Overseas Chinese Town (Asia) Holdings Limited
華僑城（亞洲）控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03366

ANNUAL REPORT **2011**

Contents

Corporate Information

Board of Directors	**Executive Directors** Ms. Wang Xiaowen *(Chairman)* Ms. Xie Mei *(Chief Executive Officer)* Mr. Zhou Guangneng **Non-Executive Director** Mr. He Haibin **Independent non-executive Directors** Ms. Wong Wai Ling Mr. Xu Jian Mr. Lam Sing Kwong Simon
Audit Committee	Ms. Wong Wai Ling *(Chairman)* Mr. Xu Jian Mr. Lam Sing Kwong Simon
Remuneration Committee	Ms. Wong Wai Ling *(Chairman)* Mr. Xu Jian Mr. Lam Sing Kwong Simon
Head Office and Principal Place of Business	Suites 3203-3204, Tower 6 The Gateway Harbour City Canton Road Tsim Sha Tsui Kowloon Hong Kong
Registered Office	Clifton House PO Box 1350 GT 75 Fort Street Grand Cayman Cayman Islands
Company Secretary and Qualified Accountant	Mr. Fong Fuk Wai *(FCPA, FCCA, ACA)*

Corporate Information

Auditor	KPMG Certified Public Accountants 8/F Prince's Building 10 Chater Road Central, Hong Kong
Hong Kong Legal Adviser	Loong & Yeung Suites 2001-2005 20/F Jardine House, 1 Connaught Place Central, Hong Kong
Principal Bankers	China Merchants Bank Hong Kong Branch Standard Chartered Bank (HK) Ltd. Nanyang Commercial Bank Hang Seng Bank Limited
Principal Share Registrar and Transfer Office	Appleby Corporate Services (Cayman) Limited Clifton House PO Box 1350 GT, 75 Fort Street Grand Cayman, Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712-16, 17/F Hopewell Centre 183 Queen's Road East, Hong Kong
Stock Information	Stock Code: 03366 Stock Short Name: OCT (ASIA)
Company's Website	http://www.oct-asia.com
Authorized Representatives	Ms. Xie Mei Mr. Fong Fuk Wai

Financial Highlights

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2011
(Expressed in Renminbi)

	2011	2010
	RMB'000	*RMB'000*
Turnover	**2,558,860**	1,905,792
Cost of sales	**(1,786,190)**	(1,646,418)
Gross profit	**772,670**	259,374
Other revenue	**11,676**	7,212
Other net income	**24,057**	5,851
Distribution costs	**(160,648)**	(84,336)
Administrative expenses	**(126,268)**	(59,325)
Other operating expenses	**(1,832)**	(2,056)
Profit from operations	**519,655**	126,720
Finance costs	**(55,486)**	(26,259)
Share of profit less loss of associates	**36,366**	(1,040)
Gain on remeasurement of the previously held interest in an associate	**–**	38,890
Profit before taxation	**500,535**	138,311
Income tax	**(231,582)**	(52,428)
Profit for the year	**268,953**	85,883
Attributable to:		
Equity shareholders of the Company	**159,236**	66,713
Non-controlling interests	**109,717**	19,170
Profit for the year	**268,953**	85,883
Dividend payable to equity shareholders of the company attributable to the year		
Proposed final dividend after the end of the reporting period	**30,168**	13,190
Earnings per share (RMB)		
Basic	**0.31**	0.15
Diluted	**0.31**	0.15

Chairman's Statement

I am pleased, on behalf of Overseas Chinese Town (Asia) Holdings Limited (the "Company") and its subsidiaries (the "Group"), to present to all shareholders the operating results and Annual Report of the Group for the year ended 31 December 2011, and would like to express my sincere gratitude to all shareholders and all the staff.

BUSINESS REVIEW

During the period under review, the Group achieved satisfactory operating results leveraging on its extensive experience and quality products under sluggish economic environment and weak market demand. As of 31 December 2011, the Group recorded a turnover of approximately RMB2,559 million, representing an increase of approximately 34.3% over the same period of 2010; profits attributable to shareholders were approximately RMB159 million, representing an increase of approximately 138.7% over the same period of 2010.

Comprehensive Development Business

The equity interests of Chengdu Tianfu OCT Industry Development Company Limited ("Chengdu OCT") and Overseas Chinese Town (Xi'an) Industry Company Limited ("Xi'an OCT") were held as to 51% and 25% respectively by the Group.

Chengdu OCT Project is located in Jinniu District, Chengdu City, Sichuan Province, the PRC which is to be developed into a composite project, comprising a theme park, residential and commercial properties, occupying a gross floor area of approximately 2,250,000 sq.m.. During the period under review, Chengdu OCT recorded a turnover of approximately RMB1,740 million, representing an increase of approximately 5.5% over the same period of 2010. The residential property project of Chengdu OCT has a gross saleable floor area of approximately 1,260,000 sq.m.. The high-level portion of Phase III and Phase IV of the residential property project is currently on sale. In 2011, the contract sales area and revenue of the residential property project reached approximately 132,000 sq.m. and approximately RMB1,652 million respectively, while the settled area and revenue were approximately 140,000 sq.m. and approximately RMB1,595 million respectively. By the end of 2011, the contracted but not settled area and revenue amounted to approximately 82,000 sq.m. and approximately RMB860 million respectively. In February 2011, the government of Chengdu Municipality promulgated a series of house purchase limit policies. In response to the new market condition, Chengdu OCT had expanded promotion network and adjusted its sales policy in a timely manner which resulted in an increase of approximately 13% in contract sales volume over the same period of 2010. The current rentable area of the commercial properties of Chengdu OCT is approximately 47,000 sq.m., of which 99% have been occupied. Chengdu Happy Valley, a theme park of Chengdu OCT, is one of the most influential theme parks in the southwestern part of China. It has attracted approximately 2.44 million visitors throughout the period under review, representing an increase of approximately 10% over the same period of 2010. With the adjustment to the entrance fee of Chengdu Happy Valley from May 2011, it recorded a turnover of approximately RMB218 million during the period under review, representing an increase of approximately 8% over the same period of 2010.

