents	19.53 cents	6.40 cents

AUDIT COMMITTEE

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

By order of the Board

LAO Yuan-Yi
Chairman

Hong Kong, 9th April 2010

RESULTS

For the year ended 31st December 2009, the Group recorded a net profit and basic earnings per share attributable to shareholders of the Company amounting to approximately HK$186 million and HK$13.33 cents respectively, compared with a net loss and basic losses per share attributable to shareholders of the Company of approximately HK$111 million and HK$7.99 cents respectively in 2008. Revenue of the Group is approximately HK$647 million, represents an increase of 225% from 2008.

MATERIAL ACQUISITION AND DISPOSAL OF GROUP COMPANIES

On 31st August 2009, the Group disposed of its entire equity interest in two subsidiaries which hold two parcels of land located in Kunshan for a cash consideration of HK$108 million. The transaction was completed and the Group has reported a net gain on disposal of approximately HK$33 million.

On 20th November 2009, the Group acquired 100% equity interest of Huangshan Hui Zhong Property Development Company Limited, a property development company which owns a parcel of land with gross floor area of approximately 52,000 square meters in Huangshan, Anhui Province, at a net cash consideration of approximately HK$14 million.

In 2009, the Group has de-recognised its 55% equity interest in Changchun FAW Sihuan Betung Instrument Company Limited ("FAW"). FAW was principally engaged in manufacturing of autoparts. While this business has experienced extended period of operating loss, to stop further losses attributable to the shareholders, the Group determined to commence the liquidation of FAW and reported an accounting gain on reversal of this investment of approximately HK$21 million in 2009.

LIQUIDITY AND FINANCIAL RESOURCES

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised occasionally to meet the different demands of our various investment projects and our financial services business. As at 31st December 2009, the Group had raised bank loans of approximately HK$15 million (2008: HK$3 million) and held approximately HK$828 million (2008: HK$1,089 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 0.5% (2008: 0.1%). Investment in "financial assets at fair value through profit or loss" as at 31st December 2009 amounted to approximately HK$280 million (2008: HK$110 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$224 million (2008: HK$59 million) and fixed deposits of approximately HK$15 million (2008: HK$31 million) against its bank loans and general banking facilities. At the balance sheet date, the banking facilities amounting approximately HK$11 million (2008: HK$16 million) had been utilised.

CONTINGENT LIABILITIES

The Group has provided guarantees in respect of mortgage facilities granted by certain banks relating to mortgage loans arranged for purchasers of the Group's properties in Chinese Mainland. Pursuant to the terms of the guarantees, upon default in mortgage payments by those purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 31st December 2009, total contingent liabilities relating to these guarantees amounted to approximately HK$166 million (2008: HK$Nil).

EMPLOYEES

As at 31st December 2009, the Group employed 459 staff, of which 346 are located in 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 2009 amounted to approximately HK$133 million (2008: HK$136 million).

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with all the applicable code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited for the year ended 31st December 2009, 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 2009.

BOARD OF DIRECTORS

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

The Board of the Company comprises:

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

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

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

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

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

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

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

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

Name of director	Number of meetings attended	Attendance rate
Mr. LAO Yuan-Yi	4/4	100%
Mr. XIN Shulin	3/4	75%
Mr. YEUNG Wai Kin	4/4	100%
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	4/4	100%
Prof. WOO Chia-Wei	4/4	100%
Mr. LIU Ji	1/4	25%
Mr. YU Qihao	4/4	100%
Mr. ZHOU Xiaohe	3/4	75%

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and chief executive officer of the Company is Mr. 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 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 Qihao Mr. ZHOU Xiaohe

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

During the year, one meeting was 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	1/1	100%
Prof. WOO Chia-Wei	1/1	100%
Mr. YU Qihao	1/1	100%
Mr. ZHOU Xiaohe	1/1	100%

AUDIT COMMITTEE

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

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

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

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

During the year ended 31st December 2009, the Audit Committee has reviewed the annual and interim consolidated financial statements, including the accounting principles and practices adopted by the Group, which was of the opinion that such reports were prepared in accordance with the applicable accounting standard and requirements. The Audit Committee has also discussed with the Group's independent advisor and considers the system of internal control of the Group to be effective and that the Group has adopted the necessary control mechanisms to its financial, operational, statutory compliance and risk management functions.

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

Name of committee member	Number of meetings attended	Attendance rate
Mr. YU Qihao	3/3	100%
Prof. WOO Chia-Wei	3/3	100%
Mr. LIU Ji	1/3	33%
Mr. ZHOU Xiaohe	2/3	67%
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	3/3	100%

AUDITOR'S REMUNERATION

For the year ended 31st December 2009, PricewaterhouseCoopers, the Company's auditor, has charged approximately HK$1,813,000 for audit and related services and HK$584,000 for other non-audit services including due diligence and taxation services.

PRICEWATERHOUSECOOPERS

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TO THE SHAREHOLDERS OF FIRST SHANGHAI INVESTMENTS LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of First Shanghai Investments Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 22 to 90, which comprise the consolidated and company balance sheets as at 31st December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory 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 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9th April 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2009

	Note	2009 HK$'000	2008 HK$'000
Revenue	5	**646,676**	198,702
Cost of sales		**(346,706)**	(146,580)
Gross profit		**299,970**	52,122
Other gains/(losses) – net	6	**66,321**	(1,174)
Selling, general and administrative expenses		**(197,100)**	(149,181)
Operating profit/(loss)	7	**169,191**	(98,233)
Finance income	8	**14,388**	25,760
Finance costs	8	**(871)**	(838)
Finance income-net	8	**13,517**	24,922
Share of profits less losses of			
Associated companies	21	**12,437**	(51,303)
Jointly controlled entities	22	**15,008**	12,933
Profit/(loss) before taxation		**210,153**	(111,681)
Taxation	9(a)	**(26,978)**	(8,351)
Profit/(loss) for the year		**183,175**	(120,032)
Attributable to:			
Shareholders of the Company	10	**186,304**	(111,394)
Minority interests		**(3,129)**	(8,638)
		183,175	(120,032)
Earnings/(losses) per share for profit/(loss) attributable to shareholders of the Company during the year			
– Basic	11	**HK$13.33 cents**	HK$(7.99) cents
– Diluted	11	**HK$13.26 cents**	HK$(7.99) cents
Dividends	12	**16,787**	–

The notes on pages 28 to 90 are an integral part of these consolidated financial statements.

	2009 HK$'000	2008 HK$'000
Profit/(loss) for the year	**183,175**	(120,032)
Other comprehensive income/(loss)		
– Fair value gain/(loss) on available-for-sale financial assets	**58,837**	(256,899)
– Deferred tax effect on revalued asset	**–**	72
– Exchange reserve realised for disposal of subsidiaries	**(5,597)**	–
– Currency translation differences	**7,802**	14,116
– Share of post-acquisition reserves of an associated company	**90,318**	(99,625)
Other comprehensive income/(loss) for the year	**151,360**	(342,336)
Total comprehensive income/(loss) for the year	**334,535**	(462,368)
Attributable to:		
Shareholders of the Company	**336,513**	(454,062)
Minority interests	**(1,978)**	(8,306)
	334,535	(462,368)

The notes on pages 28 to 90 are an integral part of these consolidated financial statements.

