第一上海
FIRST SHANGHAI GROUP

First Shanghai Investments Limited

Stock Code : 227

Annual Report 2011

Corporate Information

BOARD OF DIRECTORS

Chairman

Mr. LO Yuen Yat

Executive Directors

Mr. XIN Shulin
Mr. YEUNG Wai Kin

Non-executive Director

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

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. YEUNG Wai Kin

REGISTERED OFFICE

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71 Des Voeux Road Central
Hong Kong
Telephone: (852) 2522 2101
Fax: (852) 2810 6789
E-mail address: enquiry@firstshanghai.com.hk
Website: www.firstshanghai.com.hk

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

SOLICITORS

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

PRINCIPAL BANKERS

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

REGISTRARS & TRANSFER OFFICE

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

STOCK CODE

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

Contents

Chairman's Statement

On behalf of the Board, I hereby present the Group's annual report and audited consolidated financial statements for the year ended 31st December 2011. The Group's consolidated revenue and net loss attributable to shareholders of the Company for the year ended 31st December 2011 amounted to approximately HK$285 million and HK$29 million respectively.

BUSINESS OVERVIEW

2011 was a complex and challenging year marked by local and global influence. Despite the historical downgrade of the sovereign credit rating of US, its stock market recovers gradually with a positive economic outlook about the accommodative monetary policy. European economy deteriorated with the intensified sovereign debt problems, spreading from Greece to bigger nations including Italy, Spain and France. Government bonds yield and unemployment rate plunged to a distressing high rate. Japan's economy was severely hit by the massive earthquake, followed by the disastrous tsunami and radiation leakage shock in March 2011. Although the Chinese economy maintained a fair growth for the year, with the implementation of various measures against the risk of hard landing, the Chinese financial market was volatile. Performance of the Chinese stock market was poor, market liquidity was tight and inflation rate was escalating throughout the year. The Hong Kong economy, as an open market, was inevitably affected by the uncertain external environment. This together with the high domestic inflation pressure has dampened the local securities market.

The Group reported consolidated net loss attributable to shareholders of the Company of approximately HK$29 million for the year ended 31st December 2011, comparing with a net profit of approximately HK$114 million last year. The decline in result was mainly attributable to the capture of realised and unrealised losses on its securities trading portfolio as a result of the drop in Hong Kong stock market. Despite recognition of appreciation gain from its investment properties portfolio, the Group's overall results was still trimmed with the operating loss reported by its pharmaceutical and hotel businesses, both are still at investment stage. The Group's consolidated revenue reduced by 2% to approximately HK$285 million due to the consolidation of fair value losses on trading securities. The total net assets of the Group reduced from approximately HK$2,880 million in 2010 to approximately HK$2,743 million in 2011 due to reduction in investment reserve of an associate and shrinkage in share price of the Group's long term investment in Shenyin Wanguo (H.K.) Limited.

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

Financial Services

In 2011, clouded by the sovereign credit rating downgrade of the US, spread of European debt problems, tightening credit and monetary policies of the Central Government and the high inflationary pressure, the Hong Kong securities market was encumbered. The local stock market underperformed most major overseas markets. Hang Seng Index dropped from 23,035 at 31st December 2010 to 18,434 at 31st December 2011. Investors were cautious and risk appetite shrank. Market trading activity is moderate, with an average daily market turnover increased by 1% to approximately HK$69.7 billion in 2011. Under the unfavourable market sentiment, IPO and secondary fund raising activities both reduced over 40% when compared with 2010.

Concern about the market uncertainties, stockbroking business faced a challenging year in 2011. During the year, brokerage commission dropped due to intensive market competition. Our securities brokerage business reported an operating profit of approximately HK$39 million in 2011, decreased by approximately 38% from 2010. Our secondary fund raising activities, one of the major profit generators in 2010, dwindled following the unstable market sentiment, resulting in a decrease in underwriting and placing commission income in 2011. Both margin loan interest income and total margin loan size increased from 2010 reflecting the expansion of our client base. Our securities investment business reported a fair value loss of approximately HK$57 million tracking the market downturn in the second half of 2011.

Our corporate finance division is an inseparable arm of our Financial Services Sector and has continued to bolster the revenue stream via the provision of services primarily to Hong Kong listed companies. Despite that Hong Kong's equity market had experienced a general downturn, our corporate finance division remained an active and healthy player in both the IPO market and the corporate financial advisory market in 2011. During the year, we acted as a joint sponsor of Modern Education Group Limited (Stock Code: 1082) for its IPO in Hong Kong. We have also completed 34 corporate financial advisory cases and acted as compliance advisors to six Hong Kong listed companies in 2011. On our business pipeline, we have already engaged in a variety of assignments, which include IPO sponsorships and corporate financial advisory deals.

Our expertise and reputation in the industry, together with the synergies brought forward by the full range of financial services offered by the Group which include but not limited to securities investment, securities brokerage services, financial advisory services, IPO sponsorships and secondary fund raising syndications, have established a solid platform for us to expand our business in the market. We will continue to leverage on the core competitiveness of the Group and take a proactive approach to further capture business opportunities, broaden its client base and strengthen its market niche.

Property and Hotel

During 2011, the Central Government continued to launch various macro controls to hamper the overheated property market. Following the new "Eight Measures of the State Council", particularly the property purchase restriction and pricing caps policies, sales volume was suppressed and selling price raise was restrained, spreading from first-tier cities to second and third-tier cities. Loan restriction policy even tightened the market liquidity. Though these measures vulnerably had affected performance of the property industry in 2011, the flattening signal of inflation rate at the beginning of 2012 steers towards a healthier and more sustainable economic growth. Despite the short term market correction, the Group remains conservatively optimistic about the long term development of the industry in view of China's accelerating urbanisation and massive housing demand.

The Group will work on the completion of existing property projects, and will proactively adjust our business strategy and cash flow management to keep up with the changing market conditions for the best of the Group's long term development.

In 2011, amid the purchase restriction policy, the Group's recognised GFA (gross floor area) and revenue were approximately 10,000 square meters and HK$71 million respectively. Capital expenditure for property projects incurred for the year was approximately HK$155 million. The Group is currently participating in six projects with total GFA 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 2011 (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	—	45,000
Wuxi, Jiangsu	Hotel, commercial and apartment	Completed	100%	95,000	2,000	2,000
Wuxi, Jiangsu	Office and industrial					
— Phase I		Completed	70%	38,000	8,000	9,000
— Phase II		Completed	70%	59,000	—	—
Huangshan, Anhui	Residential and recreation resorts	2012	100%	52,000	—	—
Zhongshan, Guangdong	Residential and recreation resorts	2012	95.2%	64,000	—	—
Total				419,000	10,000	83,000

The Group has also continued to develop its hotel business in order to diversify the Group's property income portfolio and generate a recurring income stream. Our five-star hotel, Double Tree by Hilton in Wuxi, has reported satisfactory growth rate since its opening in late 2010 and has contributed approximately HK$65 million to the Group's total revenue.

Direct Investment

China Assets (Holdings) Limited ("China Assets") continues to be the major investment of our Direct Investment Sector. During 2011, the result of China Assets was adversely affected, particularly attributable to the fair value loss of various financial investments. For the year ended 31st December 2011, China Assets recorded net loss and decrease in investment reserve attributable to the Group of approximately HK$3 million and HK$69 million respectively.

In early 2011, we have increased our exposure to the pharmaceutical business. Since the business was still under development and operational consolidation, net operating loss was reported during the year. However, with the implementation of medical reform following the "Twelfth Five-Year Plan" of China, we are confident that the Group will have a bright prospect in the pharmaceutical market. We will continue to push forward our key constructive and innovative research and development plans while making full use of our existing platform in strengthening our business foundation. We may also seek future opportunities to enlarge our presence in the industry to optimise our investment synergy.

PROSPECTS

Market environment in 2012 is still challenging. Global financial issues are still unstable and China is expected to continue its stringent austerity measures towards the property market. Nevertheless, we believe the Central Government will consistently maintain a stable macro-economic policy and persist with its proactive but moderate fiscal and monetary policies that will reinforce economic growth at an accelerating and healthy momentum. Hong Kong, being firmly supported by the Central Government as an international financial centre and offshore Renminbi business centre, has already witnessed an upturn in economy in early 2012.

While adhering to its business strategy, the Group will closely monitor the macro economy and regulatory environment so as to effectively respond to changes in a timely manner. Using the strength of our brand recognition and business network, the Group will continue to establish a firm base in the financial services and property development industries in Hong Kong and the Chinese Mainland. We will devote more efforts to harnessing potential market demand by enhancing the quality of our products and services, capitalising on our professional team and refining our operational efficiency in order to strengthen market penetration and capture greater business opportunities in future. Meanwhile, we will continue to pursue, with an active and prudent approach, strategic direct investment projects with the aim to optimising returns to the Company and its shareholders.

APPRECIATION

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

LO Yuen Yat
Chairman
Hong Kong, 23rd March 2012

The Board submits herewith their report together with the audited consolidated financial statements for the year ended 31st December 2011.

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 20.

DIVIDEND

The Board does not recommend the payment of a final dividend (2010: HK$0.01 per ordinary share totaling HK$13,989,000) for the year ended 31st December 2011.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 37 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st December 2011, calculated pursuant to Section 79B of the Hong Kong Companies Ordinance, amounted to HK$358,323,000 (2010: HK$397,706,000).

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 38 to the consolidated financial statements.

DONATIONS

No charitable and other donations made by the Group during the year (2010: HK$Nil).

PROPERTY, PLANT AND EQUIPMENT

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its securities and neither the Company nor any of its subsidiaries purchased or sold any of its securities listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") during the year ended 31st December 2011.

DIRECTORS

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

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

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

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

Mr. LO Yuen Yat, Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.* and Mr. LIU Ji retire in accordance with the Company's Articles of Association and being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. LO Yuen Yat (66). Chairman & Managing Director. Joined the Company in 1993. Currently Chairman of China Assets (Holdings) Limited, the Company's associated company which is listed on The Stock Exchange of Hong Kong Limited. Previously senior policy researcher at China's National Research Centre for Science & Technology and Social Development, and worked at the PRC State Science & Technology Commission, Ministry of Communications of The People's Republic of China and the PRC Railway Ministry. Mr. Lo graduated from Shanghai Fudan University and obtained his master degree from Harvard University.

Mr. XIN Shulin (58). 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 (50). 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 25 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.* (56). Appointed as Independent Non-executive Director in 1994 and has been re-designated to Non-executive Director of the Company with effect from 17th March 2005. Mr. Kwok is a practising solicitor in Hong Kong and is also qualified to practise as a solicitor in Australia, England and Wales and Singapore. He is also qualified as a certified public accountant in Hong Kong and Australia and a Chartered Accountant in England and Wales. He graduated from the University of Sydney, Australia with bachelor's degrees in economics and laws respectively as well as a master's degree in laws. He is currently the Chairman of the Traffic Accident Victims Assistance Advisory Committee, a member of the Hospital Governing Committee of Kwai Chung Hospital/Princess Margaret Hospital and the Insurance Claims Complaints Panel. He is also a member of the Political Consultative Committee of Guangxi in the People's Republic of China.

Professor WOO Chia-Wei (74). Appointed as Independent Non-executive Director in 1993. Currently Senior Advisor to Shui On Holdings Limited, and President Emeritus of the Hong Kong University of Science and Technology. Previously President, Provost, Department Chairman, and Professor of several prominent universities in the United States of America. He is also an independent non-executive director of several companies including Shanghai Industrial Holdings Limited, Lenovo Holdings Limited and Trony Solar Holdings Company Limited.