Chairman's Statement

Xi'an OCT Project is located in Qujiang New District, Xi'an City, Shanxi Province. It adjoins several famous scenic spots and comprises mainly low-density residential properties. This project began to bring in positive contributions to the Group's investment income in 2011. During the period under review, part of the project has been launched, including duplex, compound and detached buildings, and the market reaction to the pre-sale was very positive. The contract sales area and revenue reached approximately 41,800 sq.m. and approximately RMB810 million respectively. The settled area and revenue were approximately 40,600 sq.m. and approximately RMB776 million respectively, while the contracted but not settled area and revenue amounted to approximately 1,200 sq.m. and approximately RMB34 million respectively. At the end of June 2011, Xi'an OCT acquired two more parcels of land neigbouring the original land, adding the total site area to approximately 137,000 sq.m..

Paper Packaging Business

The Group has over 20 years of experience in the packaging and printing industry. It has set up four manufacturing bases and several branches in Pearl River Delta and Yangtze River Delta, the most developed areas in China, and has created the brand of "Huali" with solid customer base and good market reputation. During the period under review, our paper packaging business recorded a turnover of RMB815 million, representing an increase of approximately 4.9% over the same period of 2010. Profits attributable to shareholders amounted to approximately RMB29.64 million, representing an increase of approximately 23.4% over the same period of 2010.

During the period under review, despite the Japan earthquake and the fluctuation in the economy of Europe and the United States of America, the Group still achieved an annual production of approximately 152,000 tones by adopting a number of strategies. The average selling price for the products had been stable throughout the year. Our manufacturing base in Huizhou City continued to explore famous brand clients and had rapidly achieved relatively stable sales volume. Meanwhile, the two new branches located in Wuhan City, Hubei Province and Kunshan City, Jiangsu Province also sped up their efforts in exploring markets in the neigbouring regions, actively expanding our business reach. At the same time of launching new products, the Group had enhanced the integration with the creative culture sector to strengthen the creative elements of our products, and our paper culture creative products were elected as one of the key projects under the "12th Five Year Plan" for the culture sector of Guangdong Province. In addition, the Group launched trial run for the VMI (Vendor Managed Inventory) management model in some plants to improve its customer services and enhance its competitiveness.

SUBSEQUENT EVENTS

On 5 January 2012, Great Tec Investment Limited ("Great Tec") , an indirect wholly-owned subsidiary of the Company, entered into the capital investment agreement (the "Capital Investment Agreement") with 深圳華僑城房地產有限公司 (Overseas Chinese Town Real Estate Company Limited) ("OCT Propertes"), pursuant to which Great Tec conditionally agreed to make capital contribution of RMB2,232 million (the "Capital Injection") to 華僑城(上海)置地有限公司 (Overseas Chinese Town (Shanghai) Land Company Limited) ("OCT Shanghai Land"). Upon completion, the registered capital of OCT Shanghai Land would be RMB3,030 million and the equity interest of OCT Shanghai Land would be owned as to 50.5% by Great Tec and as to 49.5% by OCT Properties, respectively. The Capital investment Agreement and the transactions contemplated are subject to, among other things, independent shareholders' approval.

Chairman's Statement

On 5 January 2012, the Company (as borrower) entered into the loan agreement with Overseas Chinese Town (HK) Company Limited (as lender), pursuant to which OCT (HK) conditionally agreed to lend RMB900 million to the Company which will be used to finance the Capital Injection.

Please refer to the announcement of the Company dated 13 January 2012 for details of the aforesaid.

OUTLOOK

Looking forward to 2012, the outlook of the global economy remains uncertain. The Group will continue to improve its operational management and strengthen its leading position in all its businesses through constantly innovating and actively exploring markets.

For the paper packaging business, the Group aims to speed up its efforts to expand sales through building a strategic alliance with important customers. At the same time, the Group will promote product diversification, further strengthen the creative elements of our products, and maintain a steady development of its paper packaging business.

For the comprehensive development business, Chengdu Happy Valley will take various measures to enhance its capabilities to receive visitors on a 24/7 basis and expand the "family" consumer group in 2012. Phase II of Chengdu Happy Valley, which comprises large scale hi-tech indoor entertainment projects, is scheduled to complete its major structure in 2012, aiming to open to public in May 2013. For residential property projects, Chengdu OCT will take advantage of its comprehensive development business to fully present an image of high quality projects through various marketing measures. Phase V of the high-level residential properties are to be launched in 2012 with an area of approximately 169,000 sq.m.. Meanwhile, Chengdu OCT plans to improve the general planning of the business sector so as to speed up business development. The Company is confident about the future prospect of Chengdu OCT and believe that it will strive for growth while maintaining stability and once again deliver impressive results in 2012.

Xi'an OCT plans to launch residential properties with an area of approximately 37,000 sq.m. in 2012. In light of the possible tough market environment, Xi'an OCT will implement a proactive marketing strategy to promote project popularity and to establish a high-end image, and will build boutique premises to improve the overall quality of the project.