BALANCE SHEETS

As at 31st December 2009

		Group		Company	
		2009	2008	**2009**	2008
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets					
Intangible assets	*16*	**4,573**	3,393	**–**	–
Property, plant and equipment	*17*	**203,290**	76,567	**235**	327
Investment properties	*18*	**73,378**	47,897	**–**	–
Leasehold land and land use rights	*19*	**263,846**	260,646	**–**	–
Investments in subsidiaries	*20*	**–**	–	**91,155**	98,016
Investments in associated companies	*21*	**370,845**	261,715	**–**	–
Investments in jointly controlled entities	*22*	**151,118**	157,056	**11,793**	11,793
Deferred tax assets	*37*	**3,415**	2,053	**–**	–
Available-for-sale financial assets	*23*	**193,526**	134,689	**192,555**	133,718
Loans and advances	*24*	**11,497**	27,457	**11,497**	11,546
		1,275,488	971,473	**307,235**	255,400
Current assets					
Properties under development	*25*	**72,864**	90,027	**–**	–
Properties held for sale		**53,426**	–	**–**	–
Leasehold land and land use rights	*19*	**86,886**	129,065	**–**	–
Inventories	*26*	**718**	5,885	**–**	–
Loans and advances	*24*	**311,784**	85,040	**–**	–
Trade receivables	*27*	**318,576**	134,496	**–**	–
Other receivables, prepayments and deposits	*28*	**55,162**	41,614	**5,553**	4,573
Amounts due from subsidiaries	*29(a)*	**–**	–	**1,303,083**	1,321,055
Tax recoverable	*9(b)*	**–**	4,107	**–**	–
Financial assets at fair value through profit or loss	*30*	**280,291**	110,020	**–**	–
Deposits with banks	*31*	**155,563**	153,099	**93,299**	93,567
Cash and cash equivalents	*32*	**672,278**	935,710	**95,073**	84,212
		2,007,548	1,689,063	**1,497,008**	1,503,407
Current liabilities					
Trade and other payables	*33*	**477,292**	234,390	**23,636**	5,078
Amounts due to subsidiaries	*29(b)*	**–**	–	**56,650**	157,126
Tax payable	*9(b)*	**34,681**	28,306	**–**	–
Borrowings	*34*	**3,407**	3,402	**–**	–
		515,380	266,098	**80,286**	162,204
Net current assets		**1,492,168**	1,422,965	**1,416,722**	1,341,203

		Group		Company	
		2009	2008	**2009**	2008
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Total assets less current liabilities		**2,767,656**	2,394,438	**1,723,957**	1,596,603
Non-current liabilities					
Deferred tax liabilities	*37*	**7,703**	702	**–**	–
Borrowings	*34*	**11,357**	–	**–**	–
		19,060	702	**–**	–
Net assets		**2,748,596**	2,393,736	**1,723,957**	1,596,603
Equity					
Share capital	*35*	**279,783**	279,277	**279,783**	279,277
Reserves	*36*	**2,377,848**	2,040,134	**1,444,174**	1,317,326
Capital and reserves attributable to the Company's shareholders		**2,657,631**	2,319,411	**1,723,957**	1,596,603
Minority interests		**90,965**	74,325	**–**	–
Total equity		**2,748,596**	2,393,736	**1,723,957**	1,596,603

On behalf of the Board

LAO Yuan-Yi
Director

YEUNG Wai Kin
Director

The notes on pages 28 to 90 are an integral part of these consolidated financial statements.

For the year ended 31st December 2009

	Note	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Net cash (outflow)/inflow from operating activities	38(a)	**(237,954)**	538,887
Hong Kong profits tax paid		**(5,930)**	(35,113)
Overseas taxation paid		**(6,215)**	(3,955)
Net cash (used in)/generated from operating activities		**(250,099)**	499,819
Cash flows from investing activities			
Interest received		**13,406**	20,549
Purchase of property, plant and equipment		**(138,105)**	(26,132)
Proceeds from disposal of property, plant and equipment		**227**	159
Acquisition of a subsidiary	41	**(14,060)**	–
Increase in partial interest of a subsidiary		**–**	(312)
Net cash inflow in respect of the disposal of subsidiaries	38(b)	**89,682**	–
Increase in investment in an associated company		**(6,210)**	(1,850)
Dividends received from jointly controlled entities and associated companies		**5,669**	3,179
Increase in deposits with banks		**(2,464)**	(153,099)
Purchase of available-for-sale financial assets		**–**	(349)
Receipt of loans repayment from third parties		**1,031**	7,757
Net cash used in investing activities		**(50,824)**	(150,098)
Cash flows from financing activities			
Interest paid		**(871)**	(838)
Proceeds from borrowings		**11,357**	–
Issue of new shares on exercise of share options		**1,707**	3,321
Capital contribution to a subsidiary by its minority shareholders		**18,618**	27,867
Dividend paid		**–**	(13,958)
Net cash generated from financing activities		**30,811**	16,392
Net (decrease)/increase in cash and cash equivalents		**(270,112)**	366,113
Cash and cash equivalents at 1st January		**935,710**	576,981
Exchange differences		**6,680**	(7,384)
Cash and cash equivalents at 31st December		**672,278**	935,710
Analysis of balances of cash and cash equivalents			
Cash at bank and in hand		**270,014**	176,080
Short-term bank deposits			
– secured		**–**	10,000
– unsecured		**402,264**	749,630
Cash and cash equivalents as above		**672,278**	935,710

The notes on pages 28 to 90 are an integral part of these consolidated financial statements.

	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 2009	**279,277**	**847,626**	**44,482**	**181,119**	**14,006**	**12,334**	**133,718**	**67,736**	**739,113**	**74,325**	**2,393,736**
Profit for the year	–	–	–	–	–	–	–	–	186,304	(3,129)	183,175
Fair value gain on available-for-sale financial assets	–	–	–	–	–	–	58,837	–	–	–	58,837
Exchange reserve realised for disposal of subsidiaries	–	–	–	–	–	–	–	(5,597)	–	–	(5,597)
Currency translation differences	–	–	–	–	–	–	–	6,651	–	1,151	7,802
Share of post-acquisition reserves of an associated company	–	–	–	90,318	–	–	–	–	–	–	90,318
Total comprehensive income	–	–	–	90,318	–	–	58,837	1,054	186,304	(1,978)	334,535
Issue of new shares on exercise of share options	506	1,910	(709)	–	–	–	–	–	–	–	1,707
Capital contribution to a subsidiary by its minority shareholders	–	–	–	–	–	–	–	–	–	18,618	18,618
Transfer from retained earnings	–	–	–	2,205	–	–	–	–	(2,205)	–	–
	506	1,910	(709)	2,205	–	–	–	–	(2,205)	18,618	20,325
At 31st December 2009	**279,783**	**849,536**	**43,773**	**273,642**	**14,006**	**12,334**	**192,555**	**68,790**	**923,212**	**90,965**	**2,748,596**

	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
Loss for the year	–	–	–	–	–	–	–	–	(111,394)	(8,638)	(120,032)
Fair value loss on 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
Share of post-acquisition reserves of an associated company	–	–	–	(99,625)	–	–	–	–	–	–	(99,625)
Total comprehensive loss	–	–	–	(99,625)	–	72	(256,899)	13,784	(111,394)	(8,306)	(462,368)
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)
Transfer from retained earnings	–	–	–	210	–	–	–	–	(210)	–	–
2007 final dividend paid	–	–	–	–	–	–	–	–	(13,958)	–	(13,958)
	984	3,715	(1,159)	210	–	–	–	–	(14,168)	27,555	17,137
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

The notes on pages 28 to 90 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 9th April 2010.

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 profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Certain comparative figures have been reclassified to conform to the current year's presentation. Leasehold land and land use rights in relation to properties under development of HK$129,065,000 were reclassified from non-current assets to current assets on the consolidated balance sheet as at 31st December 2008. There is no financial impact on the consolidated balance sheet at 1st January 2008.

Changes in accounting policy and disclosures

(a) *Standard, amendments and revisions to existing Standards adopted by the Group*

The Group has adopted the following Standard, amendments and revisions to existing Standards as of 1st January 2009:

- HKAS 1 (Revised), "Presentation of Financial Statements". The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements. Comparative information has been re-presented so that it also is in conformity with the revised Standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share;

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

2.1 Basis of preparation *(continued)*

(a) *Standard, amendments and revisions to existing Standards adopted by the Group (continued)*

- HKAS 23 (Revised), "Borrowing Costs". The Group has adopted this Standard on 1st January 2009 and has capitalised borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset;

- HKAS 40 (Amendment), "Investment Property". Property that is under construction or development for future use as investment property is within the scope of HKAS 40. The adoption of HKAS 40 (Amendment) has no significant impact on the Group's consolidated financial statements;

- HKFRS 2 (Amendment), "Share-based Payment". The Group has adopted this Standard on 1st January 2009 that the vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. The amendment does not have a material impact on the Group's financial statements;

- HKFRS 7 (Amendment), "Financial Instruments: Disclosures". The Group has adopted this Standard on 1st January 2009 and has disclosed the fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share; and

- HKFRS 8, "Operating Segments". The Group has adopted this Standard on 1st January 2009 that segment information is presented on the same basis as that used for internal reporting purpose. Details of the segment information are presented in Note 5.