Mr. LIU Ji (76). 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 (65). 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 from 1995 to 1997 and a non-executive director from 1997 to 1998 of Shenyin Wanguo (H.K.) Limited. During the period from 2001 to 2006, Mr. Yu was an advisor of Deloitte Touche Tohmatsu CPA Ltd in Shanghai.

Mr. ZHOU Xiaohe (59). Appointed as Independent Non-executive Director in 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 (49). Joined the Group in 2000 and is currently the Chief Information Officer of the Group. Mr. Mo has over 25 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. Mr. Mo is a Chartered member of British Computer Society. He obtained his Postgraduate Diploma in Engineering Management from City University of Hong Kong, a Master's Degree in Manufacturing Systems Engineering from Warwick University of the United Kingdom and a Master's Degree in Electronic Business from City University of Hong Kong.

Mr. QIU Hong (42). Joined the Group 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 of the Group's financial service business. 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, Mr. Qiu is specialising in corporate financing, stock listing, equity capital market and rules and regulation of the financial market in Hong Kong and China. Mr. Qiu holds a Bachelor's Degree in Economics from the Zhong Shan University and a Master of Philosophy (Economics) from the Chinese University of Hong Kong.

Mr. LEE Hon Man, Eric (45). Joined the Group in 2002 and is currently the Managing Director of First Shanghai Capital Limited. Mr. Lee has over 15 years working experience in the corporate finance field. Prior to joining the Group, Mr. Lee worked for a Singapore based investment bank and has extensive experience in initial public offerings on both GEM and the Main Board of the Hong Kong Stock Exchange as well as other corporate finance advisory services. Mr. Lee also has working experience in the areas of electronic engineering, information technology and management consultancy. Mr. Lee holds a Master's degree of Business Administration from the Chinese University of Hong Kong and a Bachelor's degree of Engineering in Electrical and Electronic Engineering from the University of Birmingham, United Kingdom.

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 2011, the interests of each director and chief executive in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept by the Company under Section 352 of SFO or as notified to the Company were as follows:

(a) Interests in respect of the Company:

Directors		Number of shares and underlying shares held: Personal interests	Corporate interests	Total	% of issued share capital of the Company
Mr. LO Yuen Yat *(Note)*	Long position	108,349,636	72,952,000	181,301,636	12.96%
Mr. XIN Shulin	Long position	8,032,000	—	8,032,000	0.57%
Mr. YEUNG Wai Kin	Long position	20,384,304	—	20,384,304	1.46%
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	Long position	1,000,000	—	1,000,000	0.07%
Prof. WOO Chia-Wei	Long position	1,000,000	—	1,000,000	0.07%
Mr. LIU Ji	Long position	500,000	—	500,000	0.04%
Mr. YU Qihao	Long position	1,000,000	—	1,000,000	0.07%
Mr. ZHOU Xiaohe	Long position	160,000	—	160,000	0.01%

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

(b) Interests in respect of an associated corporation:

Directors			Number of shares and underlying shares held: Personal interests	Total	% of issued share capital of the associated corporation
Mr. LO Yuen Yat	China Assets	Long position	1,630,000	1,630,000	2.12%
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 2011, the Company had been notified of the following substantial shareholder's interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors.

Ordinary shares of HK$0.2 each in the Company:

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

Notes:

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

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

SHARE OPTIONS

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

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

As at 31st December 2011, options to subscribe for a total of 122,595,064 ordinary shares were still outstanding under the Scheme which represents approximately 9% of the issued ordinary shares of the Company.

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

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

Details of share options remain outstanding as at 31st December 2011 are as follows:-

	Options held at 1st January 2011	Options lapsed during 2011	Options held at 31st December 2011	Exercise price HK$	Date of grant	Exercise period	Vesting period
Director							
Mr. LO Yuen Yat	11,944,000	—	11,944,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. XIN Shulin	8,032,000	—	8,032,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. YEUNG Wai Kin	11,810,000	—	11,810,000	0.564	30/11/2005	30/05/2006–11/12/2015	30/11/2005–29/05/2006
	8,032,000	—	8,032,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Prof. WOO Chia-Wei	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. LIU Ji	500,000	—	500,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Mr. YU Qihao	1,000,000	—	1,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
Employees	7,400,000	—	7,400,000	0.680	03/03/2006	03/03/2008–02/03/2016	03/03/2006–02/03/2008
	3,000,000	(2,000,000)	1,000,000	1.950	23/05/2007	23/11/2007–22/05/2017	23/05/2007–22/11/2007
	53,718,000	(2,000,000)	51,718,000				

Notes:

(1) No share options were granted or exercised under the Scheme during the year ended 31st December 2011.

(2) No share options granted under the Scheme were cancelled during the year ended 31st December 2011.

(3) The accounting policy adopted for share options is consistent with that as described in the consolidated financial statements for the year ended 31st December 2011.

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 2011 and 2010.

CONNECTED TRANSACTION

The Company did not have any connected transactions which need to be disclosed during the year ended 31st December 2011.

FIVE YEAR FINANCIAL SUMMARY

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

	2011 **HK$'000**	2010 HK$'000	2009 HK$'000	2008 HK$'000	2007 HK$'000
Total assets	**4,934,702**	4,733,083	4,680,919	3,789,432	4,795,420
Total liabilities	**2,191,316**	1,853,345	1,926,318	1,391,272	1,955,191
Total net assets	**2,743,386**	2,879,738	2,754,601	2,398,160	2,840,229
Revenue	**285,409**	291,904	587,498	157,804	680,271
(Loss)/profit attributable to shareholders	**(28,719)**	114,367	187,885	(108,232)	383,440
(Losses)/earnings per share					
— basic	**(2.05) cents**	8.18 cents	13.44 cents	(7.76) cents	29.66 cents
— fully diluted	**(2.05) cents**	8.11 cents	13.37 cents	(7.76) cents	29.21 cents

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

By order of the Board

LO Yuen Yat
Chairman

Hong Kong, 23rd March 2012

RESULTS

For the year ended 31st December 2011, the Group recorded a net loss and basic losses per share attributable to shareholders of approximately HK$29 million and HK$2.05 cents respectively, compared with a net profit and basic earnings per share attributable to the shareholders of approximately HK$114 million and HK$8.18 cents respectively in 2010. Revenue of the Group is approximately HK$285 million, represents a decrease of 2% from 2010.

LIQUIDITY AND FINANCIAL RESOURCES

The Group relied principally on its internal resources to fund its operations and investment activities. Bank loans will be raised to meet the different demands of our various property projects and our financial services business. As at 31st December 2011, the Group had raised bank loans of approximately HK$323 million (2010: HK$234 million) and held approximately HK$378 million (2010: HK$569 million) cash reserves. The gearing ratio (total borrowings to shareholders' fund) is at the level of 11.8% (2010: 8.1%). Investment in "financial assets at fair value through profit or loss" as at 31st December 2011 amounted to approximately HK$273 million (2010: HK$330 million).

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

PLEDGE OF GROUP ASSETS

The Group has pledged properties, investment properties, leasehold land and land use rights, properties under development and properties held for sale with an aggregate net carrying value of approximately HK$1,017 million (2010: HK$657 million) and fixed deposits of approximately HK$16 million (2010: HK$15 million) against its bank loans and general banking facilities. The banking facilities amounting approximately HK$320 million (2010: HK$230 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 certain purchasers of the Group's properties in the Chinese Mainland. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group will be responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks whilst the Group will then be entitled to take over the legal title and possession of the related properties. Such guarantees will terminate upon issuance of the relevant property ownership certificates. As at 31st December 2011, total contingent liabilities relating to these guarantees amounted to approximately HK$0.4 million (2010: HK$19 million).

MATERIAL ACQUISITION AND DISPOSAL OF GROUP COMPANIES

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

EMPLOYEES

As at 31st December 2011, the Group employed 812 staff, of whom 690 are located in the Chinese Mainland. Employees' remuneration is performance based and is reviewed annually. In addition to basic salary payments, other staff benefits include medical schemes, defined benefit/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 2011 amounted to approximately HK$152 million (2010: HK$138 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 2011, 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 2011.

BOARD OF DIRECTORS

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

The Board of the Company comprises:

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

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

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

NON-EXECUTIVE DIRECTORS

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.

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.

NOMINATION COMMITTEE

During the year, the Company has not establish a nomination committee of the Board (the "Nomination Committee"). 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.

To comply with the new Listing Rules effective from 1st April 2012, a board resolution was passed on 9th December 2011 that Nomination Committee was established effective from 1st March 2012. The majority of the Nomination Committee members are independent non-executive directors and its members include:

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

The terms of reference of the Nomination Committee were adopted when the Committee was established. The Nomination Committee was set up to review the structure, size and composition of the Board, make recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors and assess the independence of independent non-executive directors.

REMUNERATION COMMITTEE

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

Executive Director:	Mr. LO Yuen Yat *(Committee Chairman until 1st March 2012)*
Independent Non-executive Directors:	Mr. ZHOU Xiaohe *(Committee Chairman since 1st March 2012)* Prof. WOO Chia-Wei Mr. YU Qihao

The terms of reference of the Remuneration Committee were adopted when the Committee was established and were amended on 1st March 2012. 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. LO Yuen Yat	1/1	100%
Mr. ZHOU Xiaohe	1/1	100%
Prof. WOO Chia-Wei	1/1	100%
Mr. YU Qihao	1/1	100%

To comply with the new Listing Rules effective from 1st April 2012, a board resolution was passed on 9th December 2011 that effective from 1st March 2012, Mr. Lo ceased to be the chairman of the Remuneration Committee but remains a member of the Remuneration Committee. Mr. Zhou was appointed as chairman of the Remuneration Committee.

AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") was established on 27th December 1998. All members of the Audit Committee are non-executive directors and its 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.*

The terms of reference of the Audit committee were adopted when the Committee was established and were amended on 1st March 2012. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. 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 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 2011, 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 standards and requirements. The Audit Committee has also discussed with the Group's independent advisor and considers the system of internal control of the Group to be effective and that the Group has adopted the necessary control mechanisms to its financial, operational, statutory compliance and risk management functions.

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

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

AUDITOR'S REMUNERATION

For the year ended 31st December 2011, PricewaterhouseCoopers, the Company's auditor, has charged approximately HK$2,330,000 for audit and related services and HK$226,000 for other non-audit services — taxation services.