Chairman's Statement

The Group expects that the PRC government will continue to implement control measures on the real estate industry adopted last year. However, leveraging on our unique overall planning and market positioning, and benefiting from the advantages of the brand image of "OCT" and its abundant resources, we will make active moves to expand our projects and the scale of the Company and enhance our growth potential, with an aim to become an outstanding developer and operator of commercial complex and develop into a sizable Hong Kong-listed company within five years.

APPRECIATION

I, on behalf of the board of directors, hereby express our most sincere gratitude to the management team and all the staff for their efforts and contributions made in the development of the Group. I also take this opportunity to thank all shareholders and business partners for their confidence and support to the Group.

Wang Xiaowen
Chairman

Hong Kong, 28 February 2012

Management Discussion and Analysis

OPERATING RESULTS

As at 31 December 2011, the Group's total assets amounted to RMB6,205 million. Total equity amounted to RMB2,290 million, representing an increase of approximately 12.0% over that as at 31 December 2010. The Group realized sales of RMB2,559 million in 2011, representing an increase of approximately 34.3% over 2010. Profits attributable to equity holders of the Company were RMB159 million, representing an increase of approximately 138.7% over 2010. The basic earnings per share for the year were RMB0.31, as compared to RMB0.15 for 2010.

During the period under review, gross profit margin of the Group was approximately 30.2% (2010: approximately 13.6%), representing an increase of 16.6% over the same period in 2010. Of which, the gross profit margin of the comprehensive development business was approximately 38.5%, representing an increase of 24.3% over the same period in 2010, mainly due to higher margin in the types of properties sold and less amortisation of the fair value markup from the acquisition of Chengdu OCT in 2011; and the gross profit margin of the paper packaging business was approximately 12.5%, representing a decrease of 0.2% over the same period in 2010. Net profit margin attributable to equity holders of the Company was approximately 6.2% (2010: approximately 3.5%), representing an increase of 2.7% as compared with that of 2010. Of which, the net profit margin attributable to equity holders of the comprehensive development business was approximately 7.4%, representing an increase of 3.6% over the same period in 2010; and the net profit margin attributable to equity holders of the paper packaging business was approximately 3.6%, representing an increase of 0.5% over the same period in 2010.

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

Distribution costs of the Group for the year ended 31 December 2011 were approximately RMB161 million (2010: approximately RMB84.34 million), representing an increase of approximately 91.7% over the same period in 2010. Of which, the distribution costs of the comprehensive development business were approximately RMB118 million, representing an increase of approximately 168.5% over the same period in 2010, mainly because Chengdu OCT only became a non-wholly-owned subsidiary of the Group on 21 September 2010, and only about three months' expenses were included in the combined statements for the last year; and the distribution costs of the paper packaging business were approximately RMB42.72 million, representing an increase of approximately 5.7% over the same period in 2010, primarily as a result of the increase in commission of sales staff and transportation expenses due to the increase in sales revenue during the period.

The Group's administrative expenses for the year ended 31 December 2011 were approximately RMB126 million (2010: approximately RMB59.33 million), representing an increase of approximately 113.6% over the same period in 2010. Of which, the administrative expenses of the comprehensive development business were approximately RMB94.42 million, representing an increase of approximately 198.2% over the same period in 2010, mainly because Chengdu OCT became a non-wholly-owned subsidiary of the Group on 21 September 2010 and only about three months' expenses were included in the combined statements for the last year; and the administrative expenses of the paper packaging business were approximately RMB31.85 million, representing an increase of approximately 15.1% over the same period in 2010, mainly as a result of the increase in the relevant administrative expenses due to the increase in sales revenue during the period.

Management Discussion and Analysis

INTEREST EXPENSES

The interest expenses of the Group were approximately RMB55.49 million for the year ended 31 December 2011 (2010: approximately RMB26.26 million), representing an increase of approximately 111.3% over the same period in 2010. Of them, the interest expenses of the comprehensive development business were approximately RMB53.56 million, representing an increase of approximately 118.8% over the same period in 2010, mainly because Chengdu OCT became a non-wholly-owned subsidiary of the Group on 21 September 2010 and only about three months' expenses were included in the combined statements for last year; and the interest expenses of the paper packaging business were approximately RMB1.93 million, representing an increase of approximately RMB150,000 over the same period in 2010.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK$7.3 cents per share for the year ended 31 December 2011 (2010: HK$3 cents per share).

INVENTORIES, DEBTORS' AND CREDITORS' TURNOVER

For the year ended 31 December 2011, the Group's inventory turnover days for the paper packaging business were 49 days, shorter as compared to 66 days for the year ended 31 December 2010. The decrease in inventory turnover days was mainly due to the change of our inventory into debtors as a result of expanded sales volume during the period. The Group's debtors' turnover days for the paper packaging business were 100 days for the year ended 31 December 2011, representing a moderate increase as compared to 92 days for the year ended 31 December 2010, which was mainly due to the grant of longer credit period to customers in order to expand sales. The Group's creditors' turnover days for the paper packaging business were 71 days for the year ended 31 December 2011, as compared to 126 days for the year ended 31 December 2010, mainly due to the shortening of payment terms by some of the suppliers.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total equity of the Group as at 31 December 2011 was RMB2,290 million (31 December 2010: RMB2,044 million). As at 31 December 2011, the Group had current assets of RMB3,064 million (31 December 2010: RMB2,953 million) and current liabilities of RMB2,736 million (31 December 2010: RMB2,799 million). The current ratio was 1.12 as at 31 December 2011 as compared to 1.06 as at 31 December 2010. The Group generally finances its operations with internally generated funds and credit facilities provided by banks.

