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FIRST SHANGHAI GROUP

FIRST SHANGHAI INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock code: 227)

2010 FINAL RESULTS ANNOUNCEMENT

RESULTS

The Board of Directors (the "Board") of First Shanghai Investments Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries, associated companies and jointly controlled entities (the "Group") for the year ended 31st December 2010 as follows:

CONSOLIDATED INCOME STATEMENT

	Note	**2010** *HK$'000*	2009 *HK$'000* (Restated)
Revenue	*3*	**291,904**	587,498
Cost of sales		**(110,285)**	(287,528)
Gross profit		**181,619**	299,970
Other gains — net	*4*	**119,085**	66,397
Selling, general and administrative expenses		**(196,529)**	(195,595)
Operating profit	*5*	**104,175**	170,772
Finance income		**9,215**	14,388
Finance costs		**(1,569)**	(871)
Finance income — net		**7,646**	13,517
Share of profits less losses of			
Associated companies		**1,223**	12,437
Jointly controlled entities		**52,350**	15,008
Profit before taxation		**165,394**	211,734
Taxation	*6*	**(34,887)**	(26,978)
Profit for the year		**130,507**	184,756
Attributable to:			
Shareholders of the Company		**114,367**	187,885
Non-controlling interests		**16,140**	(3,129)
		130,507	184,756
Earnings per share for profit attributable to shareholders of the Company during the year			
— Basic	*7*	**HK$8.18 cents**	HK$13.44 cents
— Diluted	*7*	**HK$8.11 cents**	HK$13.37 cents
Dividends	*8*	**13,989**	16,787

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

CONSOLIDATED BALANCE SHEET

	Note	2010 HK$'000	2009 HK$'000 (Restated)	2008 HK$'000 (Restated)
Non-current assets				
Intangible assets		**2,126**	4,573	3,393
Property, plant and equipment		**369,626**	239,577	112,894
Investment properties		**268,152**	73,378	47,897
Leasehold land and land use rights		**59,292**	56,598	59,954
Properties under development		**—**	179,377	181,335
Investments in associated companies		**383,914**	370,845	261,715
Investments in jointly controlled entities		**208,723**	151,118	157,056
Deferred tax assets		**10,152**	3,415	2,053
Available-for-sale financial assets		**162,587**	193,526	134,689
Loans and advances		**21,993**	11,497	27,457
		1,486,565	1,283,904	988,443
Current assets				
Properties under development		**235,807**	143,974	206,546
Properties held for sale		**378,355**	66,791	—
Inventories		**555**	718	5,885
Loans and advances		**345,822**	311,784	85,040
Trade receivables	*9*	**205,736**	327,963	141,636
Other receivables, prepayments and deposits		**34,131**	55,162	41,614
Tax recoverable		**3,205**	—	4,107
Financial assets at fair value through profit or loss		**330,239**	280,291	110,020
Deposits with banks		**41,611**	155,563	153,099
Client trust bank balances		**1,143,906**	1,382,491	1,117,332
Cash and cash equivalents		**527,151**	672,278	935,710
		3,246,518	3,397,015	2,800,989
Current liabilities				
Trade and other payables	*10*	**1,552,847**	1,869,170	1,358,862
Tax payable		**29,209**	34,681	28,306
Borrowings		**27,030**	3,407	3,402
		1,609,086	1,907,258	1,390,570
Net current assets		**1,637,432**	1,489,757	1,410,419
Total assets less current liabilities		**3,123,997**	2,773,661	2,398,862
Non-current liabilities				
Deferred tax liabilities		**37,427**	7,703	702
Borrowings		**206,832**	11,357	—
		244,259	19,060	702
Net assets		**2,879,738**	2,754,601	2,398,160
Equity				
Share capital		**279,783**	279,783	279,277
Reserves		**2,497,859**	2,383,853	2,044,558
Capital and reserves attributable to the Company's shareholders		**2,777,642**	2,663,636	2,323,835
Non-controlling interests		**102,096**	90,965	74,325
Total equity		**2,879,738**	2,754,601	2,398,160

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.

2. BASIS OF PREPARATION

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.

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Changes in accounting policy, presentation and disclosures

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

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

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

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

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

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

The effect on the consolidated financial statements is as follows:

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

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

(b) Change in presentation on client trust bank balances

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

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

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

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

The effect on the consolidated financial statements is as follows:

	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
Consolidated balance sheet			
Increase in trade receivables	**14,983**	9,387	7,140
Increase in client trust bank balances	**1,143,906**	1,382,491	1,117,332
Increase in trade and other payables	**1,158,890**	1,391,878	1,124,472

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

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

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

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

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

The effect on the consolidated financial statements is as follows:

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

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

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

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

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

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

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

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

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

- HKFRS 3 (Revised), "Business Combinations" and consequential amendments to HKAS 27, "Consolidated and Separate Financial Statements", HKAS 28, "Investments in Associates", and HKAS31, "Interests in Joint Ventures". The Group has adopted this Standard on 1st January 2010. The amendment requires that all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed. The revised Standard does not have an impact on the Group's financial statements.

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

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

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

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

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

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

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

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

3. 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 China. In presenting information of geographical segments, segment revenue is based on the geographical destination of delivery of goods.

(a) Operating segments

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

Note: There were no sales among the operating segments.

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

Note: There were no sales among the operating segments.