羅兵咸永道

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

We have audited the consolidated financial statements of First Shanghai Investments Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 20 to 94, which comprise the consolidated and company balance sheets as at 31st December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2011, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23rd March 2012

Consolidated Income Statement

For the year ended 31st December 2011

	Note	**2011 HK$'000**	2010 HK$'000
Revenue	5	**285,409**	291,904
Cost of sales		**(168,966)**	(110,285)
Gross profit		**116,443**	181,619
Other gains — net	6	**84,830**	119,085
Selling, general and administrative expenses		**(222,599)**	(196,529)
Operating (loss)/profit	7	**(21,326)**	104,175
Finance income	8	**19,572**	9,215
Finance costs	8	**(13,559)**	(1,569)
Finance income — net	8	**6,013**	7,646
Share of profits less losses of			
Associated companies	21	**(16,940)**	1,223
Jointly controlled entities	22	**21,206**	52,350
(Loss)/profit before taxation		**(11,047)**	165,394
Taxation	9(a)	**(25,044)**	(34,887)
(Loss)/profit after taxation		**(36,091)**	130,507
Loss attributable to minority investors of an investment fund	35	**5,285**	—
(Loss)/profit for the year		**(30,806)**	130,507
Attributable to:			
Shareholders of the Company	10	**(28,719)**	114,367
Non-controlling interests		**(2,087)**	16,140
		(30,806)	130,507
(Losses)/earnings per share for (loss)/profit attributable to shareholders of the Company during the year			
— Basic	11	**HK$(2.05) cents**	HK$8.18 cents
— Diluted	11	**HK$(2.05) cents**	HK$8.11 cents
Dividends	12	**—**	13,989

The notes on pages 26 to 94 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2011

	2011 **HK$'000**	2010 HK$'000
(Loss)/profit for the year	**(30,806)**	130,507
Other comprehensive (loss)/income		
— Fair value loss on available-for-sale financial assets	**(66,451)**	(30,939)
— Exchange reserve realised upon disposal of subsidiaries	**1,121**	(4,861)
— Exchange reserve realised upon disposal of associated companies	**—**	(2,608)
— Actuarial losses on retirement benefit obligations	**(274)**	—
— Currency translation differences	**42,733**	31,744
— Share of post-acquisition reserves of an associated company	**(68,753)**	26,327
Other comprehensive (loss)/income for the year, net of tax	**(91,624)**	19,663
Total comprehensive (loss)/income for the year	**(122,430)**	150,170
Attributable to:		
Shareholders of the Company	**(125,121)**	130,793
Non-controlling interests	**2,691**	19,377
	(122,430)	150,170

The notes on pages 26 to 94 are an integral part of these consolidated financial statements.

Balance Sheets

As at 31st December 2011

	Note	Group 2011 HK$'000	Group 2010 HK$'000	Company 2011 HK$'000	Company 2010 HK$'000
Non-current assets					
Intangible assets	16	**2,126**	2,126	**—**	—
Property, plant and equipment	17	**423,801**	369,626	**53**	145
Investment properties	18	**447,570**	268,152	**—**	—
Leasehold land and land use rights	19	**56,699**	59,292	**—**	—
Investments in subsidiaries	20	**—**	—	**87,699**	89,881
Investments in associated companies	21	**308,486**	383,914	**—**	—
Investments in jointly controlled entities	22	**240,299**	208,723	**—**	—
Deferred tax assets	39	**14,043**	10,152	**—**	—
Available-for-sale financial assets	23	**96,763**	162,587	**95,165**	161,616
Loans and advances	24	**17,228**	21,993	**11,060**	11,416
Total non-current assets		**1,607,015**	1,486,565	**193,977**	263,058
Current assets					
Properties under development	25	**210,995**	235,807	**—**	—
Properties held for sale		**400,230**	378,355	**—**	—
Inventories	26	**5,501**	555	**—**	—
Loans and advances	24	**432,855**	345,822	**—**	—
Trade receivables	27	**70,195**	205,736	**—**	—
Other receivables, prepayments and deposits	28	**29,224**	34,131	**762**	678
Amounts due from subsidiaries	29(a)	**—**	—	**1,484,030**	1,508,322
Tax recoverable	9(b)	**2,882**	3,205	**—**	—
Financial assets at fair value through profit or loss	30	**273,272**	330,239	**—**	—
Deposits with banks	31	**6,784**	41,611	**—**	10,000
Client trust bank balances	32	**1,524,807**	1,143,906	**—**	—
Cash and cash equivalents	32	**370,942**	527,151	**14,966**	6,131
Total current assets		**3,327,687**	3,246,518	**1,499,758**	1,525,131
Current liabilities					
Trade and other payables	33	**1,760,025**	1,552,847	**4,483**	12,673
Amounts due to subsidiaries	29(b)	**—**	—	**49,835**	28,083
Tax payable	9(b)	**33,507**	29,209	**—**	—
Borrowings	34	**201,394**	27,030	**—**	—
Net assets attributable to holders of redeemable participation shares	35	**14,715**	—	**—**	—
Total current liabilities		**2,009,641**	1,609,086	**54,318**	40,756

As at 31st December 2011

	Note	Group 2011 HK$'000	Group 2010 HK$'000	Company 2011 HK$'000	Company 2010 HK$'000
Net current assets		**1,318,046**	1,637,432	**1,445,440**	1,484,375
Total assets less current liabilities		**2,925,061**	3,123,997	**1,639,417**	1,747,433
Non-current liabilities					
Deferred tax liabilities	39	**53,036**	37,427	**—**	—
Retirement benefit obligations	36	**7,485**	—	**—**	—
Borrowings	34	**121,154**	206,832	**—**	—
Total non-current liabilities		**181,675**	244,259	**—**	—
Net assets		**2,743,386**	2,879,738	**1,639,417**	1,747,433
Equity					
Share capital	37	**279,783**	279,783	**279,783**	279,783
Reserves	38	**2,359,673**	2,497,859	**1,359,634**	1,467,650
Capital and reserves attributable to the Company's shareholders		**2,639,456**	2,777,642	**1,639,417**	1,747,433
Non-controlling interests		**103,930**	102,096	**—**	—
Total equity		**2,743,386**	2,879,738	**1,639,417**	1,747,433

On behalf of the Board

LO Yuen Yat
Director

YEUNG Wai Kin
Director

The notes on pages 26 to 94 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December 2011

	Note	2011 HK$'000	2010 HK$'000
Cash flows from operating activities			
Net cash outflow from operating activities	40	**(259,134)**	(469,134)
Hong Kong profits tax paid		**(6,770)**	(10,750)
Overseas taxation paid		**(4,468)**	(10,888)
Net cash used in operating activities		**(270,372)**	(490,772)
Cash flows from investing activities			
Interest received		**14,949**	6,927
Purchase of property, plant and equipment		**(30,744)**	(15,899)
Purchase of leasehold land and land use rights		**(177)**	—
Proceeds from disposal of property, plant and equipment		**304**	6,011
Proceeds from disposal of investment properties		**34,545**	—
Acquisition of a business/subsidiary	43	**(40,908)**	(584)
Proceeds from disposal of partial interest in a subsidiary		**280**	—
Net cash inflow in respect of the disposal of subsidiaries		**—**	13,939
Increase in investment in an associated company		**(10,269)**	—
Proceeds from disposal of associated companies		**2,868**	13,984
Dividends received from jointly controlled entities		**9,681**	6,489
Decrease in deposits with banks		**34,827**	113,952
Loans receivable made to third parties		**—**	(25,854)
Receipt of loans repayment from third parties		**20,432**	18,935
Net cash generated from investing activities		**35,788**	137,900
Cash flows from financing activities			
Interest paid		**(13,251)**	(1,569)
Proceeds from borrowings		**107,931**	218,982
Repayments of borrowings		**(29,684)**	—
Proceeds from issuance of redeemable participation shares		**20,000**	—
Dividend paid		**(13,989)**	(16,787)
Net cash generated from financing activities		**71,007**	200,626
Net decrease in cash and cash equivalents		**(163,577)**	(152,246)
Cash and cash equivalents at 1st January		**527,151**	672,278
Exchange differences		**7,368**	7,119
Cash and cash equivalents at 31st December		**370,942**	527,151
Analysis of balances of cash and cash equivalents			
Cash at bank and in hand		**185,147**	349,915
Short-term bank deposits			
— pledged		**15,021**	—
— non-pledged		**170,774**	177,236
Cash and cash equivalents as above		**370,942**	527,151

The notes on pages 26 to 94 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2011

	Attributable to shareholders of the Company									Non-controlling interests	Total
	Share capital	Share premium	Employee share-based compensation reserve	Capital reserve	Capital redemption reserve	Assets revaluation reserve	Investment revaluation reserve	Exchange fluctuation reserve	Retained earnings		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2011	279,783	849,536	42,682	299,357	14,006	12,334	161,616	89,828	1,028,500	102,096	2,879,738
Total comprehensive loss	—	—	—	(68,753)	—	—	(66,451)	39,076	(28,993)	2,691	(122,430)
Changes in ownership interests in subsidiaries without change of control	—	—	—	924	—	—	—	—	—	(644)	280
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(213)	(213)
Transfer from retained earnings	—	—	—	1,804	—	—	—	—	(1,804)	—	—
Transfer of reserve upon lapse of share options	—	—	(2,182)	—	—	—	—	—	2,182	—	—
2010 final dividend paid	—	—	—	—	—	—	—	—	(13,989)	—	(13,989)
	—	—	(2,182)	2,728	—	—	—	—	(13,611)	(857)	(13,922)
At 31st December 2011	279,783	849,536	40,500	233,332	14,006	12,334	95,165	128,904	985,896	103,930	2,743,386

	Attributable to shareholders of the Company									Non-controlling interests	Total
	Share capital	Share premium	Employee share-based compensation reserve	Capital reserve	Capital redemption reserve	Assets revaluation reserve	Investment revaluation reserve	Exchange fluctuation reserve	Retained earnings		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2010	279,783	849,536	43,773	273,642	14,006	12,334	192,555	68,790	929,217	90,965	2,754,601
Total comprehensive income	—	—	—	26,327	—	—	(30,939)	21,038	114,367	19,377	150,170
Disposal of subsidiaries	—	—	—	(858)	—	—	—	—	858	(8,246)	(8,246)
Disposal of associated companies	—	—	—	(199)	—	—	—	—	199	—	—
Transfer from retained earnings	—	—	—	445	—	—	—	—	(445)	—	—
Transfer of reserve upon lapse of share options	—	—	(1,091)	—	—	—	—	—	1,091	—	—
2009 final dividend paid	—	—	—	—	—	—	—	—	(16,787)	—	(16,787)
	—	—	(1,091)	(612)	—	—	—	—	(15,084)	(8,246)	(25,033)
At 31st December 2010	279,783	849,536	42,682	299,357	14,006	12,334	161,616	89,828	1,028,500	102,096	2,879,738

The notes on pages 26 to 94 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 of directors (the "Board") on 23rd March 2012.

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

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

Changes in accounting policy and disclosures

(a) Amendments, revision and interpretations to existing Standards effective in 2011 but not currently relevant to the Group's operation

The following amendments, revision and interpretations to existing Standards are mandatory for the first time for the financial year beginning 1st January 2011:

- HKAS 24 (Revised) — Related Party Disclosures;
- HKAS 32 (Amendment) — Classification of Rights Issues;
- HKFRS 1 (Amendment) — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters;
- HK(IFRIC)-Int 14 (Amendment) — Prepayments of a Minimum Funding Requirement; and
- HK(IFRIC)-Int 19 — Extinguishing Financial Liabilities with Equity Instruments

In addition, Hong Kong Institute of Certified Public Accountants ("HKICPA") also published a number of amendments for the existing Standards under its annual improvement project. These amendments do not have a significant financial impact on the results and financial position of the Group.