As at 31 December 2011, the Group had outstanding bank loans of RMB173 million, without any fixed-rate loans (31 December 2010: outstanding bank loans of RMB72.67 million, without any fixed-rate loans). As at 31 December 2011, the bank loan interest rates of the Group ranged from 0.99% to 2.33% per annum (while for the year ended 31 December 2010, the bank loan interest rates of the Group ranged from 0.95% to 1.52% per annum). Some of those bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. The Group's gearing ratio (being the total borrowings including bills payable and loans divided by total assets) was approximately 20% as at 31 December 2011, which decreased by approximately 7% as compared with 27% as at 31 December 2010.

Management Discussion and Analysis

As at 31 December 2011, 100% of the total amount of outstanding bank loans of the Group was in Hong Kong Dollars (31 December 2010: approximately 100% in Hong Kong Dollars). As at 31 December 2011, approximately 91% of the total amount of cash and cash equivalents of the Group was in Renminbi (31 December 2010: 98%), approximately 8% of its cash and cash equivalents was in Hong Kong Dollars (31 December 2010: 2%) and approximately 1% of its cash and cash equivalents was in United States Dollars (31 December 2010: 0%).

The Group's liquidity position remains stable and the Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements. The Group's transactions and monetary assets are principally denominated in Renminbi, Hong Kong Dollars or United States Dollars. The Group has not experienced any material difficulties in or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31 December 2011. During the year ended 31 December 2011, except for certain foreign exchange forward contracts to mitigate its foreign exchange risk, the Group did not employ any material financial instrument for hedging purposes.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group employed approximately 2,800 full-time staff members. The basic remunerations of the employees are determined with reference to the industry's remuneration benchmark, the employees' experience and their performance, and equal opportunities will be offered to all staff. Salaries of employees are maintained at a competitive level and are reviewed annually, with reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each director. Apart from the basic remuneration and statutory benefits required by laws, the Group also provides discretionary bonuses based upon the Group's results and the individual performance of the staff.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for many years.

Under the ordinary resolution passed at the extraordinary general meeting on 15 February 2011, the Board adopted a new share option scheme (the "New Share Option Scheme") and simultaneously terminated the share option scheme which was adopted by the Company on 12 October 2005 (the "Old Share Option Scheme"). 3,710,000 share options had been exercised during 2011.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2011.

Directors and Senior Management

DIRECTORS

Executive Directors

Ms. Wang Xiaowen, aged 42, is the Chairman of the Company. Currently, Ms. Wang is the Chairman of the board of directors of Overseas Chinese Town (HK) Company Limited ("OCT (HK)"), (OCT (HK) is the beneficial owner of all the issued share capital in Pacific Climax Limited ("Pacific Climax"), the controlling shareholder of the Company) and Shenzhen OCT Investment Company Limited (which is a wholly-owned subsidiary of Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd.") (OCT Ltd. is the beneficial owner of all the issued share capital in OCT (HK)). Ms. Wang is also a director of Konka Group Co., Ltd. ("Konka Group"), the supervisor and the vice chairman of the Supervisory Board of China International Travel Service Corporation Limited ("CITS") and the vice president of OCT Ltd. Both Konka Group and OCT Ltd. are listed on the Shenzhen Stock Exchange, while CITS is listed on the Shanghai Stock Exchange. Ms. Wang joined Overseas Chinese Town Enterprises Company (華僑城集團公司) ("OCT Group") (the controlling shareholder of OCT Ltd.) in 1991 and had been the head of Administration Department of the President Office, the head of the Finance Department and the President Assistant of OCT Group. She had also been the supervisor of OCT Ltd. and Konka Group, the director of Chengdu OCT (a non-wholly-owned subsidiary of the Company) and the director of OCT Properties and the director and the Chairman of Shenzhen OCT Hotel Group Company Limited (深圳市華僑城酒店集團有限公司), both being subsidiaries of OCT Ltd. Save as aforesaid, Ms. Wang has also held and had also held other senior positions with OCT Ltd. and OCT Group (and their respective associated companies). Ms. Wang has obtained a bachelor degree in Economics from Nan Kai University (南開大學) in 1990.

Ms. Xie Mei, aged 44, is the Chief Executive Officer of the Company. Ms. Xie is a director of all the subsidiaries of the Company. Ms. Xie has been a deputy general manager and general manager of the strategic development department of OCT Group. Ms. Xie is currently a director of Xi'an OCT and Yunnan OCT Industrial Co., Ltd. (雲南華僑城實業有限公司) ("Yunnan OCT"), both being subsidiaries of OCT Group. Ms. Xie has rich management experience in real estate and tourism. Ms. Xie is also the general manager of OCT (HK) and a director of Pacific Climax, a direct controlling shareholder of the Company. Ms. Xie graduated from the Department of Electrical Engineering of Xi'an Jiaotong University and obtained a bachelor's degree in Engineering in 1989. She also obtained a master degree in Economics from the Renmin University of China in 1999. Ms. Xie was appointed as a non-executive Director in December 2004 and was re-designated as an executive Director in August 2007.