(b) **Geographical segments**

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

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

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

4. OTHER GAINS — NET

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

5. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

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

6. TAXATION

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

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

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

7. EARNINGS PER SHARE

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

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

8. DIVIDENDS

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

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

9. TRADE RECEIVABLES

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

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

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

The ageing analysis of the trade receivables is as follows:

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

10. TRADE AND OTHER PAYABLES

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

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 trade and other payables are approximately the same as the carrying values.

Trade and other payables to clients also include those payables placed in trust and segregated accounts with authorised institutions of HK$1,158,890,000 (2009: HK$1,391,878,000).

Trade and other payables are non-interest bearing except for the amount due to stockbroking clients.

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:

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

11. COMMITMENTS

(a) The Group's capital commitments for property, plant and equipment, leasehold land and land use rights and properties under development:

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

(b) Commitments under operating leases

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

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

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

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

BUSINESS OVERVIEW

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

Emerging economies continuously led the global recovery in 2010. The economic environment in the Chinese market still looks good, marked with an around 10% growth in GDP. The economy of Hong Kong was also broadly benefited from the improvement in property and consumption market. Despite, confronted with the threat of the high inflation rate and the gradual structural change in the economy, the Chinese Central Government adopted active fiscal policies, and consistent and specific austerity measures targeted to cool down the speculative activities in the property market.

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

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

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

Financial Services

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

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

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

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

Property and Hotel

During 2010, the Chinese property market continuous to report an upward trend on its selling prices. Concerned about the overheating economy and irritating inflation, the Chinese Central Government, as expected, has implemented more and stricter tightening measures to hinder the growth of the entire industry, especially at first-tier cities. The trend in the property market was eminently affected in the recent months with reduction on transaction volumes. Though the impact of the tightening measures is not likely to show up in short run, the future macro-economy will grow at a more preferable direction. The Group is optimistic about the medium and long term development of the industry with a firm belief that urbanisation and industrialisation will generate massive genuine housing demand.

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

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

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

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

Direct Investment

Results of the Group's Direct Investment were still affected by the stresses experienced from the unstable economic environment. The Group still exercises a high level of caution in managing our equity investment portfolio.

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

In 2010, we are also managed to enlarge our exposure at the pharmaceutical business through the acquisition of a pharmaceutical factory in Italy. We expect this will bring in respectable contribution to the Group after its development stage.

PROSPECTS

The market condition in 2011 is challenging. Global demand will remain constrained as long as we face the sustained high unemployment rate in the US, the anaemic growth in European countries, the political unease in the Middle East, and the recent disaster in Japan. Nevertheless, with the backing of the Chinese Mainland, the Group is conservatively optimistic about the prospects of financial and property markets. We expect the Chinese Central Government will consistently maintain a stable macro-economic policy and persist with its proactive but moderate fiscal and monetary policies to reinforce the economical growth at an accelerating but healthy track. The Group will adhere to its business strategy, while closely follows the change in the trend of the macro economy and the regulatory environment. We believe we could address such changes effectively at a timely manner.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Results

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

Liquidity and financial resources

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

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

Pledge of group assets

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

Contingent liabilities

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

Material acquisition and disposal of group companies

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

Employees

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

DIVIDEND

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

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

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 during the year ended 31st December 2010.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee was established on 27th December 1998. The Audit Committee comprises the non-executive Director, Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.* and the four independent non-executive Directors, Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe. The Audit Committee acts in an advisory capacity and makes recommendations to the Board. Three meetings were held during the current financial year. During the year ended 31st December 2010, the Audit Committee has reviewed the annual and interim consolidated financial statements, including the accounting principles and practices adopted by the Group, which was of the opinion that such reports were prepared in accordance with the applicable accounting standard and requirements. The Audit Committee has also discussed with the Group's independent advisor and considers the system of internal control of the Group to be effective and that the Group has adopted the necessary control mechanisms to its financial, operational, statutory compliance and risk management functions.

REMUNERATION COMMITTEE

A Remuneration Committee, comprising three independent non-executive Directors, Prof. WOO Chia-Wei, Mr. YU Qihao and Mr. ZHOU Xiaohe, and an executive Director, Mr. LO Yuen Yat, was established on 30th June 2005. 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.

COMPLIANCE WITH CODE ON 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited for the year ended 31st December 2010, except for the deviation from provision A.2.1 of the CG Code.

This Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. LO Yuen Yat holds both the positions of the Chairman of the Board and the Chief Executive Officer. 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.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry, the Company confirmed that all directors have complied with the required standard set out in the Model Code.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 16th May 2011 to Friday, 20th May 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend to be approved at the annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 13th May 2011.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT ON THE STOCK EXCHANGE'S WEBSITE

This announcement of final results is published on the websites of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk under "Listed Company Information" and the Company at http://www.firstshanghai.com.hk under "Press Release — Results Announcements". The 2010 Annual Report of the Company containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the websites of Hong Kong Exchanges and Clearing Limited at http://www.hkexnews.hk under "Listed Company Information" and the Company at http://www.firstshanghai.com.hk under "Financial Report" in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises three executive directors, being Mr. LO Yuen Yat, Mr. XIN Shulin and Mr. YEUNG Wai Kin, one non-executive director, Mr. KWOK Lam Kwong, Larry, *B.B.S., J.P.* and four independent non-executive directors, being Prof. WOO Chia-Wei, Mr. LIU Ji, Mr. YU Qihao and Mr. ZHOU Xiaohe.

By order of the Board
First Shanghai Investments Limited
LO Yuen Yat
Chairman

Hong Kong, 24th March 2011