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

2.1 Basis of preparation *(continued)*

Changes in accounting policy and disclosures *(continued)*

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

The following Standards, amendments, revisions and interpretation to existing Standards have been issued but are not effective for the financial year beginning 1st January 2011 and have not been early adopted:

		Effective for accounting periods beginning on or after
• HKAS 1 (Amendment)	Presentation of Financial Statements;	1st July 2012
• HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets;	1st January 2012
• HKAS 19 (Amendment)	Employee Benefits;	1st January 2013
• HKAS 27 (Revised 2011)	Separate Financial Statements;	1st January 2013
• HKAS 28 (Revised 2011)	Investments in Associates and Joint Ventures;	1st January 2013
• HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities;	1st January 2014
• HKFRS 1 (Amendment)	Disclosures — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters;	1st July 2011
• HKFRS 7 (Amendment)	Disclosures — Transfer of Financial Assets;	1st July 2011
• HKFRS 7 (Amendment)	Disclosures — Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities;	1st January 2013
• HKFRS 9	Financial Instruments;	1st January 2015
• HKFRS 10	Consolidated Financial Statements;	1st January 2013
• HKFRS 11	Joint Arrangements;	1st January 2013
• HKFRS 12	Disclosure of Interests in Other Entities;	1st January 2013
• HKFRS 13	Fair Value Measurements; and	1st January 2013
• HK(IFRIC) — Int 20	Stripping Costs in the Production Phrase of a Surface Mine	1st January 2013

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

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

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.

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.

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

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

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

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

2.2 Consolidation *(continued)*

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

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

(d) 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, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. 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 post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associated company.

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

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

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

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

2.2 Consolidation *(continued)*

(e) 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, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

The Group's share of post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the jointly controlled entity.

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

2.3 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 the Company that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

2.4 Foreign currency translation *(continued)*

(c) Group companies

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

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

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

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

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. Exchange differences arising are recognised in equity.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associated company that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associated companies or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.5 Intangible assets

(a) Goodwill

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

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

2.5 Intangible assets *(continued)*

(a) Goodwill *(continued)*

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

(b) Trading rights

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

2.6 Property, plant and equipment

(a) Land and buildings in Hong Kong

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

(b) Construction-in-progress

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

(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.

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

2.6 Property, plant and equipment *(continued)*

(d) Depreciation and amortisation

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 within "Other gains — net" in the consolidated income statement. When revalued assets are sold, the amounts included in assets revaluation reserve are transferred to retained earnings.

2.7 Investment properties

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

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

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

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

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

2.7 Investment properties *(continued)*

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

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

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

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

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

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

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

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

2.8 Leasehold land and land use rights

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

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

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

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

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

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

2.10 Financial assets

2.10.1 Classification

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.

(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. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

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

2.10 Financial assets *(continued)*

2.10.1 *Classification* *(continued)*

(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 the amounts that are settled or expected to be settled more than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "loans and advances", "client trust bank balances", "cash and cash equivalents", "deposits with banks" and "trade and other receivables" (Note 2.13) in the consolidated 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 the investment matures or management intends to dispose of the investment within twelve months of the end of the reporting period.

2.10.2 *Recognition and measurement*

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

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

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

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.

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

2.10 Financial assets *(continued)*

2.10.2 Recognition and measurement *(continued)*

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 the end of each reporting period 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 and other receivables is described in Note 2.13.

2.11 Properties under development and held for sale

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

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

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

2.12 Inventories

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

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

2.13 Trade and other receivables

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

2.14 Client trust bank balances

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

2.15 Cash and cash equivalents

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

2.16 Share capital

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

Where any group company purchases the Company's equity share capital (treasury shares), 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 ordinary 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 shareholders of the Company.

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 end of the reporting period.

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

2.19 Current and deferred taxation

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantially 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 tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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

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

2.20 Employee benefits

(a) Pension obligations

The Group has both defined contribution retirement plan and Italian staff leaving indemnities ("TFR") which are classified as defined benefit retirement plan.

Defined contribution retirement plan

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

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

2.20 Employee benefits *(continued)*

(a) Pension obligations *(continued)*

Defined contribution retirement plan *(continued)*

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

Defined benefit retirement plan

A defined benefit retirement plan is a pension plan that is not a defined contribution retirement plan. Typically defined benefit retirement plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the consolidated balance sheet in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(b) 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.

(c) 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.

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

2.20 Employee benefits *(continued)*

(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 the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement with a corresponding adjustment to equity.

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

2.21 Provisions

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Revenue recognition

Revenue is measured at 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; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

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

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

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

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

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

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

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

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

2.24 Net assets attributable to holders of redeemable participation shares

Net assets attributable to holders of redeemable participation shares represent the minority interest of an investment fund which is consolidated by the Group as a subsidiary. The minority investors in the investment fund have the right to redeem the participation shares at any time and therefore the economic substance of the minority interest is that of a liability. This minority interest is classified as a current liability in the Group's consolidated balance sheet.

2.25 Finance costs

Finance costs incurred for the construction of any qualifying assets, where are assets that necessarily take a substantial period of time to get ready for their intended use, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 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.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company'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. 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 45 to the consolidated financial statements.

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.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital risk management *(continued)*

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

The gearing ratios at 31st December 2011 and 2010 are as follows:

	2011	2010
	HK$'000	HK$'000
Total borrowings *(Note 34)*	**322,548**	233,862
Total equity	**2,743,386**	2,879,738
Gearing ratio	**11.8%**	8.1%

3.3 Fair value estimation

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

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

The following table presents the Group's assets that are measured at fair value at 31st December 2011.

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets at fair value through profit or loss				
— listed securities	**88,524**	**—**	**—**	**88,524**
— unlisted, quoted securities	**156,958**	**—**	**—**	**156,958**
— unlisted securities	**—**	**—**	**27,790**	**27,790**
Available-for-sale financial assets				
— listed securities	**971**	**—**	**—**	**971**
— unlisted securities	**—**	**95,165**	**627**	**95,792**
	246,453	**95,165**	**28,417**	**370,035**

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

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

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

The 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.

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.

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

The following table presents the changes in level 3 instruments for the years ended 31st December 2011 and 2010.

	Unlisted securities 2011 HK$'000	Convertible bond 2010 HK$'000
Opening balance	**—**	5,513
Addition	**28,417**	—
Losses recognised in consolidated income statement	**—**	(5,513)
Closing balance	**28,417**	—

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Income taxes

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

(b) Useful lives of property, plant and equipment

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

(c) Estimated fair value of investment properties

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

(d) Fair value of financial instruments

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

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 the end of each reporting period.

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

(e) Allowance for doubtful debts

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

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

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

(g) Impairment of property, plant and equipment

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

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

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

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

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

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

(j) Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at each balance sheet date. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

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 the 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 2011 HK$'000	Corporate finance and stockbroking 2011 HK$'000	Property development 2011 HK$'000	Property investment and hotel 2011 HK$'000	Direct investment 2011 HK$'000	Group 2011 HK$'000
Income statement						
Revenue	(57,317)	135,504	70,756	79,880	56,586	285,409
Segment results	(62,848)	39,464	11,671	42,076	(27,022)	3,341
Unallocated net operating expenses						(24,667)
Operating loss						(21,326)
Finance income — net						6,013
Share of profits less losses of						
— Associated companies	—	—	—	—	(16,940)	(16,940)
— Jointly controlled entities	—	—	—	18,480	2,726	21,206
Loss before taxation						(11,047)
Balance sheet						
Segment assets	270,982	2,195,624	682,525	876,465	296,650	4,322,246
Investments in associated companies	—	—	—	—	308,486	308,486
Investments in jointly controlled entities	—	—	—	202,472	37,827	240,299
Tax recoverable						2,882
Deferred tax assets						14,043
Corporate assets						46,746
Total assets						4,934,702
Other information						
Depreciation and amortisation	7	1,957	1,130	32,662	7,487	43,243

Note: There were no sales among the operating segments.

5. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

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

Note: There were no sales among the operating segments.

5. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

	Hong Kong 2011 HK$'000	Chinese Mainland and others 2011 HK$'000	Group 2011 HK$'000
Revenue	**80,009**	**205,400**	**285,409**
Non-current assets*	**389,390**	**1,106,819**	**1,496,209**

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

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

6. OTHER GAINS — NET

	Group 2011 HK$'000	2010 HK$'000
Net (loss)/gain on disposal of interests in subsidiaries	**(806)**	5,570
Loss on deemed disposal of an associated company	**(836)**	—
Gain on disposal of interests in associated companies	**55**	657
Gain on disposal of investment properties	**1,373**	—
Fair value gains on investment properties	**70,596**	101,401
Net foreign exchange gain	**14,448**	11,457
	84,830	119,085

7. OPERATING (LOSS)/PROFIT

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

	Group	
	2011	2010
	HK$'000	HK$'000
Crediting		
Write back of provision for obsolete stock	**—**	301
Gain from a bargain purchase	**3,790**	—
Charging		
Depreciation	**41,303**	14,210
Amortisation of leasehold land and land use rights	**2,407**	3,164
Cost of properties sold	**42,167**	36,762
Cost of inventories	**50,203**	628
Stockbroking commission and related expenses	**21,248**	30,787
Staff costs *(Note 13)*	**151,705**	137,891
Operating lease rental in respect of land and buildings	**7,134**	6,495
Auditors' remuneration		
Audit and audit related work		
— the Company's auditor	**2,330**	2,222
— other auditors	**1,331**	703
Non-audit services — the Company's auditor	**226**	176
Provision for doubtful debts	**653**	964
Net loss on disposal of property, plant and equipment	**444**	70

8. FINANCE INCOME — NET

	Group	
	2011	2010
	HK$'000	HK$'000
Finance income	**19,572**	9,215
Finance costs		
— Interest on loans and overdrafts	**(20,185)**	(8,851)
— Less: amounts capitalised as qualifying assets	**6,626**	7,282
Total finance costs	**(13,559)**	(1,569)
Finance income — net	**6,013**	7,646

9. TAXATION

Hong Kong profits tax has been provided for at the rate of 16.5% (2010: 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	
	2011	2010
	HK$'000	HK$'000
Hong Kong profits tax		
Current	**6,267**	8,958
Over-provision in previous years	**(180)**	(907)
Overseas taxation		
Current	**8,419**	3,084
(Over)/under-provision in previous years	**(39)**	765
Deferred taxation *(Note 39)*	**10,577**	22,987
Taxation charge	**25,044**	34,887

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

	Group	
	2011	2010
	HK$'000	HK$'000
(Loss)/profit before taxation (net of share of profits less losses of associated companies and jointly controlled entities)	**(15,313)**	111,821
Tax calculated at a taxation rate of 16.5% (2010: 16.5%)	**(2,527)**	18,450
Effect of different taxation rates in other countries	**10,267**	8,293
Income not subject to taxation	**(3,061)**	(6,091)
Expenses not deductible for taxation purposes	**1,573**	2,361
Over-provision in previous years, net	**(219)**	(142)
Unrecognised deferred tax assets	**15,362**	10,450
Corporate withholding tax	**1,008**	755
Others	**(143)**	130
	22,260	34,206
Land appreciation tax	**2,784**	681
Taxation charge	**25,044**	34,887

9. TAXATION *(continued)*

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

	Group	
	2011	2010
	HK$'000	HK$'000
Recoverable		
Hong Kong	**1,058**	374
Overseas	**1,824**	2,831
	2,882	3,205
Payable		
Hong Kong	**780**	780
Overseas	**32,727**	28,429
	33,507	29,209

10. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The loss attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of HK$25,394,000 (2010: Company's profit attributable to shareholders of HK$72,293,000).

11. (LOSSES)/EARNINGS PER SHARE

The calculation of basic and diluted (losses)/earnings per share is based on the Group's loss attributable to shareholders of HK$28,719,000 (2010: Group's profit attributable to shareholders of HK$114,367,000). The basic (losses)/earnings per share is based on the weighted average number of 1,398,913,012 (2010: 1,398,913,012) shares in issue during the year.