Mr. Zhou Guangneng, aged 60, has participated in the Group's management since January 2002. Currently, Mr. Zhou is a director of all the BVI and Hong Kong incorporated subsidiaries of the Company and the following PRC incorporated subsidiaries of the Company, namely Shenzhen Huali Packing & Trading Co., Ltd. ("Shenzhen Huali"), Shanghai Huali Packaging Co., Ltd. ("Shanghai Huali"), Zhongshan Huali Packaging Co., Ltd. ("Zhongshan Huali") and Zhongshan Huali Packaging Co., Ltd (中山華勵包裝有限公司) ("Zhongshan Huali Packaging"). He is also a director of various subsidiaries of OCT (HK). Mr. Zhou is also the deputy general manager of OCT (HK) and a director of Pacific Climax, a direct controlling shareholder of the Company. Mr. Zhou graduated from the Department of Physics of Nanjing University in 1978, and obtained a master degree in Science in 1982. Mr. Zhou has more than 20 years of experience in corporate management and has held various senior positions in subsidiaries of Shenzhen Electronics Group Co., Ltd.

Directors and Senior Management

Non-Executive Director

Mr. He Haibin, aged 37, is a senior accountant and senior financial manager. Mr. He is a director of all the BVI and Hong Kong incorporated subsidiaries of the Company. Mr. He graduated from Sun Yat-Sen University (中山大學) in Guangzhou in the PRC in 1996, majoring in accounting and auditing, and in 2002, he obtained a Master degree in Management from Research Institute for Fiscal Science, Ministry of Finance, China (財政部財政研究所). Mr. He had been the supervisor and deputy director of the finance department of OCT Group, and held the position of the Chief Financial Officer of OCT Seaview Hotel Limited (華僑城海景酒店有限公司) (now known as Shenzhen Seaview O•City Hotel Limited (深圳海景奧思廷酒店有限公司)), InterContinental Shenzhen ("InterContinental Shenzhen") and OCT (HK), all being subsidiaries of OCT Group. Mr. He is currently a director of Shenzhen OCT Hotel Group Company Limited (深圳市華僑城酒店集團有限公司), Shenzhen OCT International Hotel Management Company Limited (深圳市華僑城國際酒店管理有限公司) and Konka Group. He is also the director of the corporate management division of OCT Group.

Independent Non-Executive Directors

Ms. Wong Wai Ling, aged 50, joined the Group in April 2007. She obtained a bachelor degree of Arts from the University of Hong Kong and a postgraduate diploma in Accounting and Finance from the London School of Economics and Political Science, University of London, United Kingdom. Ms. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. She has 20 years of rich experience in accounting, taxation and auditing. She had worked for more than seven years in major international accounting firms and major local accounting firms before she set up her own accounting firm in Hong Kong in 1994. Since then, she has been practising as a Certified Public Accountant. Ms. Wong is also an independent non-executive director of two Hong Kong listed companies – China Ruifeng Galaxy Renewable Energy Holdings Limited and CATIC Shenzhen Holdings Limited. Ms. Wong is the Chairman of the Audit Committee and Remuneration Committee of the Company.

Mr. Xu Jian, aged 59, joined the Group in May 2009. Mr. Xu graduated from the School of Law of Renmin University of China (中國人民大學法律系), and is a practising PRC lawyer. Mr. Xu has been appointed as an arbitrator of China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) and the Fourth Session of the Shenzhen Arbitration Commission (第四屆深圳仲裁委員會). He is currently a partner of the Guangdong Rong Guan Law Office (廣東融關律師事務所) and has been appointed as council member and Dean of Lawyer School of Renmin University of China (中國人民大學校董及律師學院院長). Mr. Xu is also a part-time Researcher of Commercial Law Research Centre of the Chinese Academy of Social Sciences (中國社會科學院商法研究中心兼職研究員). Mr. Xu has gained extensive legal experience in litigation and arbitration in company laws of the PRC. Mr. Xu is a member of the Audit Committee and Remuneration Committee of the Company.

Mr. Lam Sing Kwong Simon, aged 53, joined the Group in May 2009. Mr. Lam is Professor of Management and Associate Dean at the Faculty of Business and Economics, the University of Hong Kong. Mr. Lam holds a doctorate degree from the Faculty of Economics and Commerce at the Australian National University. Mr. Lam is well known for his studies and researches in corporate strategy, organization development and operations management. He has published a number of academic papers and case analysis in the said topics. Before joining the University of Hong Kong, Mr. Lam had worked as a management consultant and as the Asia regional manager for a bank and a finance company. He has gained extensive experience in the area of corporate governance, strategy development and corporate finance. Mr. Lam is a member of the Audit Committee and Remuneration Committee of the Company.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Ning Jun, aged 44, is the vice president of the Company and is also the deputy general manager of OCT (HK) and a director of many subsidiaries of the Company as well as a director of InterContinental Shenzhen. Mr. Ning joined the Group in June 2007. Mr. Ning was the deputy executive chairman of the president office of OCT Group and chief representative of Beijing Office of OCT Group. Mr. Ning graduated from University of Wales in 2006 with a master degree in business management.

Mr. Chen Gang, aged 37, is the vice president of the Company and is also the deputy general manager of OCT (HK) and a director of Anhui Huali Packaging Co., Ltd., a subsidiary of the Company. Mr. Chen joined the Group in 2004 and served as president of the secretariat of the Company. Mr. Chen graduated from the Faculty of English of Sun Yat-Sen University in 1996 and obtained a master degree in business administration from Huazhong University of Science and Technology in 2005.

Mr. Zhang Xiaojun, aged 41, is the vice president of the Company and has been with the Group since 1993. Mr. Zhang supervised the daily operation of Shenzhen Huali from 2002 to June 2007. He is currently a director of various subsidiaries of the Company. Mr. Zhang graduated from Zhuzhou Institute of Technology of Hunan (now known as Hunan University of Technology) majoring in Printing Technology, where he obtained his bachelor's degree in Engineering.