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

The following Standard, amendments, revisions and interpretations to existing Standards have been published and are mandatory for the Group's accounting periods beginning on or after 1st January 2010 or later periods, but the Group has not early adopted them:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements;	1st January 2010
HKAS 7 (Amendment)	Statement of Cash Flows;	1st January 2010
HKAS 17 (Amendment)	Leases;	1st January 2010
HKAS 24 (Revised)	Related Party Disclosures;	1st January 2011
HKAS 27 (Revised)	Consolidated and Separate Financial Statements;	1st July 2009
HKAS 32 (Amendment)	Classification of Rights Issues;	1st February 2010
HKAS 38 (Amendment)	Intangible Assets;	1st July 2009
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items;	1st July 2009
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards;	1st July 2009
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters;	1st January 2010
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transaction;	1st January 2010
HKFRS 3 (Revised)	Business Combinations;	1st July 2009
HKFRS 5 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations;	1st January 2010
HKFRS 9	Financial Instruments;	1st January 2013
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners; and	1st July 2009
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July 2010

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

2.1 Basis of preparation *(continued)*

(b) *Standard, amendments, revisions and interpretations to existing Standards that are not yet effective and have not been adopted by the Group (continued)*

The Group has already commenced an assessment of the related impact of adopting the above new Standard, amendments, revisions and interpretations 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.

In addition, HKICPA also published a number of amendments for the existing Standards under its annual improvement projects issued in October 2008 and May 2009, certain of which has not yet become effective in 2009. These amendments have not been early adopted by the Group and are not expected to have a significant financial impact on the results and financial position of the Group.

2.2 Consolidation

(a) *Subsidiaries*

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

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

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 2.9). 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.

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, 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 profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the fair value reserve in equity.

(c) *Group companies*

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

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

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

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

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

2.4 Foreign currency translation *(continued)*

(c) Group companies (continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to 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 identified according to operating segment.

(b) Trading rights

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

2.6 Property, plant and equipment

(a) 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.

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

2.6 Property, plant and equipment *(continued)*

(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 2.9).

(e) Gains and losses on disposals

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

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

2.7 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property. As from 1st January 2009, investment property also includes property that is being constructed or developed for future use as investment property.

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

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

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

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

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

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

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

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

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

2.7 Investment properties *(continued)*

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

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

Changes in fair values are recognised in the consolidation income statement as part of "other gains/(losses) – net".

2.8 Leasehold land and land use rights

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

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

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

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

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

2.10 Financial assets

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

2.10.1 Classification

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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 2.14) in the balance sheet.

(c) Available-for-sale financial assets

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

2.10.2 Recognition and measurement

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

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

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

2.10 Financial assets *(continued)*

2.10.2 Recognition and measurement (continued)

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

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on available-for-sale financial assets are not reversed through the consolidated income statement. Impairment testing of trade receivables is described in Note 2.14.

2.11 Properties under development

Properties under development are 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 expense.

Properties under development comprise construction costs, borrowing costs capitalised and professional fees 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 are transferred to properties held for sale.

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

2.12 Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs attributable to the unsold properties. Net realisable value is the estimated selling price, based on prevailing market conditions, less applicable variable selling expenses.

2.13 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.

2.14 Trade and other receivables

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

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.16 Share capital

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

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

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

2.17 Trade and other payables

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

2.18 Borrowings

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

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

2.19 Current and deferred taxation

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

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

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

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, except 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)*

2.20 Employee benefits

(a) Employee leave entitlements

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

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

(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)*

2.21 Provisions

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

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

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

2.22 Contingent liabilities

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

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

2.23 Revenue recognition

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

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

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

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

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

2.23 Revenue recognition *(continued)*

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

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

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

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

2.24 Finance costs

Finance costs incurred for the construction of any qualifying 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.

2.25 Operating leases

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

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

2.26 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management

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

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

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

The gearing ratio at 31st December 2009 and 2008 was as follows:

	2009	2008
	HK$'000	*HK$'000*
Total borrowings *(Note 34)*	**14,764**	3,402
Total equity	**2,748,596**	2,393,736
Gearing ratio	**0.5%**	0.1%

3.3 Fair value estimation

Effective from 1st January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the consolidated balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

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

	Level 1 *HKD'000*	Level 2 *HKD'000*	Level 3 *HKD'000*	Total *HKD'000*
Financial assets at fair value through profit or loss				
– listed securities	**118,985**	**–**	**–**	**118,985**
– unlisted, quoted securities	**–**	**155,793**	**–**	**155,793**
– convertible bond	**–**	**–**	**5,513**	**5,513**
Available-for-sale financial assets				
– listed securities	**971**	**–**	**–**	**971**
– unlisted securities	**–**	**192,555**	**–**	**192,555**
	119,956	**348,348**	**5,513**	**473,817**

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

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

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

Specific valuation techniques used to value financial instruments include:

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

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

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

	Convertible bond *HKD'000*
Opening balance	–
Addition	5,679
Losses recognised in profit or loss	(166)
Closing balance	5,513

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.9. 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.

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

(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 or directors 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 an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date.

(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.

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

(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 indicate that the carrying amounts may not be recoverable. Impairment loss is recognised when the carrying amount exceeds its recoverable amount. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates.

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

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

5. SEGMENT INFORMATION

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

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

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

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

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

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

5. SEGMENT INFORMATION *(continued)*

(a) Operating segments

	Securities investment 2009 HK$'000	Corporate finance and stockbroking 2009 HK$'000	Property development 2009 HK$'000	Property investment and hotel 2009 HK$'000	Direct investment 2009 HK$'000	Group 2009 HK$'000
Income statement						
Revenue	106,098	240,153	231,563	3,952	64,910	646,676
Segment results	102,925	61,285	61,291	5,167	(11,630)	219,038
Unallocated net operating expenses						(49,847)
Operating profit						169,191
Finance income - net						13,517
Share of profits less losses of						
– Associated companies	–	–	–	–	12,437	12,437
– Jointly controlled entities	–	–	–	9,877	5,131	15,008
Profit before taxation						210,153
Taxation						(26,978)
Profit for the year						183,175
Balance sheet						
Segment assets	293,817	905,345	548,924	444,833	359,126	2,552,045
Investments in associated companies	–	–	–	–	370,845	370,845
Investments in jointly controlled entities	–	–	–	122,632	28,486	151,118
Deferred tax assets						3,415
Corporate assets						205,613
Total assets						3,283,036

	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 2008 HK$'000	Group 2008 HK$'000
Income statement						
Revenue	(110,975)	213,294	–	4,486	91,897	198,702
Segment results	(104,131)	66,835	(11,270)	(168)	(15,548)	(64,282)
Unallocated net operating expenses						(33,951)
Operating loss						(98,233)
Finance income - net						24,922
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	380,132	1,959,089
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
Corporate assets						276,516
Total assets						2,660,536

Note: There were no sales among the operating segments.

5. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

	Hong Kong	Chinese Mainland and others	Group
	2009	**2009**	**2009**
	HK$'000	**HK$'000**	**HK$'000**
Revenue	**342,403**	**304,273**	**646,676**
Non-current assets*	**431,882**	**646,665**	**1,078,547**

	Hong Kong	Chinese Mainland and others	Group
	2008	*2008*	*2008*
	HK$'000	*HK$'000*	*HK$'000*
Revenue	107,531	91,171	198,702
Non-current assets*	329,501	505,230	834,731

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

6. OTHER GAINS/(LOSSES) – NET

	Group	
	2009	2008
	HK$'000	*HK$'000*
Gain on disposal of interests in subsidiaries	**53,246**	–
Impairment of available-for-sale financial assets *(Note 23)*	**–**	(2,695)
Net fair value gains on investment properties	**13,075**	1,521
	66,321	(1,174)

7. OPERATING PROFIT/(LOSS)

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

	Group 2009 HK$'000	Group 2008 HK$'000
Crediting		
Net foreign exchange gain	**1,623**	16,515
Charging		
Depreciation	**8,098**	9,531
Amortisation of leasehold land and land use rights	**6,562**	6,593
Direct expenses in respect of container transportation and freight forwarding services	**21,526**	31,718
Cost of inventories	**7,234**	22,697
Cost of properties sold	**192,295**	–
Stockbroking commission and related expenses	**32,946**	34,722
Stamp duty and other transaction costs	**57,634**	37,975
Staff costs *(Note 13)*	**132,877**	135,986
Operating lease rental in respect of land and buildings	**8,304**	9,220
Auditors' remuneration		
Audit and audit related work		
– the Company's auditor	**1,813**	2,081
– other auditors	**734**	598
Non-audit services – the Company's auditor	**584**	243
Provision for doubtful debts	**16,169**	11,517
Provision for obsolete stock	**3,329**	3,712
Impairment of property, plant and equipment	**344**	5,670
Net loss on disposal of property, plant and equipment	**820**	285

8. FINANCE INCOME – NET

	Group 2009 HK$'000	Group 2008 HK$'000
Finance income		
– Interest income on bank deposits	**11,181**	19,256
– Other interest income	**3,207**	6,504
	14,388	25,760
Finance costs		
– Interest on loans and overdrafts	**(871)**	(838)
Finance income – net	**13,517**	24,922

9. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current	**10,241**	8,122
Over-provision in previous years	**(205)**	(1,215)
Overseas taxation		
Current	**12,570**	1,347
Over-provision in previous years	**–**	(455)
Deferred taxation *(Note 37)*	**4,372**	552
Taxation charge	**26,978**	8,351

The taxation on the Group's profit/(loss) 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	
	2009	2008
	HK$'000	*HK$'000*
Profit/(loss) before taxation (net of share of profits less losses of associated companies and jointly controlled entities)	**182,708**	(73,311)
Tax calculated at a taxation rate of 16.5% (2008: 16.5%)	**30,147**	(12,096)
Effect of different taxation rates in other countries	**(143)**	(3,003)
Income not subject to taxation	**(26,850)**	(4,594)
Expenses not deductible for taxation purposes	**1,708**	11,728
Over-provision in previous years	**(205)**	(1,670)
Unrecognised deferred tax assets	**14,945**	17,976
Corporate withholding tax	**2,489**	–
Others	**10**	10
	22,101	8,351
Land appreciation tax	**4,877**	–
Taxation charge	**26,978**	8,351

9. TAXATION *(continued)*

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Recoverable		
Hong Kong	**–**	1,783
Overseas	**–**	2,324
	–	4,107
Payable		
Hong Kong	**3,104**	780
Overseas	**31,577**	27,526
	34,681	28,306

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$66,810,000 (2008: HK$28,800,000).

11. EARNINGS/(LOSSES) PER SHARE

The calculation of basic and diluted earnings/(losses) per share is based on the Group's profit attributable to shareholders of HK$186,304,000 (2008: Group's loss attributable to shareholders of HK$111,394,000). The basic earnings/(losses) per share is based on the weighted average number of 1,397,749,340 (2008: 1,394,749,571) shares in issue during the year.

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

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 recommends the payment of a final dividend of HK$0.012 (2008: HK$Nil) per ordinary share, totaling HK$16,787,000 (2008: HK$Nil). Such dividend is to be approved by the shareholders at the annual general meeting of the Company on 24th May 2010. These financial statements do not reflect this final dividend payable.

	2009	2008
	HK$'000	*HK$'000*
Proposed final dividend of HK$0.012 (2008: HK$Nil) per ordinary share	**16,787**	–

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2009	2008
	HK$'000	*HK$'000*
Wages, salaries and allowance	**123,015**	125,986
Retirement benefit costs *(Note 15)*	**4,323**	4,532
Other employee benefits	**5,539**	5,249
Employee share option benefits *(Note 35)*	**–**	219
	132,877	135,986

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

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

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

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

Name of Director	Fees *HK$'000*	Salary *HK$'000*	Discretionary bonuses *HK$'000*	Retirement benefit costs *HK$'000*	2008 Total *HK$'000*
Executive directors:					
Mr. LAO Yuan-Yi	–	2,598	–	223	2,821
Mr. XIN Shulin	–	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 Qihao	270	–	–	–	270
Mr. ZHOU Xiaohe	270	–	–	–	270

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 2009 and 2008.

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 include three (2008: Nil) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2008: five) individuals during the year are as follows:

	2009	2008
	HK$'000	*HK$'000*
Basic salaries, allowances and benefits-in-kind	**4,592**	27,209
Discretionary bonuses	**11,090**	4,956
Retirement benefit costs	**287**	286
Employee share option benefits	**–**	70
	15,969	32,521

The emoluments fell within the following bands:

Emolument bands	**Number of individuals**	
HK$	**2009**	2008
2,000,001 – 3,000,000	**–**	1
4,000,001 – 5,000,000	**–**	2
5,000,001 – 5,500,000	**–**	1
7,500,001 – 8,000,000	**1**	–
8,000,001 – 8,500,000	**1**	–
15,000,001 – 15,500,000	**–**	1
	2	5

15. RETIREMENT BENEFIT COSTS

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

HK$44,000 (2008: HK$139,000) 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 2009 and 2008 available to reduce the contributions payable in the future years.

Contributions totaling HK$190,000 (2008: HK$194,000) 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	Trading rights	Total
	HK$'000	*HK$'000*	*HK$'000*
Cost			
At 1st January 2009	**2,993**	**1,638**	**4,631**
Acquisition of a subsidiary	**1,180**	**–**	**1,180**
At 31st December 2009	**4,173**	**1,638**	**5,811**
Accumulated amortisation			
At 1st January and 31st December 2009	**–**	**1,238**	**1,238**
Net book value			
At 31st December 2009	**4,173**	**400**	**4,573**

	Goodwill	Trading rights	Total
	HK$'000	*HK$'000*	*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

Impairment test for goodwill

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

The recoverable amount of the lowest level of cash-generating unit has been determined based on value-in-use calculation using cash flow projections based on financial budgets approved by management covering a period of five 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 *HK$'000*	Medium-term leases outside Hong Kong *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Plant and machinery *HK$'000*	Motor vehicles and trucks *HK$'000*	Construction-in-progress *HK$'000*	Total *HK$'000*
Cost or valuation							
At 1st January 2009	22,664	29,266	32,812	12,768	66,599	27,535	191,644
Acquisition of a subsidiary	–	–	27	58	–	–	85
Additions	–	–	2,753	4	2,214	136,667	141,638
Disposals	–	–	(5,196)	(77)	(9,189)	–	(14,462)
Disposals of subsidiaries	–	(5,326)	(740)	(1,671)	(714)	(36)	(8,487)
Exchange differences	–	51	49	20	96	13	229
At 31st December 2009	22,664	23,991	29,705	11,102	59,006	164,179	310,647
Accumulated depreciation and impairment loss							
At 1st January 2009	7,622	17,329	23,865	10,126	56,135	–	115,077
Charge for the year	567	1,743	2,583	511	2,694	–	8,098
Impairment loss	–	–	–	–	–	344	344
Disposals	–	–	(5,124)	(70)	(8,221)	–	(13,415)
Disposals of subsidiaries	–	(1,285)	(412)	(780)	(435)	–	(2,912)
Exchange differences	–	28	36	16	85	–	165
At 31st December 2009	8,189	17,815	20,948	9,803	50,258	344	107,357
Net book value							
At 31st December 2009	14,475	6,176	8,757	1,299	8,748	163,835	203,290