The Company has share options outstanding for 2010 which are dilutive potential ordinary shares. Calculation is made to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of 10,590,944 dilutive potential ordinary shares.

Diluted losses per share for 2011 is the same as the basic losses per share as the potential additional ordinary shares are anti-dilutive.

12. DIVIDENDS

The Board does not recommend the payment of a final dividend (2010: HK$0.01 per ordinary share totaling HK$13,989,000) for the year ended 31st December 2011.

13. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group 2011 HK$'000	Group 2010 HK$'000
Wages, salaries and allowance	**128,333**	126,707
Retirement benefit costs — defined contribution plans *(Note 15)*	**14,313**	4,279
Retirement benefit costs — defined benefit plan *(Note 36)*	**389**	—
Other employee benefits	**8,670**	6,905
	151,705	137,891

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The remuneration of every Director for the year ended 31st December 2011 is set out below:

Name of Director	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Retirement benefit costs HK$'000	2011 Total HK$'000
Executive directors:					
Mr. LO Yuen Yat	—	2,910	—	248	3,158
Mr. XIN Shulin	—	2,380	—	202	2,582
Mr. YEUNG Wai Kin	—	2,548	—	216	2,764
Non-executive director:					
Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.*	294	—	—	—	294
Independent non-executive directors:					
Prof. WOO Chia-Wei	294	—	—	—	294
Mr. LIU Ji	294	—	—	—	294
Mr. YU Qihao	294	—	—	—	294
Mr. ZHOU Xiaohe	294	—	—	—	294

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

(a) Directors' emoluments *(continued)*

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

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

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 2011 and 2010.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2010: three) Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2010: two) individuals during the year are as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries, allowances and benefits-in-kind	**4,523**	3,878
Discretionary bonuses	**1,480**	12,000
Retirement benefit costs	**218**	146
	6,221	16,024

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

(b) Five highest paid individuals *(continued)*

The emoluments fell within the following bands:

Emolument bands	**Number of individuals**	
HK$	**2011**	2010
1,500,001–2,000,000	**1**	—
4,000,001–4,500,000	**1**	—
7,000,001–7,500,000	**—**	1
8,500,001–9,000,000	**—**	1
	2	2

15. RETIREMENT BENEFIT COSTS — DEFINED CONTRIBUTION PLANS

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$15,000 (2010: HK$36,000) 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 2011 and 2010 available to reduce the contributions payable in the future years.

Contributions totaling HK$208,000 (2010: HK$196,000) 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 ranging from 12% to 17% of basic salary from the Group for its overseas employees.

16. INTANGIBLE ASSETS

Group	Goodwill HK$'000	Trading rights HK$'000	Total HK$'000
Cost			
At 1st January and 31st December 2011	**2,104**	**400**	**2,504**
Accumulated impairment loss			
At 1st January and 31st December 2011	**378**	**—**	**378**
Net book value			
At 31st December 2011	**1,726**	**400**	**2,126**

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

Impairment test for goodwill

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

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

17. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Land and Buildings		Buildings					
	Freehold outside Hong Kong HK$'000	Long-term leases in Hong Kong HK$'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 2011	—	59,501	211,818	150,929	7,103	25,774	681	455,806
Acquisition of a business	27,729	—	—	—	22,701	—	—	50,430
Additions	3,614	—	7,031	1,802	17,203	976	118	30,744
Transfer from construction-in-progress	—	—	—	472	—	—	(472)	—
Transfer from properties held for sale	—	—	5,028	—	—	—	—	5,028
Transfer to investment properties	—	—	(17,606)	—	—	—	—	(17,606)
Disposals	—	—	(208)	(1,267)	(361)	(3,225)	—	(5,061)
Exchange differences	(291)	—	10,716	6,480	202	729	46	17,882
At 31st December 2011	31,052	59,501	216,779	158,416	46,848	24,254	373	537,223
Accumulated depreciation and impairment loss								
At 1st January 2011	—	9,346	21,808	25,722	6,436	22,524	344	86,180
Depreciation for the year	1,608	608	7,896	25,453	4,243	1,495	—	41,303
Transfer to investment properties	—	—	(12,773)	—	—	—	—	(12,773)
Disposals	—	—	(86)	(1,207)	(316)	(2,704)	—	(4,313)
Exchange differences	(123)	—	1,224	1,091	117	687	29	3,025
At 31st December 2011	1,485	9,954	18,069	51,059	10,480	22,002	373	113,422
Net book value								
At 31st December 2011	29,567	49,547	198,710	107,357	36,368	2,252	—	423,801

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

(a) Group *(continued)*

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

The analysis of the cost or valuation of the above assets is as follows:

	Land and buildings		Buildings					
	Freehold outside Hong Kong 2011 HK$'000	Long-term leases in Hong Kong 2011 HK$'000	Medium-term leases outside Hong Kong 2011 HK$'000	Furniture, fixtures and equipment 2011 HK$'000	Plant and machinery 2011 HK$'000	Motor vehicles and trucks 2011 HK$'000	Construction-in-progress 2011 HK$'000	Total 2011 HK$'000
At cost	31,052	48,376	216,779	158,416	46,848	24,254	373	526,098
At professional valuation — 1994	—	11,125	—	—	—	—	—	11,125
	31,052	59,501	216,779	158,416	46,848	24,254	373	537,223

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

(a) Group *(continued)*

	Land and buildings	Buildings					
	Long-term leases in Hong Kong 2010 HK$'000	Medium-term leases outside Hong Kong 2010 HK$'000	Furniture, fixtures and equipment 2010 HK$'000	Plant and machinery 2010 HK$'000	Motor vehicles and trucks 2010 HK$'000	Construction-in-progress 2010 HK$'000	Total 2010 HK$'000
At cost	48,376	211,818	150,929	7,103	25,774	681	444,681
At professional valuation — 1994	11,125	—	—	—	—	—	11,125
	59,501	211,818	150,929	7,103	25,774	681	455,806

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$8,227,000 (2010: HK$8,560,000).

(b) Company

	Motor vehicles	
	2011 HK$'000	2010 HK$'000
Cost		
At 1st January and 31st December	**457**	457
Accumulated depreciation		
At 1st January	**312**	222
Depreciation for the year	**92**	90
At 31st December	**404**	312
Net book value		
At 31st December	**53**	145

18. INVESTMENT PROPERTIES

	Group 2011 HK$'000	2010 HK$'000
Valuation at 1st January	**268,152**	73,378
Transfer from properties under development and properties held for sale	**123,471**	107,947
Transfer from/(to) property, plant and equipment	**4,833**	(13,188)
Transfer from/(to) leasehold land and land use rights	**3,032**	(2,758)
Disposals	**(33,172)**	—
Fair value gains	**70,596**	101,401
Exchange differences	**10,658**	1,372
Valuation at 31st December	**447,570**	268,152

Investment properties were revalued at 31st December 2011 on an open market value basis by independent, professionally qualified valuers who have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

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

	2011 HK$'000	2010 HK$'000
In Hong Kong, held on		
— leases over 50 years	**14,300**	12,000
Outside Hong Kong, held on		
— leases between 10 to 50 years	**433,270**	256,152
	447,570	268,152

	2011 HK$'000	2010 HK$'000
Rental income recognised in consolidated income statement for investment properties	**6,529**	3,648

19. LEASEHOLD LAND AND LAND USE RIGHTS

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

	2011 HK$'000	2010 HK$'000
Net book value at 1st January	**59,292**	56,598
Addition	**177**	—
Transfer (to)/from investment properties	**(3,032)**	2,758
Amortisation for the year	**(2,407)**	(3,164)
Transfer from properties held for sale	**955**	1,153
Exchange differences	**1,714**	1,947
Net book value at 31st December	**56,699**	59,292

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

20. INVESTMENTS IN SUBSIDIARIES

	Company 2011 HK$'000	 2010 HK$'000
Unlisted investments, at cost	**36,168**	38,350
Loan to a subsidiary	**70,000**	70,000
Less: accumulated impairment losses	**(18,469)**	(18,469)
	87,699	89,881

The loan to a subsidiary is unsecured, denominated in Hong Kong dollar and, interest bearing at Hong Kong prime rate plus 1% (2010: Hong Kong prime rate plus 1%) and not repayable within the next twelve months as at the balance sheet date. The carrying value of the loan to a subsidiary approximates to its fair value as at 31st December 2011.

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

The following is a list of the principal subsidiaries at 31st December:

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held 2011	Effective interest held 2010	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
Headmost Technology Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
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
Shun Xin Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	—	Investment holding
UAT Holdings Limited	British Virgin Islands	100 ordinary shares of US$1 each	**100%**	100%	Investment holding
Yearson Properties Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
Shares held indirectly:					
Atlas Securities Pty. Limited	Australia	2 ordinary shares of A$1 each	**100%**	100%	Securities investment
Billion Bright Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Securities investment
Bonvision Consultancy (Beijing) Company Limited	Chinese Mainland (a)	HK$500,000	**100%**	100%	Financial consultancy
Bonvision Consulting (Shanghai) Limited	Chinese Mainland (a)	US$200,000	**100%**	100%	Financial consultancy

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held 2011	2010	Principal activities
Shares held indirectly: *(continued)*					
Bonvision Consulting (Shenzhen) Company Limited	Chinese Mainland (a)	HK$1,000,000	**—**	100%	Financial consultancy
Bright Shining Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
China Betung Automobile (H.K.) Company Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Clear Profit Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
Crimson Pharmaceutical (Hong Kong) Limited	Hong Kong	1,000 ordinary shares of HK$1 each	**51%**	51%	Pharmaceutical services
Crimson Pharmaceutical (Shanghai) Company Limited	Chinese Mainland (a)	US$1,400,000	**51%**	51%	Pharmaceutical services
CVIC International Container Transportation Company Limited	Hong Kong	10,000 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Draco Equity Investment Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Securities investment
Ever Achieve Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Securities investment
Excel Partner Holdings Limited	Hong Kong	1 ordinary share of HK$1 each	**100%**	100%	Pharmaceutical services
First eFinance Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Internet financial service system services
First Shanghai Asset Management Limited	Hong Kong	9,000,000 ordinary shares of HK$1 each	**100%**	100%	Assets Management
First Shanghai Capital Limited	Hong Kong	22,000,000 ordinary shares of HK$1 each	**100%**	100%	Corporate finance
First Shanghai Financial Holding Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Investment holding
First Shanghai Futures Limited	Hong Kong	19,000,000 ordinary shares of HK$1 each	**100%**	100%	Futures broking
First Shanghai Properties (Kunshan) Company Limited	Chinese Mainland (b)	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