Mr. Fong Fuk Wai, aged 48, is the Chief Financial Officer, Company Secretary and qualified accountant of the Company, and also serves as a director of Huali Holdings Company Limited, a wholly-owned subsidiary of the Company. He joined the Group in January 2005. Mr. Fong graduated from the Hong Kong Polytechnic University and obtained his bachelor's degree in Accountancy in 1994, and obtained a master degree in business administration at the Chinese University of Hong Kong in 1999. Prior to joining the Group, Mr. Fong worked with an international CPA firm and members of companies listed in Hong Kong. He had held the positions of senior accountant, manager and financial controller. He has many years of experience in auditing, accounting and finance. Mr. Fong is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and is also an associate member of the Institute of Chartered Accountants in England and Wales.

Mr. Zhang Dafan, aged 45, is the managing director of Chengdu OCT and is also the general manager of commercial business division of Chengdu OCT. Mr. Zhang joined Chengdu OCT at its establishment in October 2005. Mr. Zhang was successively served as the deputy general manager of import and export department of OCT Group, director of Shenzhen Bay Hotel (深圳灣大酒店) and deputy general manager of OCT (HK). Mr. Zhang graduated from the management engineering department of Nanjing University of Aeronautics and Astronautics (南京航空學院管理工程系) and obtained a master degree of business administration from Renmin University of China (中國人民大學).

Corporate Governance Report

The Company believes that high standard corporate governance and a highly efficient management team are very important in enhancing the investors' confidence and the return to the shareholders, and can also increase long-term share value. Therefore, the Company is committed to implementing and maintaining a high standard of corporate governance, emphasizing good communication with shareholders and investors, and nurturing the corporate culture of strict code of conduct, with a view to continuously improving the Company's transparency in management. This includes timely, comprehensive and accurate disclosure of information of the Company to safeguard the shareholders' interest and to raise long-term share value.

During the reporting period, the Company has complied with all the code provisions of the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

BOARD OF DIRECTORS

The board (the "Board") of directors (the "Directors") of the Company manages the Company's affairs and is responsible for the leadership and governance of the Company. The Board is also responsible for the Company's business, financial performance and preparation of financial statements. The Board formulates the strategy, policy and business plan of the Group, controls corporate risks, monitors the operation and financial performance of the Company. The Board endeavors to make decisions in line with the interest of the shareholders and the Company as a whole, and delegates powers and responsibilities to the management led by the Chief Executive Officer of the Company to carry out the daily management and operation of the Group. The Board of the Company comprises seven members, including three executive Directors, one non-executive Director and three Independent non-executive Directors.

The Company has a separate Chairman and Chief Executive Officer. The two positions are assumed by different persons, in order to ensure that their independence, accountability and power are clear. Ms. Wang Xiaowen, the Chairman, is responsible for the operation of the Board and the formulation of the Company's strategies and policies. Ms. Xie Mei, the Chief Executive Officer, with the assistance of other members of the Board and senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation.

Independent non-executive Directors are experienced professionals. They have profound expertise and experience in the legal, accounting, financial and economic management aspects. The Board considers that all independent non-executive Directors are independent in their judgment. They ensure the Board has attained the strict standards in the financial and other statutory reporting areas and they provide sufficient check and balance to safeguard the interests of the shareholders and the Company as a whole.

In order to assist the Directors to carry out their duties, the Board has set out terms of reference, enabling the Directors to seek independent professional advice upon reasonable request under appropriate circumstances and the fees are payable by the Company.

Corporate Governance Report

As at the date of this report, the Directors of the Company are as follows:

Executive Directors

Ms. Wang Xiaowen *(Chairman of Board)*

Ms. Xie Mei *(Chief Executive Officer)*

Mr. Zhou Guangneng

All the executive Directors above have been re-elected as executive Directors of the Company at the annual general meeting of the Company held on 6 April 2011, and have entered into the service contract with the Company for a term of three years effective from 6 April 2011, subject to termination provisions therein.

Non-Executive Director

Mr. He Haibin

Mr. He has entered into the director's service agreement with the Company as non-executive Director and has been re-elected as non-executive Director of the Company at the annual general meeting of the Company held on 31 May 2010, and has entered into the service contract with the Company for a term of three years effective from 31 May 2010.

Independent Non-Executive Directors

Ms. Wong Wai Ling

Mr. Xu Jian

Mr. Lam Sing Kwong Simon

All the independent non-executive Directors above have been re-elected as independent Directors of the Company at the annual general meeting of the Company held on 31 May 2010, and have entered into the service contract with the Company for a term of three years effective from 31 May 2010.

The biographies of all Directors are set out in the Annual Report on pages 12 to 13.

The Company has established a Nomination Committee. The Nomination Committee will evaluate the independence of all independent non-executive Directors each year and make sure that they comply with the independence requirement of the Listing Rules. All members of the Board are not related to one another in all aspects, including finance, family and business.

Corporate Governance Report

PROCEDURES OF BOARD MEETINGS

The Board has established meeting procedures and has complied with the code provisions of the Code. The procedures of board meetings provide that the Board shall meet at least four times each year and can convene additional meeting when necessary. The agenda and other reference documents shall be distributed prior to the board meeting to allow sufficient time for the Directors to review. Directors can express different opinions at board meetings. Important decisions will be made only after detailed discussions by the Board. Directors who have conflict of interest or material interests in the relevant transactions will not be counted in the quorum of the meeting and shall abstain from voting on the relevant resolutions. Minutes of board meetings and other committee meeting will be drafted by the Company Secretary and will be sent to all members for their comment or record respectively. Directors are entitled to inspect the minutes at any time.