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

(a) Group *(continued)*

	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

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

(a) Group *(continued)*

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

	Buildings						
	Long-term leases in Hong Kong *HK$'000*	**Medium-term leases outside Hong Kong** *HK$'000*	**Furniture, fixtures and equipment** *HK$'000*	**Plant and machinery** *HK$'000*	**Motor vehicles and trucks** *HK$'000*	**Construction-in-progress** *HK$'000*	**Total** *HK$'000*
At cost	**11,539**	**23,991**	**29,705**	**11,102**	**59,006**	**164,179**	**299,522**
At professional valuation–1994	**11,125**	**–**	**–**	**–**	**–**	**–**	**11,125**
	22,664	**23,991**	**29,705**	**11,102**	**59,006**	**164,179**	**310,647**

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 *HK$'000*	Medium-term leases outside Hong Kong *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Plant and machinery *HK$'000*	Motor vehicles and trucks *HK$'000*	Construction-in-progress *HK$'000*	Total *HK$'000*
At cost	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

Certain buildings are stated at professional valuation in 1994 less accumulated depreciation. If these buildings have been stated on the historical cost basis, their net book amount would be HK$8,892,000 (2008: HK$9,224,000).

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

(b) Company

	Motor vehicles	
	2009	2008
	HK$'000	*HK$'000*
Cost		
At 1st January and 31st December	**457**	457
Accumulated depreciation		
At 1st January	**130**	38
Charge for the year	**92**	92
At 31st December	**222**	130
Net book value		
At 31st December	**235**	327

18. INVESTMENT PROPERTIES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Valuation at 1st January	**47,897**	43,766
Transfer from leasehold land and land use rights and properties held for sale	**12,368**	–
Net fair value gains	**13,075**	1,521
Exchange differences	**38**	2,610
Valuation at 31st December	**73,378**	47,897

Investment properties were revalued at 31st December 2009 on an open market value basis by an independent, professionally qualified valuer, Chung, Chan & Associates and directors.

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

	2009	2008
	HK$'000	*HK$'000*
In Hong Kong, held on		
– leases over 50 years	**10,000**	7,200
Outside Hong Kong, held on		
– leases between 10 to 50 years	**63,378**	40,697
	73,378	47,897

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:

	2009	2008
	HK$'000	*HK$'000*
Net book value at 1st January	**389,711**	309,498
Acquisition of a subsidiary	**27,131**	–
Additions	**1,521**	76,160
Amortisation		
– charge for the year	**(6,562)**	(6,593)
– capitalised in properties under development	**(2,953)**	(2,656)
Transfer to investment properties	**(2,475)**	–
Transfer to cost of properties sold	**(38,478)**	–
Disposal of a subsidiary	**(17,656)**	–
Exchange differences	**493**	13,302
Net book value at 31st December	**350,732**	389,711
Represented by:		
Non-current		
– in relation to properties held for development	**126,830**	120,240
– in relation to land for hotel operation	**89,432**	91,860
– in relation to land for own use	**47,584**	48,546
	263,846	260,646
Current		
– in relation to properties under development	**73,521**	129,065
– in relation to properties held for sale	**13,365**	–
	86,886	129,065
	350,732	389,711

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

	2009	2008
	HK$'000	*HK$'000*
In Hong Kong, held on		
– leases over 50 years	**36,287**	36,327
Outside Hong Kong, held on		
– leases between 10 to 50 years	**314,445**	353,384
	350,732	389,711

20. INVESTMENTS IN SUBSIDIARIES

	Company 2009 HK$'000	Company 2008 HK$'000
Unlisted investments, at cost	**39,442**	44,902
Loan to a subsidiary	**70,000**	70,000
Less: accumulated impairment losses	**(18,287)**	(16,886)
	91,155	98,016

The loan to a subsidiary is unsecured, interest bearing at prime rate plus 1% (2008: prime rate plus 1%) and not repayable within the next twelve months as at the balance sheet date. The carrying value of the loan to a subsidiary approximates its fair value as at 31st December 2009.

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 2009	Effective interest held 2008	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

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held 2009	Effective interest held 2008	Principal activities
Shares held indirectly: *(continued)*					
Atlas Securities Pty. Limited	Australia	2 ordinary shares of A$1 each	**100%**	100%	Securities investment
Billion Bright Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Securities investment
Bonvision Consulting (Shenzhen) Company Limited	Chinese Mainland (c)	HK$1,000,000	**100%**	100%	Financial consultancy
Bonvision Consultancy (Beijing) Company Limited	Chinese Mainland (c)	HK$500,000	**100%**	100%	Financial consultancy
Bonvision Consulting (Shanghai) Limited	Chinese Mainland (c)	US$200,000	**100%**	100%	Financial consultancy
Bright Shining Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
Changchun FAW Sihuan Betung Instrument Company Limited	Chinese Mainland (d)	RMB7,700,000	**–**	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

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held 2009	Effective interest held 2008	Principal activities
Shares held indirectly: *(continued)*					
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 system services
First Shanghai Assets (Kunshan) Company Limited	Chinese Mainland (c)	US$10,000,000	**–**	100%	Property development
First Shanghai Asset Management Limited	Hong Kong	500,000 ordinary shares of HK$1 each	**100%**	100%	Assets Management
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
First Shanghai Properties (Kunshan) Company Limited	Chinese Mainland (d)	US$5,000,000	**70%**	70%	Property development
First Shanghai Real Estate (Holdings) Limited	Hong Kong	10 ordinary shares of HK$1 each	**100%**	100%	Investment holding
First Shanghai Securities Limited	Hong Kong	85,000,000 ordinary shares of HK$1 each	**100%**	100%	Stockbroking
First Shanghai Venture Capital Management (Shenzhen) Company Limited	Chinese Mainland (c)	HK$1,000,000	**100%**	100%	Venture capital management & consultancy
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

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held 2009	2008	Principal activities
Shares held indirectly: *(continued)*					
Huangshan Hui Zhong Property Development Company Limited	Chinese Mainland (e)	RMB8,000,000	**100%**	–	Property development
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)	RMB1,700,000	**88.8%**	88.8%	Logistics services
Shanghai Zhong Chuang International Container Storage & Transportation Company Limited	Chinese Mainland (d)	US$11,025,000	**62%**	62%	Container transportation and freight forwarding
Staying Power International Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
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

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment *(see note (b) below)*	Particulars of issued share capital/ registered capital	Effective interest held 2009	Effective interest held 2008	Principal activities
Shares held indirectly: *(continued)*					
Wuxi HK Landshine Real Estate Company Limited	Chinese Mainland (d)	US$20,000,000	**70%**	70%	Property development
Wuxi Sunshine Real Estate Limited	Chinese Mainland (c)	US$30,000,000	**100%**	100%	Hotel operation
Yin Zin Company Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Zhongshan Sunshine Resort Limited	Chinese Mainland (c)	RMB80,000,000	**80%**	80%	Property development

Notes:

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

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

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

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

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

21. INVESTMENTS IN ASSOCIATED COMPANIES

	Group 2009 HK$'000	Group 2008 HK$'000
Carrying value at 1st January	**261,715**	412,881
Increase in investment in an associated company	**6,210**	1,850
Share of associated companies' results		
– Profit/(loss) before taxation	**14,418**	(48,147)
– Taxation	**(1,981)**	(3,156)
Share of an associated company's reserves	**90,318**	(99,625)
Dividend income	**–**	(265)
Exchange differences	**165**	(1,823)
Carrying value at 31st December	**370,845**	261,715

21. INVESTMENTS IN ASSOCIATED COMPANIES *(continued)*

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 2009	Effective interest held 2008	Principal activities
China Assets (Holdings) Limited ("China Assets") *(see note (a) below)*	Hong Kong	76,558,160 ordinary shares of US$0.1 each	**33.34%**	33.34%	Investment holding
China Assets Investment Management Limited	Hong Kong	2,000 ordinary shares of HK$1 each	**28%**	28%	Management and investment advisory services
Yanfeng Visteon Betung Automotive Instrumentation Company Limited	Chinese Mainland	RMB61,950,000	**30%**	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
Holygene Corporation *(see note (b) below)*	British Virgin Islands	4,250,000 ordinary shares of US$1 each	**51.29%**	10%	Pharmaceutical services

Notes:

(a) China Assets operates principally in Hong Kong and is listed on The Stock Exchange of Hong Kong Limited. The market value of the listed security as at 31st December 2009 was approximately HK$140,121,000 (2008:HK$66,359,000).