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held 2011	Effective interest held 2010	Principal activities
Shares held indirectly: *(continued)*					
First Shanghai Venture Capital Management (Shenzhen) Company Limited	Chinese Mainland (a)	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
Huangshan Hui Zhong Property Development Company Limited	Chinese Mainland (a)	US$10,000,000	**100%**	100%	Property development
Kunshan Shi Jingying Hotel Management Company Limited	Chinese Mainland (c)	RMB1,000,000	**70%**	70%	Hotel operation
Leading Business Limited	British Virgin Islands	1,450,000 ordinary shares of US$1 each	**100%**	100%	Property investment
Perfect Honour Investments Limited	British Virgin Islands	10 ordinary shares of US$1 each	**100%**	100%	Property investment
P.H.A. Investments Pty. Limited	Australia	60,000 ordinary shares of A$2 each	**78.6%**	78.6%	Investment holding
P.H.A. Trading Pty. Limited	Australia	2 ordinary shares of A$0.5 each	**78.6%**	78.6%	Investment holding
Shanghai Fu Heng Properties Management Limited	Chinese Mainland (c)	RMB500,000	**55%**	55%	Property management
Shanghai Transvision Network Application Service Company Limited	Chinese Mainland (a)	US$1,800,000	**100%**	100%	Investment holding
Shanghai Yi Hang Logistic Network Management Limited	Chinese Mainland (c)	RMB1,700,000	**—**	88.8%	Logistics services
Shanghai Zhong Chuang International Container Storage & Transportation Company Limited	Chinese Mainland (b)	US$11,025,000	**62%**	62%	Container transportation and freight forwarding
Sirton Pharmaceuticals S.p.A.	Italy	300,000 ordinary shares of EUR1 each	**100%**	100%	Pharmaceutical services
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

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ operation	Particulars of issued share capital/ registered capital	Effective interest held 2011	2010	Principal activities
Shares held indirectly: *(continued)*					
United Asia Transport Limited	Hong Kong	2 ordinary shares of HK$1 each	**100%**	100%	Investment holding
Wise Success Investments Limited	British Virgin Islands	1 ordinary share of US$1 each	**100%**	100%	Securities investment
Wise United Investments Limited	British Virgin Islands	1 ordinary share of US$1 each	**100%**	100%	Securities investment
Wuxi HK Landshine Real Estate Company Limited	Chinese Mainland (b)	US$20,000,000	**70%**	70%	Property development
Wuxi Sunshine Hotel Company Limited	Chinese Mainland (c)	RMB1,000,000	**100%**	100%	Hotel operation
Wuxi Sunshine Real Estate Limited	Chinese Mainland (a)	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 (a)	RMB80,000,000	**95.2%**	80%	Property development

Notes:

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

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

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

21. INVESTMENTS IN ASSOCIATED COMPANIES

	Group 2011 HK$'000	2010 HK$'000
At 1st January	**383,914**	370,845
Increase in investment in an associated company	**10,269**	—
Share of associated companies' results		
— (Loss)/profit before taxation	**(16,597)**	4,086
— Taxation	**(343)**	(2,863)
Share of an associated company's reserves	**(68,753)**	26,327
Disposal of associated companies	**(2,813)**	(15,935)
Deemed disposal of partial interest on an associated company	**(836)**	—
Constructive obligations recognised in other payables	**4,472**	—
Exchange differences	**(827)**	1,454
At 31st December	**308,486**	383,914

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

Name	Place of incorporation/ establishment	Particulars of issued share capital	Effective interest held 2011	2010	Principal activities
China Assets (Holdings) Limited ("China Assets") (see note (a) below)	Hong Kong	76,758,160 ordinary shares of US$0.1 each	**33.25%**	33.34%	Investment holding
China Assets Investment Management Limited	Hong Kong	2,000 ordinary shares of HK$1 each	**—**	28%	Management and investment advisory services
Holygene Corporation (see note (b) below)	British Virgin Islands	6,450,000 ordinary shares of US$1 each	**54.26%**	51.29%	Pharmaceutical services

Notes:

(a) *China Assets operates principally in Hong Kong and is listed on The Stock Exchange of Hong Kong Limited. The market value of the listed security as at 31st December 2011 was approximately HK$102,091,000 (2010: HK$126,338,000).*

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

21. INVESTMENTS IN ASSOCIATED COMPANIES *(continued)*

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

	2011 **HK$'000**	2010 HK$'000
Revenue	**8,807**	94,660
(Loss)/profit for the year	**(16,940)**	1,223
Assets	**329,436**	410,647
Liabilities	**(20,950)**	(26,733)
Net assets	**308,486**	383,914

22. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

	Group		**Company**	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
At 1st January	**208,723**	151,118	**—**	11,793
Share of jointly controlled entities' results				
— Profit before taxation	**26,490**	53,750	**—**	—
— Taxation	**(5,284)**	(1,400)	**—**	—
Disposal of a jointly controlled entity	**—**	—	**—**	(11,793)
Exchange differences	**10,370**	5,255	**—**	—
At 31st December	**240,299**	208,723	**—**	—

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

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

Name	Place of incorporation/ establishment and operation	Effective interest in ownership/voting power/profit sharing 2011	2010	Principal activities
Goodbaby Bairuikang Hygienic Products Company Limited ("Goodbaby Bairuikang") (see note (a) below)	Chinese Mainland	**50%**	50%	Production of diapers and related hygienic products
Shanghai Zhangjiang Property Development Company Limited ("Zhangjiang") (see note (b) below)	Chinese Mainland	**50%**	50%	Property development

Notes:

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

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

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

	2011 HK$'000	2010 HK$'000
Income	**60,551**	97,170
Expenses	**(39,345)**	(44,820)
Profit for the year	**21,206**	52,350
Assets		
Non-current assets	**247,015**	234,681
Current assets	**38,465**	35,817
	285,480	270,498
Liabilities		
Non-current liabilities	**37,292**	33,961
Current liabilities	**7,889**	27,814
	45,181	61,775
Net assets	**240,299**	208,723

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

23. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1st January	**162,587**	193,526	**161,616**	192,555
Acquisition of a business	**633**	—	**—**	—
Fair value change transfer to other comprehensive income	**(66,451)**	(30,939)	**(66,451)**	(30,939)
Exchange difference	**(6)**	—	**—**	—
At 31st December	**96,763**	162,587	**95,165**	161,616

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed securities				
— Equity securities, Overseas	**971**	971	**—**	—
Unlisted securities				
— Equity securities	**95,165**	161,616	**95,165**	161,616
— Equity securities, Overseas	**627**	—	**—**	—
	96,763	162,587	**95,165**	161,616
Market value of listed securities	**971**	971	**—**	—

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

24. LOANS AND ADVANCES

	Group 2011 HK$'000	Group 2010 HK$'000	Company 2011 HK$'000	Company 2010 HK$'000
Loans and advances *(note (a))*	**101,047**	116,147	**63,650**	64,006
Provision for impairment	**(78,238)**	(78,054)	**(52,590)**	(52,590)
	22,809	38,093	**11,060**	11,416
Less: non-current portion	**(17,228)**	(21,993)	**(11,060)**	(11,416)
Current portion	**5,581**	16,100	**—**	—
Margin loans *(note (b))*	**427,274**	329,722	**—**	—
	432,855	345,822	**—**	—

Notes:

(a) *As at 31st December 2011, loans and advances include HK$11,749,000 and HK$11,060,000 which bear effective interest at 6% and 8.25% per annum respectively.*

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

The weighted average effective interest rate at 31st December 2011 was 7.09% (2010: 7.98%) 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 2011 HK$'000	Group 2010 HK$'000
At 1st January	**78,054**	82,537
Disposal of a subsidiary	**—**	(4,607)
Exchange differences	**184**	124
At 31st December	**78,238**	78,054

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

	Group 2011 HK$'000	Group 2010 HK$'000
Hong Kong dollars	**11,060**	11,416
Renminbi	**11,749**	26,677
	22,809	38,093

(b) *Margin loans to third parties are secured by the underlying pledged securities, bear interest at Hong Kong prime rate to prime rate plus 3% (2010: Hong Kong prime rate to prime rate plus 3%) per annum, and are repayable on demand. The carrying values of margin loans approximate to their fair values. No ageing analysis is disclosed as, in the opinion of the Directors, an ageing analysis is not meaningful in view of the nature of the business of securities margin financing.*

25. PROPERTIES UNDER DEVELOPMENT

	Group 2011 HK$'000	2010 HK$'000
Leasehold land and land use rights	**171,345**	186,316
Construction costs	**39,650**	49,491
	210,995	235,807

The properties under development are located in the Chinese Mainland.

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

26. INVENTORIES

	Group 2011 HK$'000	2010 HK$'000
Raw materials	**3,786**	—
Work-in-progress	**970**	—
Finished goods	**745**	555
	5,501	555

27. TRADE RECEIVABLES

	Group 2011 HK$'000	2010 HK$'000
Due from stockbrokers and clearing houses	**2,576**	85,449
Due from stockbroking clients	**39,258**	90,768
Trade receivables	**44,530**	45,453
Bills receivable	**1,110**	—
	87,474	221,670
Provision for impairment	**(17,279)**	(15,934)
	70,195	205,736

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.

27. TRADE RECEIVABLES *(continued)*

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	
	2011	2010
	HK$'000	HK$'000
0–30 days	**63,469**	203,089
31–60 days	**3,156**	1,361
61–90 days	**1,336**	681
Over 90 days	**2,234**	605
	70,195	205,736

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

	Group	
	2011	2010
	HK$'000	HK$'000
At 1st January	**15,934**	15,194
Provision for impairment during the year	**653**	755
Receivables written off	**—**	(31)
Disposal of a subsidiary	**—**	(575)
Exchange differences	**692**	591
At 31st December	**17,279**	15,934

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

	Group	
	2011	2010
	HK$'000	HK$'000
Hong Kong dollars	**56,573**	204,672
Renminbi	**3,442**	1,064
Euro	**10,180**	—
	70,195	205,736

28. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other receivables	**10,181**	14,175	**83**	40
Prepayments and deposits	**19,043**	19,956	**679**	638
	29,224	34,131	**762**	678

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

29. AMOUNTS DUE FROM/TO SUBSIDIARIES

(a) Amounts due from subsidiaries

	Company	
	2011	2010
	HK$'000	HK$'000
Amounts due from subsidiaries	**1,786,608**	1,772,732
Provision for impairment	**(302,578)**	(264,410)
	1,484,030	1,508,322

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. Out of the total, approximately HK$1,377,290,000 (2010: HK$1,421,444,000) and HK$106,740,000 (2010: HK$86,878,000) are denominated in Hong Kong dollars and Renminbi, respectively.

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

	Company	
	2011	2010
	HK$'000	HK$'000
At 1st January	**264,410**	305,123
Provision for impairment during the year	**38,168**	—
Provision for impairment written back	**—**	(40,713)
At 31st December	**302,578**	264,410

(b) Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest-free, repayable on demand and denominated in Hong Kong dollars.

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	HK$'000	HK$'000
Equity securities		
— Listed, Hong Kong	**77,364**	145,104
— Listed, Overseas	**11,160**	13,939
— Quoted, Hong Kong	**156,958**	171,196
Market value of financial assets	**245,482**	330,239
Unlisted securities	**27,790**	—
	273,272	330,239

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 40).

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

31. DEPOSITS WITH BANKS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Pledged	**1,337**	15,000	**—**	10,000
Non-pledged	**5,447**	26,611	**—**	—
	6,784	41,611	**—**	10,000

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**—**	26,000	**—**	—
Renminbi	**2,846**	—	**—**	—
US dollars	**—**	15,611	**—**	10,000
Australian dollars	**2,601**	—	**—**	—
Euro	**1,337**	—	**—**	—
	6,784	41,611	**—**	10,000

As at 31st December 2011, deposits of HK$2,846,000 (2010: HK$Nil) are placed with banks in the Chinese Mainland. The remittance of these funds out of the Chinese Mainland is subject to exchange control restrictions imposed by the Chinese government.

As at 31st December 2011, deposits amounting to HK$1,337,000 (2010: HK$15,000,000) have been pledged to a bank as security for certain facilities granted to the Group by the bank.