NUMBER OF BOARD MEETINGS HELD AND THE ATTENDANCE OF DIRECTORS

The Board convened ten meetings in the year ended 31 December 2011. The attendances of the meetings of the Board, the Audit Committee and the Remuneration Committee are as follows:

	Number of meetings attended		
Name of Directors	**The Board**	**Audit Committee**	**Remuneration Committee**
Wang Xiaowen	10/10	N/A	N/A
Xie Mei	10/10	N/A	N/A
Zhou Guangneng	9/10	N/A	N/A
He Haibin	10/10	N/A	N/A
Wong Wai Ling	10/10	4/4	2/2
Xu Jian	10/10	3/4	1/2
Lam Sing Kwong Simon	10/10	4/4	2/2

SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS

For the year ended 31 December 2011, the Board has established the following committees and formulated their terms of reference.

Corporate Governance Report

AUDIT COMMITTEE

The Audit Committee consists of three members, including three independent non-executive Directors, namely Ms. Wong Wai Ling, Mr. Xu Jian and Mr. Lam Sing Kwong Simon, with Ms. Wong Wai Ling being the Chairman of the Audit Committee.

The main areas of responsibilities of the Audit Committee are as follows:

1. To be primarily responsible for making recommendations to the Board on the appointment, re-appointment or removal of the external auditors, and the approval of remuneration and terms of engagement of the external auditors;

2. Reviewing of internal control and monitoring the work of internal audit department;

3. Reviewing the financial statements of the Company, the Company's annual reports and accounts, interim reports and quarterly reports (if any);

4. Examining financial statements and reporting to the Board for any significant opinions in relation to financial reporting;

5. Conferring with the auditors on any problems and matters of doubt arising from the audit process, as well as other issues the auditors may like to discuss (if necessary, such discussions could be undertaken in the absence of the management);

6. Reviewing correspondences addressed to the management by the external auditors and responses from the management.

The Audit Committee held four meetings during the year ended 31 December 2011, at which the Audit Committee reviewed and discussed the financial results and reports, compliance procedures, the internal audit department's report regarding the reviewing and procedures of the internal control and risk management of the Company.

The Audit Committee has reviewed this annual report, and confirms that it is complete and accurate and complies with the Listing Rules.

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee consists of three members, including three independent non-executive Directors, namely Ms. Wong Wai Ling, Mr. Xu Jian and Mr. Lam Sing Kwong Simon, with Ms. Wong Wai Ling being the Chairman of the Remuneration Committee.

The main areas of responsibilities of the Remuneration Committee are as follows:

1. The Committee should consult Chairman of the Board on remuneration recommendations concerning other executive Directors;

2. The Committee should put forward recommendations to the Board on matters relating to the overall remuneration policy and structure for the Directors and senior managerial staff of the Company, as well as finalizing a formal and transparent remuneration policy;

3. With authority delegated by the Board, the Committee should finalize the compensation packages for all the executive Directors and senior managerial staff and put forward recommendations to the Board on remuneration for non-executive Directors;

4. Reviewing and approving compensations paid to executive Directors and senior managerial staff, who lose their positions or whose appointments are terminated, in order to ensure that the compensations are paid in accordance with relevant contractual terms.

The Remuneration Committee held two meetings during the year ended 31 December 2011, at which the Remuneration Committee reviewed and discussed the remuneration policy and structure of the Company and the remuneration and performance of duties of the executive Directors and senior management in the year under review.

INTERNAL CONTROL

The Company has an internal audit department which is independent of other departments. The internal audit department has the authority to inspect the information of the Group's risk management network, the control and governance processes in order to monitor the effectiveness of the internal control of the Company. The internal audit department conducts an overall review on every subsidiary once a year, and reports and makes recommendation to the management of the Company in respect of the review. Besides, the internal audit department also regularly reviews all the businesses, the supporting teams and matters relating to work approach, procedures, expenses and internal control measures of the Company's subsidiaries. The department will also conduct ad hoc reviews and investigations when necessary. The internal audit department reports directly to the Audit Committee.

During the year under review, the Board examined the effectiveness of the internal control system of the Company through the Audit Committee.

Corporate Governance Report

FINANCIAL REPORTING

The Directors are responsible for overseeing the preparation of the financial statements, to ensure the annual report giving a true and fair view of the financial position, results and cash flow of the Group for the year. In preparing the financial statements for the year ended 31 December 2011, the Directors have:

- selected appropriate accounting policies and applied them consistently; and
- made judgments and estimates that are reasonable.

The Company recognizes that high quality corporate reporting is very important in reinforcing the trustworthy relationship with the Company's stakeholders and aims at presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects in all corporate communications. In order to have timely and effective communications between the Company and its shareholders, the annual results of the Company are announced in a timely manner within the limit of four months after the end of a financial year.

The auditors' responsibilities are set out in the Auditor's Report on page 41.

Through the Audit Committee, the Board has reviewed the internal control system in respect of finance, operations and compliance of the Company and its subsidiaries. The Audit Committee considers that the Company and its subsidiaries have established all necessary mechanisms. The above control mechanism has ensured compliance in respect of the Company's operations. The Board considers that the Company has complied with the code provisions of the Code on internal control.

DIRECTORS' REMUNERATION

The Group paid total Directors' remuneration amounts of approximately RMB625,000, RMB478,000, RMB123,000, RMB99,000, RMB99,000 and RMB99,000 to Ms. Xie Mei, Mr. Zhou Guangneng, Mr. He Haibin, Ms. Wong Wai Ling, Mr. Xu Jian and Mr. Lam Sing Kwong Simon respectively for the year ended 31 December 2011. Ms. Wang Xiaowen did not receive any basic remuneration from the Group as at 31 December 2011.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2011, there was no arrangement in which Directors waived their remuneration.