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

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

	2009 **HK$'000**	2008 HK$'000
Revenue	**133,956**	106,317
Profit/(loss) for the year	**12,437**	(51,303)
Assets	**454,236**	325,033
Liabilities	**(83,391)**	(63,318)
Net assets	**370,845**	261,715

22. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Carrying value at 1st January	**157,056**	140,208	**11,793**	11,793
Share of jointly controlled entities' results				
– Profit before taxation	**16,550**	16,015	**–**	–
– Taxation	**(1,542)**	(3,082)	**–**	–
Dividend income	**(21,839)**	(2,914)	**–**	–
Disposal of a jointly controlled entity	**639**	–	**–**	–
Exchange differences	**254**	6,829	**–**	–
Carrying value at 31st December	**151,118**	157,056	**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**		**Principal activities**
		2009	2008	
Goodbaby Bairuikang Hygienic Products Company Limited ("Goodbaby Bairuikang") *(see note (a) below)*	Chinese Mainland	**50%**	50%	Production of diapers and related hygienic products
Shanghai Zhangjiang Property Development Company Limited ("Zhangjiang") *(see note (b) below)*	Chinese Mainland	**50%**	50%	Property development
First Shanghai Public Utility Investments Limited	Hong Kong	**–**	50%	Investment holding

Notes:

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

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

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

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

	2009	2008
	HK$'000	*HK$'000*
Income	**41,821**	45,140
Expenses	**(26,813)**	(32,207)
Profit for the year	**15,008**	12,933
Assets		
Non-current assets	**177,877**	176,831
Current assets	**28,534**	20,829
	206,411	197,660
Liabilities		
Non-current liabilities	**20,274**	20,130
Current liabilities	**35,019**	20,474
	55,293	40,604
Net assets	**151,118**	157,056

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

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		**Company**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Carrying value at 1st January	**134,689**	393,934	**133,718**	390,617
Additions	**–**	349	**–**	–
Fair value change transfer to other comprehensive income/(loss)	**58,837**	(256,899)	**58,837**	(256,899)
Impairment *(Note 6)*	**–**	(2,695)	**–**	–
Carrying value at 31st December	**193,526**	134,689	**192,555**	133,718

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

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed securities				
– Equity securities, Overseas	**971**	971	**–**	–
Unlisted securities				
– Equity securities traded on private issuers	**192,555**	133,718	**192,555**	133,718
	193,526	134,689	**192,555**	133,718
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.

24. LOANS AND ADVANCES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Loans and advances *(note (a))*	**111,611**	111,380	**64,087**	64,136
Provision for impairment	**(82,537)**	(82,523)	**(52,590)**	(52,590)
	29,074	28,857	**11,497**	11,546
Less: non-current portion	**(11,497)**	(27,457)	**(11,497)**	(11,546)
Current portion	**17,577**	1,400	**–**	–
Margin loans *(note (b))*	**294,207**	83,640	**–**	–
	311,784	85,040	**–**	–

Notes:

(a) The loans and advances include HK$1,459,000 (2008: HK$1,400,000) which bears interest at prime rate plus 1% (2008: prime rate plus 1%) per annum, HK$15,931,000 (2008: HK$15,911,000) which bears interest at 7% (2008: 7%) per annum, HK$187,000 (2008: HK$Nil) which bears interest at 5% per annum, and the remaining of HK$11,497,000 (2008: HK$11,546,000) which is non-interest bearing.

The weighted average effective interest rate at 31st December 2009 was 7.51% (2008: 7.53%) per annum.

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

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Provision for impairment at 1st January	**82,523**	77,777
Provision for impairment during the year	**–**	4,746
Exchange difference	**14**	–
Provision for impairment at 31st December	**82,537**	82,523

24. LOANS AND ADVANCES *(continued)*

Notes: (continued)

(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 2009 and 2008, 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 2009, the total value of securities pledged as collateral in respect of the margin loans was approximately HK$2,155,867,000 (2008: HK$582,185,000). The balances represent the market value of securities as at 31st December 2009 and 2008.

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Provision for impairment at 1st January	**–**	112
Receivables written off	**–**	(112)
Provision for impairment at 31st December	**–**	–

25. PROPERTIES UNDER DEVELOPMENT

	Group	
	2009	2008
	HK$'000	*HK$'000*
Leasehold land and land use rights	**2,761**	3,984
Construction costs	**70,103**	86,043
	72,864	90,027

The properties under development are located in Chinese Mainland.

26. INVENTORIES

	Group 2009 HK$'000	Group 2008 HK$'000
Raw materials	**21**	316
Work-in-progress	**–**	1,215
Finished goods	**697**	4,354
	718	5,885

27. TRADE RECEIVABLES

	Group 2009 HK$'000	Group 2008 HK$'000
Due from stockbrokers and Hong Kong Securities Clearing Company Limited	**54,466**	24,172
Due from stockbroking clients	**198,909**	46,345
Trade receivables	**80,395**	69,697
Bills receivable	**–**	1,587
	333,770	141,801
Provision for impairment	**(15,194)**	(7,305)
	318,576	134,496

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

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

The ageing analysis of the trade receivables is as follows:

	Group 2009 HK$'000	Group 2008 HK$'000
0 – 30 days	**312,254**	116,593
31 – 60 days	**2,286**	5,354
61 – 90 days	**2,489**	3,381
Over 90 days	**1,547**	9,168
	318,576	134,496

27. TRADE RECEIVABLES *(continued)*

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Provision for impairment at 1st January	**7,305**	4,646
Provision for impairment during the year	**14,674**	5,828
Receivables written back	**(299)**	(1,911)
Receivables written off	**(841)**	(1,378)
Disposal of a subsidiary	**(5,658)**	–
Exchange differences	**13**	120
Provision for impairment at 31st December	**15,194**	7,305

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong dollars	**310,854**	114,960
Renminbi	**7,722**	19,536
	318,576	134,496

28. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other receivables	**43,029**	24,213	**4,917**	3,942
Prepayments and deposits	**12,133**	17,401	**636**	631
	55,162	41,614	**5,553**	4,573

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 an amount due from a jointly controlled entity of the Group of approximately HK$16,170,000 (2008: HK$1,278,000). The balance is unsecured, interest free and repayable on demand.

29. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(a) Amounts due from subsidiaries

	Company	
	2009	2008
	HK$'000	*HK$'000*
Amounts due from subsidiaries	**1,608,206**	1,689,652
Provision for impairment	**(305,123)**	(368,597)
	1,303,083	1,321,055

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

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

	Company	
	2009	2008
	HK$'000	*HK$'000*
Provision for impairment at 1st January	**368,597**	333,527
Provision for impairment during the year	**6,537**	35,070
Disposal of subsidiaries	**(70,011)**	–
Provision for impairment at 31st December	**305,123**	368,597

(b) Amounts due to subsidiaries

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

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Equity securities		
– Listed, Hong Kong	**98,431**	7,500
– Listed, Overseas	**20,554**	26,221
– Unlisted, quoted, Hong Kong	**155,793**	76,299
Market value of financial assets	**274,778**	110,020
Convertible bond	**5,513**	–
	280,291	110,020

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(continued)*

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

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

31. DEPOSITS WITH BANKS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Secured	**15,000**	5,000	**10,000**	–
Unsecured	**140,563**	148,099	**83,299**	93,567
	155,563	153,099	**93,299**	93,567

Deposits of HK$86,000 (2008: HK$45,443,000) 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 the deposits ranged from 0.30% to 2.88% (2008: 1.10% to 3.24%) per annum with original maturities of more than three months. These deposits have an average maturity of 180 days.

32. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**270,014**	176,080	**95,073**	4,774
Short-term bank deposits				
– secured	**–**	10,000	**–**	10,000
– unsecured	**402,264**	749,630	**–**	69,438
	672,278	935,710	**95,073**	84,212

Bank balances of HK$349,639,000 (2008: HK$375,802,000) 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 0.05% to 1.71% (2008: 0.35% to 3.75%) per annum and these deposits have an average maturity of 60 days.

33. TRADE AND OTHER PAYABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Due to stockbroking clients	**287,597**	63,458	**–**	–
Trade payables	**66,756**	30,350	**–**	–
Total trade payables	**354,353**	93,808	**–**	–
Advance receipts from customers	**20,140**	85,017	**–**	–
Accruals and other payables	**102,799**	55,565	**23,636**	5,078
	477,292	234,390	**23,636**	5,078

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

The ageing analysis of the trade payables is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
0 – 30 days	**348,649**	65,021
31 – 60 days	**3,713**	1,126
61 – 90 days	**370**	840
Over 90 days	**1,621**	26,821
	354,353	93,808

34. BORROWINGS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Non-current		
Bank loans – secured	**11,357**	–
Current		
Other loans – unsecured	**3,407**	3,402
	14,764	3,402

34. BORROWINGS *(continued)*

The Group has pledged properties and leasehold land and land use rights with an aggregate net carrying value of approximately HK$224 million (2008: HK$59 million) and fixed deposits of approximately HK$15 million (2008: HK$31 million).

Bank borrowings will mature and be repayable in October 2017. The weighted average effective interest rate at 31st December 2009 was 5.57% (2008: 4.32%) per annum. The carrying amount of borrowings approximates to its fair value and is denominated in Renminbi.

35. SHARE CAPITAL

	Ordinary shares of HK$0.2 each			
	2009		2008	
	Number of shares *(thousands)*	***HK$'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	**1,396,383**	**279,277**	1,391,463	278,293
Exercise of share options *(Note)*	**2,530**	**506**	4,920	984
At 31st December	**1,398,913**	**279,783**	1,396,383	279,277

Notes:

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.

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, 2,530,000 (2008: 4,920,000) 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 (2008: HK$0.68) per share. These shares rank pari passu with the existing shares of the Company. The related weighted average share price at the time of exercise was HK$1.088 (2008: HK$1.582) per share.

35. SHARE CAPITAL *(continued)*

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

	2009		2008	
	Average exercise price per share *HK$*	Number of options *(thousands)*	Average exercise price per share *HK$*	Number of options *(thousands)*
At 1st January	**1.444**	**57,248**	1.378	62,668
Exercised	**0.68**	**(2,530)**	0.68	(4,920)
Lapsed	**–**	**–**	0.68	(500)
At 31st December	**1.479**	**54,718**	1.444	57,248
Options exercisable at 31st December		**54,718**		57,248

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

Expiry date	**Exercise price**	**Number of options**	
	HK$	**2009** ***(thousands)***	2008 *(thousands)*
11th December 2015	0.564	**11,810**	11,810
2nd March 2016	0.680	**7,400**	9,930
22nd May 2017	1.950	**35,508**	35,508
		54,718	57,248

36. RESERVES

Group	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
	Attributable to shareholders of the Company								
At 1st January 2009	**847,626**	**44,482**	**181,119**	**14,006**	**12,334**	**133,718**	**67,736**	**739,113**	**2,040,134**
Profit for the year	–	–	–	–	–	–	–	186,304	186,304
Fair value gain on available-for-sale financial assets	–	–	–	–	–	58,837	–	–	58,837
Exchange reserve realised for disposal of subsidiaries	–	–	–	–	–	–	(5,597)	–	(5,597)
Currency translation differences	–	–	–	–	–	–	6,651	–	6,651
Share of post-acquisition reserves of an associated company	–	–	90,318	–	–	–	–	–	90,318
Issue of new shares on exercise of share options	1,910	(709)	–	–	–	–	–	–	1,201
Transfer from retained earnings	–	–	2,205	–	–	–	–	(2,205)	–
At 31st December 2009	**849,536**	**43,773**	**273,642**	**14,006**	**12,334**	**192,555**	**68,790**	**923,212**	**2,377,848**

Group	Share premium HK$'000	Employee share-based compensation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Assets revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
	Attributable to shareholders of the Company								
At 1st January 2008	843,911	45,641	280,534	14,006	12,262	390,617	53,952	864,675	2,505,598
Loss for the year	–	–	–	–	–	–	–	(111,394)	(111,394)
Fair value loss on 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
Share of post-acquisition reserves of an associated company	–	–	(99,625)	–	–	–	–	–	(99,625)
Issue of new shares on exercise of share options	3,715	(1,378)	–	–	–	–	–	–	2,337
Employee share option benefits	–	219	–	–	–	–	–	–	219
Transfer from retained earnings	–	–	210	–	–	–	–	(210)	–
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

36. RESERVES *(continued)*

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

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
Profit for the year	–	–	–	–	–	28,800	28,800
Fair value loss on available-for-sale financial assets	–	–	–	–	(256,899)	–	(256,899)
Issue of new shares on exercise of share options	3,715	(1,378)	–	–	–	–	2,337
Employee share option benefits	–	219	–	–	–	–	219
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

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 2009 HK$'000	2008 HK$'000
Deferred tax assets	**(3,415)**	(2,053)
Deferred tax liabilities	**7,703**	702
	4,288	(1,351)

37. DEFERRED TAXATION *(continued)*

The gross movement in the deferred taxation is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
At 1st January	**(1,351)**	(1,831)
Recognised in the consolidated income statement *(Note 9(a))*	**4,372**	552
Acquisition of a subsidiary	**1,267**	–
Recognised directly to reserves *(Note 36)*	**–**	(72)
At 31st December	**4,288**	(1,351)

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:

The Group's deferred tax liabilities represented the followings:

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

	Depreciation	Fair value gains	Withholding tax	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January 2008	700	–	–	700
Recognised in the consolidated income statement	74	–	–	74
Recognised in other comprehensive loss	(72)	–	–	(72)
At 31st December 2008	702	–	–	702

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

	2009	2008
	HK$'000	*HK$'000*
At 1st January	**2,053**	2,531
Recognised in the consolidated income statement	**1,362**	(478)
At 31st December	**3,415**	2,053

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 benefits of approximately HK$54,773,000 (2008: HK$49,095,000) in respect of tax losses amounting to approximately HK$331,956,000 (2008: HK$297,544,000) that can be carried forward indefinitely against future taxable income.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2009	2008
	HK$'000	*HK$'000*
Profit/(loss) before taxation	**210,153**	(111,681)
Share of net (profit)/loss of associated companies	**(12,437)**	51,303
Share of net profit of jointly controlled entities	**(15,008)**	(12,933)
Finance income	**(14,388)**	(25,760)
Finance costs	**871**	838
Net loss on disposal of property, plant and equipment	**820**	285
Depreciation	**8,098**	9,531
Impairment of property, plant and equipment	**344**	5,670
Net fair value gains on investment properties	**(13,075)**	(1,521)
Amortisation of leasehold land and land use rights	**6,562**	6,593
Provision for doubtful debts	**16,169**	11,517
Provision for obsolete stock	**3,329**	3,712
Gain on disposal of interests in subsidiaries	**(53,246)**	–
Impairment of available-for-sale financial assets	**–**	2,695
Employee share option benefits	**–**	219
Operating profit/(loss) before working capital changes	**138,192**	(59,532)
Net decrease/(increase) in leasehold land and land use rights, properties under development and properties held for sale	**9,006**	(132,838)
Decrease in inventories	**1,788**	3,913
(Increase)/decrease in loans and advances	**(210,833)**	480,774
(Increase)/decrease in trade receivables	**(199,833)**	272,609
(Increase)/decrease in other receivables, prepayments and deposits	**(727)**	97,983
(Increase)/decrease in financial assets at fair value through profit or loss	**(170,271)**	315,346
Increase/(decrease) in trade and other payables	**194,724**	(433,736)
Decrease in financial liabilities at fair value through profit or loss	**–**	(5,632)
Net cash (outflow)/inflow from operating activities	**(237,954)**	538,887

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

(b) Disposal of subsidiaries

On 31st August 2009, the Group disposed of its entire equity interest in two subsidiaries which hold two parcels of land located in Kunshan for a cash consideration of HK$108 million and recorded a net gain on disposal of approximately HK$33 million for the year ended 31st December 2009.