The effective interest rate on the deposits ranged from 1.30% to 5.50% (2010: 0.63% to 2.50%) per annum with original maturities of more than three months. These deposits have an average maturity of 365 days.

32. CASH AND CASH EQUIVALENTS AND CLIENT TRUST BANK BALANCES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**185,147**	349,915	**4,945**	6,131
Short-term bank deposits				
— Pledged	**15,021**	—	**10,021**	—
— Non-pledged	**170,774**	177,236	**—**	—
Total cash and cash equivalents	**370,942**	527,151	**14,966**	6,131
Client trust bank balances	**1,524,807**	1,143,906	**—**	—
	1,895,749	1,671,057	**14,966**	6,131

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**1,610,600**	1,307,030	**14,875**	4,730
Renminbi	**251,064**	257,253	**—**	—
US dollars	**18,502**	51,470	**87**	1,397
Australian dollars	**14,284**	21,162	**—**	—
Euro	**1,288**	34,130	**—**	—
Others	**11**	12	**4**	4
	1,895,749	1,671,057	**14,966**	6,131

Bank balances of HK$176,792,000 (2010: HK$183,949,000) are placed with banks in the Chinese Mainland. The remittance of these funds out of the Chinese Mainland is subject to exchange control restrictions imposed by the Chinese government.

The effective interest rate on short-term deposits ranged from 0.60% to 3.10% (2010: 0.31% to 1.91%) per annum and these deposits have an average maturity of 60 days.

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

33. TRADE AND OTHER PAYABLES

	Group 2011 HK$'000	Group 2010 HK$'000
Due to stockbrokers and dealers	**30,719**	1,758
Due to stockbroking clients	**1,558,048**	1,308,608
Trade payables	**100,977**	164,426
Total trade payables	**1,689,744**	1,474,792
Advance receipts from customers	**4,304**	7,485
Accruals and other payables	**65,977**	70,570
	1,760,025	1,552,847

	Company 2011 HK$'000	Company 2010 HK$'000
Accruals and other payables	**4,483**	12,673

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

Trade and other payables to stockbroking clients also include those payables placed in trust and segregated accounts with authorised institutions of HK$1,524,807,000 (2010: HK$1,158,889,000).

Trade and other payables are non-interest bearing except for the amount due to stockbroking clients placed in trust and segregated accounts with authorised institutions which bear interest at the rate with reference to the bank deposit savings rate.

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

The ageing analysis of the trade payables is as follows:

	Group 2011 HK$'000	Group 2010 HK$'000
0–30 days	**78,183**	136,159
31–60 days	**5,302**	6,943
61–90 days	**4,294**	1,877
Over 90 days	**13,198**	19,447
	100,977	164,426

33. TRADE AND OTHER PAYABLES *(continued)*

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

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**1,604,613**	1,357,486	**4,483**	12,673
Renminbi	**129,607**	190,872	**—**	—
US dollars	**8,874**	4,048	**—**	—
Australian dollars	**362**	441	**—**	—
Euro	**16,569**	—	**—**	—
	1,760,025	1,552,847	**4,483**	12,673

34. BORROWINGS

	Group	
	2011	2010
	HK$'000	HK$'000
Non-current		
Bank loans — secured	**121,154**	206,832
Current		
Other loans — unsecured	**3,701**	3,526
Bank loans — secured	**197,693**	23,504
	201,394	27,030
	322,548	233,862

The Group's borrowings were repayable as follows:

	Group			
	Bank loans		Other Loans	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 1 year	**197,693**	23,504	**3,701**	3,526
Between 1 and 2 years	**72,159**	124,569	**—**	—
Over 5 years	**48,995**	82,263	**—**	—
At 31st December	**318,847**	230,336	**3,701**	3,526

The Group has pledged properties of HK$232 million (2010: HK$219 million), investment properties of HK$326 million (2010: HK$73 million), leasehold land and land use rights of HK$46 million (2010: HK$45 million), properties under development of HK$27 million (2010: HK$94 million), properties held for sale of HK$386 million (2010: HK$226 million) and fixed deposits of approximately HK$16 million (2010: HK$15 million) to secure bank borrowings.

34. BORROWINGS *(continued)*

Bank borrowings will mature and be repayable in May 2012 to October 2017. The weighted average effective interest rate at 31st December 2011 was 6.84% (2010: 5.61%) per annum. The carrying amount of borrowings approximates to its fair value and is denominated in Renminbi.

35. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATION SHARES

	Group 2011 HK$'000
Issuance of redeemable participation shares to minority investors during the year	20,000
Loss attributable to minority investors of an investment fund	(5,285)
At 31st December 2011	14,715

36. RETIREMENT BENEFIT OBLIGATIONS

The Italian retirement benefit, TFR, is an unfunded plan, and the fair value was determined by projecting the benefit, accruing under Italian law at the end of each balance sheet date, to the future date when the employment relationship will be terminated, which was then discounted at the balance sheet date using the projected unit credit method. This defined benefit plan is valued by an independent national registered actuary in Italy.

The movements in the defined benefit obligation over the year are as follows:

	Group 2011 HK$'000
Acquisition of a business	7,088
Interest cost	308
Actuarial losses	378
Benefits paid	(207)
Exchange differences	(82)
At 31st December	7,485

36. RETIREMENT BENEFIT OBLIGATIONS *(continued)*

The amounts recognised in the consolidated income statement are as follows:

	Group 2011 HK$'000
Interest cost	**308**

The principal actuarial assumptions used are as follows:

	Group 2011
Discount rate	**3.40%**
Expected future pension increase	**0%–2.25%**

The retirement benefit obligation was determined based on an independent appraisal which considered demographic, economic and financial evidence and assumptions. The technical basis for the computation was based on an historical analysis of the data. For the demographic assumptions, variables such as mortality, early retirement and resignation, dismissal, expiry of employment contract, advance payment on leaving indemnities and supplementary pension schemes were considered. Economic and financial assumptions were made based on variables such as inflation and discount rates.

The Group recognised actuarial losses amounted to HK$378,000 for the year ended 31st December 2011 in other comprehensive income. The cumulative amount of actuarial losses recognised directly in other comprehensive income amounted to HK$378,000 as at 31st December 2011.

37. SHARE CAPITAL

	Ordinary shares of HK$0.2 each			
	2011		2010	
	Number of shares (thousands)	**HK$'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 and 31st December	**1,398,913**	**279,783**	1,398,913	279,783

Note:

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

No share options were exercised under the Scheme approved by the shareholders of the Company during the years ended 31st December 2011 and 2010.

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

	2011		2010	
	Average exercise price per share HK$	**Number of options (thousands)**	Average exercise price per share HK$	Number of options (thousands)
At 1st January	**1.470**	**53,718**	1.479	54,718
Lapsed	**1.950**	**(2,000)**	1.950	(1,000)
At 31st December	**1.452**	**51,718**	1.470	53,718
Options exercisable at 31st December		**51,718**		53,718

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$	**2011 (thousands)**	2010 (thousands)
11th December 2015	0.564	**11,810**	11,810
2nd March 2016	0.680	**7,400**	7,400
22nd May 2017	1.950	**32,508**	34,508
		51,718	53,718

38. 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 2011	**849,536**	**42,682**	**299,357**	**14,006**	**12,334**	**161,616**	**89,828**	**1,028,500**	**2,497,859**
Loss for the year	—	—	—	—	—	—	—	**(28,719)**	**(28,719)**
Fair value loss on available-for-sale financial assets	—	—	—	—	—	**(66,451)**	—	—	**(66,451)**
Exchange reserve realised upon disposal of subsidiaries	—	—	—	—	—	—	**1,121**	—	**1,121**
Actuarial losses on retirement benefit obligations	—	—	—	—	—	—	—	**(274)**	**(274)**
Currency translation differences	—	—	—	—	—	—	**37,955**	—	**37,955**
Share of post-acquisition reserves of an associated company	—	—	**(68,753)**	—	—	—	—	—	**(68,753)**
Total comprehensive loss	—	—	**(68,753)**	—	—	**(66,451)**	**39,076**	**(28,993)**	**(125,121)**
Changes in ownership interest in subsidiaries without change of control	—	—	**924**	—	—	—	—	—	**924**
Transfer from retained earnings	—	—	**1,804**	—	—	—	—	**(1,804)**	—
Transfer of reserve upon lapse of share options	—	**(2,182)**	—	—	—	—	—	**2,182**	—
2010 final dividend paid	—	—	—	—	—	—	—	**(13,989)**	**(13,989)**
	—	**(2,182)**	**2,728**	—	—	—	—	**(13,611)**	**(13,065)**
At 31st December 2011	**849,536**	**40,500**	**233,332**	**14,006**	**12,334**	**95,165**	**128,904**	**985,896**	**2,359,673**

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 2010	849,536	43,773	273,642	14,006	12,334	192,555	68,790	929,217	2,383,853
Profit for the year	—	—	—	—	—	—	—	114,367	114,367
Fair value loss on available-for-sale financial assets	—	—	—	—	—	(30,939)	—	—	(30,939)
Exchange reserve realised upon disposal of subsidiaries	—	—	—	—	—	—	(4,861)	—	(4,861)
Exchange reserve realised upon disposal of associated companies	—	—	—	—	—	—	(2,608)	—	(2,608)
Currency translation differences	—	—	—	—	—	—	28,507	—	28,507
Share of post-acquisition reserves of an associated company	—	—	26,327	—	—	—	—	—	26,327
Total comprehensive income	—	—	26,327	—	—	(30,939)	21,038	114,367	130,793
Disposal of subsidiaries	—	—	(858)	—	—	—	—	858	—
Disposal of associated companies	—	—	(199)	—	—	—	—	199	—
Transfer from retained earnings	—	—	445	—	—	—	—	(445)	—
Transfer of reserve upon lapse of share options	—	(1,091)	—	—	—	—	—	1,091	—
2009 final dividend paid	—	—	—	—	—	—	—	(16,787)	(16,787)
	—	(1,091)	(612)	—	—	—	—	(15,084)	(16,787)
At 31st December 2010	849,536	42,682	299,357	14,006	12,334	161,616	89,828	1,028,500	2,497,859

Note: Included in capital reserve an amount of HK$11,260,000 (2010: HK$9,456,000) which represents PRC statutory reserve.

38. 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 2011	**849,536**	**42,682**	**2,104**	**14,006**	**161,616**	**397,706**	**1,467,650**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(25,394)**	**(25,394)**
Fair value loss on available-for-sale financial assets	**—**	**—**	**—**	**—**	**(66,451)**	**—**	**(66,451)**
Transfer of reserve upon lapse of share options	**—**	**(2,182)**	**—**	**—**	**—**	**—**	**(2,182)**
2010 final dividend paid	**—**	**—**	**—**	**—**	**—**	**(13,989)**	**(13,989)**
At 31st December 2011	**849,536**	**40,500**	**2,104**	**14,006**	**95,165**	**358,323**	**1,359,634**

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

39. 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 2011 HK$'000	2010 HK$'000
Deferred tax assets	**(14,043)**	(10,152)
Deferred tax liabilities	**53,036**	37,427
	38,993	27,275

The gross movements in the deferred taxation are as follows:

	Group 2011 HK$'000	2010 HK$'000
At 1st January	**27,275**	4,288
Recognised in the consolidated income statement *(Note 9(a))*	**10,577**	22,987
Deferred tax on actuarial losses	**(104)**	—
Acquisition of a business	**(109)**	—
Exchange differences	**1,354**	—
At 31st December	**38,993**	27,275

39. DEFERRED TAXATION *(continued)*

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

The Group's deferred tax liabilities represented the followings:

	Depreciation HK$'000	Fair value gains HK$'000	Withholding tax HK$'000	Total HK$'000
At 1st January 2011	**903**	**33,494**	**3,030**	**37,427**
Recognised in the consolidated income statement	**(168)**	**13,552**	**833**	**14,217**
Exchange differences	**—**	**1,242**	**150**	**1,392**
At 31st December 2011	**735**	**48,288**	**4,013**	**53,036**

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

The Group's deferred tax assets represented the followings:

	Retirement benefit obligations HK$'000	Tax losses HK$'000	Others HK$'000	Total HK$'000
At 1st January 2011	**—**	**10,152**	**—**	**10,152**
Acquisition of a business	**109**	**—**	**—**	**109**
Recognised in the consolidated income statement	**—**	**1,879**	**1,761**	**3,640**
Recognised in the consolidated statement of comprehensive income	**104**	**—**	**—**	**104**
Exchange differences	**(1)**	**172**	**(133)**	**38**
At 31st December 2011	**212**	**12,203**	**1,628**	**14,043**

39. DEFERRED TAXATION *(continued)*

	Tax losses HK$'000
At 1st January 2010	3,415
Recognised in the consolidated income statement	6,737
At 31st December 2010	10,152

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefits through the future taxable profits is probable. The Group did not recognise deferred tax benefits of approximately HK$61,388,000 (2010: HK$54,187,000) in respect of tax losses amounting to approximately HK$372,052,000 (2010: HK$328,406,000) that can be carried forward indefinitely against future taxable income.

40. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2011 HK$'000	2010 HK$'000
(Loss)/profit before taxation	**(11,047)**	165,394
Share of net losses/(profits) of associated companies	**16,940**	(1,223)
Share of net profits of jointly controlled entities	**(21,206)**	(52,350)
Finance income	**(19,572)**	(9,215)
Finance costs	**13,559**	1,569
Impairment of goodwill	**—**	378
Gain from a bargain purchase	**(3,790)**	—
Net loss on disposal of property, plant and equipment	**444**	70
Gain on disposal of investment properties	**(1,373)**	—
Depreciation	**41,303**	14,210
Fair value gains on investment properties	**(70,596)**	(101,401)
Amortisation of leasehold land and land use rights	**2,407**	3,164
Provision for doubtful debts	**653**	964
Reversal of provision for obsolete stock	**—**	(301)
Net loss/(gain) on disposal of interests in subsidiaries	**806**	(5,570)
Gain on disposal of interests in associated companies	**(55)**	(657)
Loss on deemed disposal of an associated company	**836**	—
Operating (loss)/profit before working capital changes	**(50,691)**	15,032
Net increase in properties under development and properties held for sale	**(158,179)**	(346,868)
(Increase)/decrease in inventories	**(2,149)**	181
Increase in loans and advances	**(98,077)**	(35,526)
Decrease in trade receivables	**129,387**	119,500
(Increase)/decrease in other receivables, prepayments and deposits	**(4,729)**	837
Decrease/(increase) in financial assets at fair value through profit or loss	**56,967**	(49,948)
Decrease in trade and other payables	**(131,456)**	(172,342)
Decrease in retirement benefit obligations	**(207)**	—
Net cash outflow from operating activities	**(259,134)**	(469,134)

41. CONTINGENT LIABILITIES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees for mortgage facilities granted to certain property purchasers of the Group's properties *(Note)*	**433**	19,152	**—**	—
Guarantee for undrawn bank facilities of a subsidiary	**—**	—	**60,000**	60,000
Guarantee for payment of a subsidiary	**—**	—	**—**	20,788
	433	19,152	**60,000**	80,788

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

42. COMMITMENTS

(a) Capital commitments for leasehold land and land use rights and properties under development:

	Group	
	2011	2010
	HK$'000	HK$'000
Contracted but not provided for	**342,741**	358,469
Authorised but not contracted	**573,645**	585,385

The Company does 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 investment properties as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Not later than one year	**18,219**	8,205
Later than one year but not later than five years	**39,513**	23,463
More than five years	**12,342**	2,160
	70,074	33,828

42. 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	
	2011	2010
	HK$'000	HK$'000
Not later than one year	**7,442**	7,719
Later than one year but not later than five years	**1,852**	4,673
	9,294	12,392

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

43. BUSINESS COMBINATION

On 11th January 2011, the Group acquired the business from Sirton Pharmaceuticals S.p.A., a pharmaceutical manufacturing company, for a cash consideration of HK$40,908,000. The acquired business contributed revenue of HK$48,697,000 and net loss of HK$6,317,000 to the Group for the period from the date of acquisition to 31st December 2011. Had Sirton Pharmaceuticals S.p.A. been consolidated from 1st January 2011, the consolidated revenue and consolidated loss for the year would have been HK$285,409,000 and HK$30,806,000 respectively.

Details of net assets acquired and gain from bargain purchase are as follows:

	HK$'000
Purchase consideration:	
— Cash paid	**40,908**
Fair value of net assets acquired	**(44,698)**
Gain from a bargain purchase *(Note 7)*	**(3,790)**

The assets and liabilities at 11th January 2011 arising from the acquisition are as follows:

	Fair value HK$'000
Property, plant and equipment	**50,430**
Available-for-sale financial assets	**633**
Deferred tax assets	**109**
Inventories	**2,797**
Other receivables, prepayments and deposits	**45**
Trade and other payables	**(2,790)**
Retirement benefit obligations	**(7,088)**
Actuarial losses	**562**
Fair value of net assets acquired	**44,698**

43. BUSINESS COMBINATION *(continued)*

	HK$'000
Acquisition-related costs (included in selling, general and administrative expenses in the consolidated income statement for the year)	1,535

	HK$'000
Cash consideration and total net cash outflow on acquisition	(40,908)

44. RELATED PARTY TRANSACTIONS

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

45. ANALYSIS OF FINANCIAL RISK MANAGEMENT

(a) Credit risk analysis

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

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

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

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 2011 HK$'000	Loans and advances — short term 2011 HK$'000	Trade receivables 2011 HK$'000	Other receivables 2011 HK$'000
Gross amount				
— neither past due nor impaired	6,168	432,855	59,372	10,181
— past due but not impaired				
— less than three months	—	—	7,702	—
— between three to six months	—	—	559	—
— over six months	—	—	58	—
— impaired	63,650	25,648	19,783	7,794
	69,818	458,503	87,474	17,975

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

(a) Credit risk analysis *(continued)*

	Loans and advances — long term 2010 HK$'000	Loans and advances — short term 2010 HK$'000	Trade receivables 2010 HK$'000	Other receivables 2010 HK$'000
Gross amount				
— neither past due nor impaired	10,577	345,822	194,718	14,175
— past due but not impaired				
— less than three months	—	—	10,046	—
— between three to six months	—	—	814	—
— over six months	—	—	158	—
— impaired	64,006	25,464	15,934	7,645
	74,583	371,286	221,670	21,820

As at year end, the collaterals furnished by the margin clients for security of their loans and advances from the Group are mainly listed securities, the majority of which are listed in Hong Kong. The total market value of securities amounted to HK$2,142 million (2010: HK$2,105 million) and margin loans receivable amounted to HK$427 million (2010: HK$330 million).

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

The individually impaired amounts were in default or delinquency in payments and are not expected to be recovered. Save as disclosed above, all loans and advances, and trade and other receivables are neither past due nor impaired as at 31 December 2011 and 2010.

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

(a) Credit risk analysis *(continued)*

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

	Other receivables 2011 HK$'000	Loans and advances 2011 HK$'000	Loan to a subsidiary 2011 HK$'000	Amounts due from subsidiaries 2011 HK$'000
Gross amount				
— neither past due nor impaired	**83**	**—**	**70,000**	**1,484,030**
— impaired	**—**	**63,650**	**—**	**302,578**
	83	**63,650**	**70,000**	**1,786,608**

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

The individually impaired amounts were in default or delinquency in payments and are not expected to be recovered. Save as disclosed above, all loans and advances, other receivables, and loan to and amounts due from subsidiaries are neither past due nor impaired as at 31 December 2011 and 2010.

None of the financial assets that are fully performing has been renegotiated in 2011 and 2010.

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

(b) Liquidity risk analysis

Surplus cash is invested in interest bearing current accounts, time deposits, money market deposits and marketable securities by choosing instruments with appropriate maturities or sufficient liquidity to meet operational needs. At the reporting date, the Group held cash at bank and in hand of HK$185,147,000 (2010: HK$349,915,000) 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 2011 HK$'000	More than one year 2011 HK$'000
Borrowings		
Current other loans — unsecured	**3,701**	**—**
Current bank loans — secured	**197,693**	**—**
Non-current bank loans — secured	**—**	**121,154**
Trade and other payables	**1,748,036**	**—**
Net assets attributable to holders of redeemable participation shares	**14,715**	**—**
Financial guarantee contracts	**433**	**—**
	1,964,578	**121,154**

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

The Company's contractual trade and other payables and financial guarantee contracts amounting to HK$1,518,000 (2010: HK$1,270,000) and HK$60,000,000 (2010: HK$80,788,000) respectively will mature within one year.

The amounts disclosed above are the contractual undiscounted cash flows.

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

(c) Market risk analysis — foreign exchange risk

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

At 31st December 2011, if Renminbi had strengthened/weakened by 5% against the Hong Kong dollars, with all other variables held constant, post-tax loss for the year would have been HK$3,704,000 lower/higher (2010: post-tax profit would have been HK$4,134,000 higher/lower), mainly as a result of foreign exchange gain on translation of Renminbi-denominated bank deposits. There is no significant impact on equity as most of the available-for-sale securities are denominated in Hong Kong dollars.

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

(d) Market risk analysis — interest rate risk

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

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

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

At 31st December 2011, if interest rates on the Group's margin loans, cash at bank and bank deposits had been 100 basis points higher/lower with all other variables held constant, the Group's post-tax loss for the year would have been HK$8,050,000 lower/higher (2010: post-tax profit would have been HK$8,985,000 higher/lower). There is no impact on equity.

At 31st December 2011, 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 loss for the year would have been HK$850,000 lower/higher (2010: post-tax profit would have been HK$861,000 higher/lower). There is no impact on equity.

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

(d) Market risk analysis — interest rate risk *(continued)*

For the year ended 31st December 2011, finance costs amounted to HK$6,626,000 (2010: HK$7,282,000) were capitalised as qualifying assets from loans specifically taken out for the purpose of financing such assets. Consequently, there is no impact to the post-tax (loss)/profit for the years and equity.

(e) Market risk analysis — price risk

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

The Group's equity investments for trading purpose are mainly publicly traded or quoted in Hong Kong, the Chinese Mainland and America. The Group's equity investments classified as available-for-sale are mainly unlisted securities which the fair values were determined by reference to published price quotations in an active market of the underlying investments held by the investee.

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 2011, 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 loss for the year would have been HK$24,548,000 lower/higher (2010: post-tax profit would have been HK$33,024,000 higher/lower), mainly as a result of unrealised gains/losses on equity securities classified as financial assets at fair value through profit or loss. Equity would have been HK$9,614,000 (2010: HK$16,259,000) higher/lower, arising from gain/loss on equity securities classified as available-for-sale financial assets.