In addition, the Group de-recognised its 55% equity interest in Changchun FAW Sihuan Betung Instrument Company Limited which was principally engaged in manufacturing of autoparts and recorded a gain of approximately HK$21 million for the year ended 31st December 2009.

	2009
	HK$'000
Net assets disposed of:	
Property, plant and equipment	**5,575**
Leasehold land and land use rights	**17,656**
Properties under development	**45,329**
Inventories	**50**
Trade receivables	**1,379**
Other receivables, prepayments and deposits	**1,554**
Cash and cash equivalents	**18,318**
Trade and other payables	**(29,510)**
	60,351
Realisation of exchange reserve	**(5,597)**
Gain on disposal of interests in subsidiaries	**53,246**
	108,000
Satisfied by:	
Cash consideration received	**108,000**

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

	2009
	HK$'000
Bank balances and cash disposed	**(18,318)**
Cash consideration	**108,000**
Net cash inflow in respect of the disposal of subsidiaries	**89,682**

39. FINANCIAL GUARANTEE

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties *(Note)*	**165,762**	–	**–**	–
Guarantee for undrawn bank facilities of a subsidiary	**–**	–	**60,000**	60,000
	165,762	–	**60,000**	60,000

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

40. COMMITMENTS

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

	Group	
	2009	2008
	HK$'000	*HK$'000*
Contracted but not provided for	**207,655**	290,342
Authorised but not contracted	**1,109,590**	740,627

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	
	2009	2008
	HK$'000	*HK$'000*
Not later than one year	**3,187**	2,682
Later than one year but not later than five years	**7,354**	3,340
More than five years	**223**	335
	10,764	6,357

40. COMMITMENTS *(continued)*

(b) Commitments under operating leases *(continued)*

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	
	2009	2008
	HK$'000	*HK$'000*
Not later than one year	**7,297**	7,359
Later than one year but not later than five years	**3,939**	4,737
	11,236	12,096

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

41. BUSINESS COMBINATIONS

On 20th November 2009, the Group acquired 100% of the registered capital of Huangshan Hui Zhong Property Development Company Limited, a property development company in Chinese Mainland. The acquired business did not generate revenue, but incurred net loss of HK$405,000 to the Group for the period from the date of acquisition to 31st December 2009. If the acquisition had occurred on 1st January 2009, no revenue would have been generated, but net loss of HK$2,101,000 would have been incurred to the Group.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
– Cash paid	**14,062**
Fair value of net assets acquired	**(12,882)**
Goodwill	**1,180**

The assets and liabilities at 20th November 2009 arising from the acquisition are as follows:

	Acquiree's carrying amount	**Fair value**
	HK$'000	***HK$'000***
Property, plant and equipment	**85**	**85**
Leasehold land and land use rights	**22,064**	**27,131**
Cash and cash equivalents	**2**	**2**
Trade and other payables	**(13,069)**	**(13,069)**
Deferred tax liabilities	**–**	**(1,267)**
Fair value of net assets acquired	**9,082**	**12,882**

	HK$'000
Cash consideration	**(14,062)**
Cash and cash equivalents in subsidiary acquired	**2**
Total net cash outflow on acquisition	**(14,060)**

42. RELATED PARTY TRANSACTIONS

(a) The Group acquired 30% equity interests in Holygene Corporation, an associated company of the Group, from China Assets at consideration of HK$10,000 which was mutually agreed by both parties.

(b) Details of the key management compensation has been disclosed in Note 14 to the consolidated financial statements.

43. ANALYSIS OF FINANCIAL RISK MANAGEMENT

(a) Credit risk analysis

Credit risk is managed on a group basis. The Group's credit risk mainly arises from loans and receivables, deposits with banks, 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 2009 *HK$'000*	Loans and advances – short term 2009 *HK$'000*	Trade receivables 2009 *HK$'000*	Other receivables 2009 *HK$'000*
Gross amount				
– neither past due nor impaired	11,497	311,784	299,457	43,029
– past due but not impaired				
– less than three months	–	–	17,162	–
– between three to six months	–	–	1,464	–
– over six months	–	–	493	–
– impaired	52,590	29,947	15,194	7,011
	64,087	341,731	333,770	50,040

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

(a) Credit risk analysis *(continued)*

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

	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	27,457	83,640	120,673	24,213
– 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	52,590	29,933	7,355	5,700
	80,047	114,973	141,801	29,913

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

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

	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	11,546	70,000	1,321,055
– impaired	–	52,590	–	368,597
	3,942	64,136	70,000	1,689,652

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

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

Save as disclosed above, no financial assets were past due but not impaired at the balance sheet dates of 2009 and 2008. None of the financial assets that are fully performing has been renegotiated in 2009 and 2008.

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

(b) Liquidity risk analysis

Surplus cash is invested in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to meet operational needs. At the reporting date, the Group held cash at bank and in hand of HK$270,014,000 (2008: HK$176,080,000) that are expected to readily generate cash inflows for managing liquidity risk.

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

	Less than one year 2009 *HK$'000*	**More than one year 2009** *HK$'000*
Borrowings		
Current other loans – unsecured	**3,407**	**–**
Non-current bank loans – secured	**–**	**11,357**
Trade and other payables	**421,267**	**–**
	424,674	**11,357**

	Less than one year 2008 *HK$'000*	More than one year 2008 *HK$'000*
Borrowings		
Current other loans – unsecured	3,402	–
Trade and other payables	216,254	–
	219,656	–

The Company's contractual trade and other payables amounting to HK$1,469,000 (2008: HK$1,470,000) will mature within one year.

The amounts disclosed above are the contractual undiscounted cash flows.

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

(c) Market risk analysis – foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Hong Kong 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 2009, if Renminbi had strengthened/weakened by 5% against the Hong Kong dollar, with all other variables held constant, post-tax profit for the year would have been HK$134,000 lower/higher (2008: post-tax loss 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.

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

At 31st December 2009, if interest rates on the Group's bank loans, margin loans, cash at bank and bank deposits had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax profit for the year would have been HK$11,107,000 higher/lower (2008: post-tax loss would have been HK$11,724,000 lower/higher). There is no impact on equity.

At 31st December 2009, if interest rates on the Company's loan to a subsidiary, cash at bank and bank deposits had been 100 basis points higher/lower with all other variables held constant, the Company's post-tax profit for the year would have been HK$2,584,000 (2008: HK$2,478,000) higher/lower. There is no impact on equity.

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

(e) Market risk analysis – price risk

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

The Group's equity investments 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 23 to the consolidated financial statements. Equities held for trading purpose are included under "financial assets at fair value through profit or loss" set out in Note 30 to the consolidated financial statements.

At 31st December 2009, if the listed price, quoted price or fair value of each equity investment classified as financial assets at fair value through profit or loss and available-for-sale financial assets had appreciated/ depreciated by 10%, with all other variables held constant, post-tax profit for the year would have been HK$28,029,000 higher/lower (2008: post-tax loss would have been HK$11,002,000 lower/higher), mainly as a result of unrealised gains/losses on equity securities classified as financial assets at fair value through profit or loss. Equity would have been HK$19,353,000 (2008: HK$13,372,000) higher/lower, arising from gain/loss on equity securities classified as available-for-sale financial assets.

44. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved by the Board on 9th April 2010.