SECURITIES TRADING BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules ("Model Code"). The Board confirms that, having made detailed enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions.

Corporate Governance Report

SECURITIES TRANSACTIONS BY SENIOR MANAGEMENT AND STAFF

These senior management and staff have been individually notified and advised about the Model Code by the Company.

FINANCIAL OFFICER

The Financial Officer of the Company is responsible for preparing interim and annual financial statements based on accounting principles generally accepted in Hong Kong and ensures that the financial statements truly reflect the Group's results and financial position as well as in compliance with the disclosure requirements of the Companies Ordinance, the Listing Rules and other relevant laws and regulations. The Financial Officer reports directly to the Chairman of the Audit Committee and co-ordinates with external auditors on a regular basis. In addition, the Financial Officer will review the control of financial risks of the Group and provide advice thereon to the Board.

COMPANY SECRETARY

The Company Secretary reports directly to the Board. All the Directors have easy access to the Company Secretary and the responsibility of the Company Secretary is to ensure the board meetings procedures are properly followed and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advice to the Board with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of notifiable transactions, connected transactions and price-sensitive information. The Company Secretary shall provide advice to the Board with respect to strict compliance with the laws, requirements and the Company's articles of association as appropriate. As the Company's principal channel of communication with the Stock Exchange, the Company Secretary assists the Board in implementing and strengthening the Company's corporate governance so as to bring the best long term value to shareholders. In addition, the Company Secretary also provides relevant information updates and continuous professional development to the Directors with respect to legal, supervisory and other continuous obligations for being a director of a listed company as appropriate. The Company Secretary is also responsible for supervising and managing the investors' relations of the Group.

EXTERNAL AUDITORS

The Group's external auditors are KPMG. The remuneration paid to the external auditors for audit services was approximately RMB1.9 million and no fees had been paid to them for tax compliance and advisory work in 2011. The responsibilities of the auditors to the shareholders are set out on page 41 in this annual report.

Corporate Governance Report

INVESTORS' RELATIONS

The Company places great emphasis on its relationship and communication with investors. The Company has numerous communication channels, such as press conference and seminars, to communicate with the media, analysts and fund managers. Designated senior management staff holds dialogue with analysts, fund managers and investors, who are also arranged to visit the Company and investment projects from time to time, so as to keep them abreast of the Group's business and latest developments. In addition, investors can also visit the Company's website at www.oct-asia.com for the most updated information and the status of the business development of the Group.

COMMUNICATION WITH SHAREHOLDERS

The Board and senior management recognise the responsibility of safeguarding the interest of shareholders of the Company and provide highly transparent and real-time information on the Company so as to keep the shareholders and investors abreast of the Company's position and help them to make the best investment decision. The Company believes that maintaining good and effective communication with shareholders can facilitate the shareholders' understanding of the business performance and strategies of the Group. The Board and senior management also recognise the responsibility of safeguarding the interest of shareholders of the Company. In order to safeguard the shareholders' interest, the Company reports its financial and operating performance to shareholders through annual reports and interim reports. Shareholders of the Company can also obtain information of the Group in time through annual reports, interim reports, announcements, circulars, press releases and the Group's website. The annual general meetings are an appropriate forum for direct communication between the Board and shareholders. Shareholders can raise questions directly to the Board in respect of the performance and future development of the Group at annual general meetings. In addition, the Company welcomes shareholders to give their valuable opinions and suggestions to the Company, and the Group has designated staff responsible for maintaining the communication between the Board and shareholders.

Directors' Report

The Board has pleasure in submitting the Annual Report together with the audited financial statements for the year ended 31 December 2011.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 28 February 2005. Its registered office and principal place of business are at Clifton House, 75 Fort Street, PO Box 1350 GT, George Town, Grand Cayman, Cayman Islands and Suites 3203-3204, Tower 6, The Gateway, Harbour City, Canton Road, Tsimshatsui, Kowloon, Hong Kong respectively.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the comprehensive development business and the manufacture and sale of cartons and paper products.

RESULTS AND DISTRIBUTIONS

The results of the Group for the year are set out in the consolidated income statement on page 43.

The Directors consider that dividends declared during the year or to be declared in future by the Group will be decided by the Board in its discretion. The factors that the Board will take into consideration include (but not limited to) distributable profits, the Group's profits, financial position, capital requirements and other factors which the Directors may deem relevant at the time. Undistributed profits will be used to provide funds for the Group's continuous growth and business expansion. Subject to the above, the Directors of the Group propose the distribution of a dividend of HK$7.3 cents per share for the year ended 31 December 2011 (2010: HK$3 cents per share).

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2011 and the state of affairs of the Company and the Group as at that date is set out in the financial statements on pages 43 to 124.

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER

The Register of Members of the Company will be closed from 5 April 2012 to 11 April 2012 (both days inclusive), for the purpose of determining shareholders' entitlement to attend the forthcoming annual general meeting (the "Annual General Meeting"), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting, shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 3 April 2012.

Directors' Report

The Board recommend the payment of a final dividend of HK$7.3 cents per share to shareholders whose names appear on the Register of Members of the Company on 20 April 2012. The Register of Members will be closed from 18 April 2012 to 20 April 2012, both days inclusive, and the proposed final dividend is expected to be paid on 28 June 2012. The payment of dividends shall be subject to the approval of the shareholders at the Annual General Meeting of the Company to be held on 11 April 2012. In order to be qualified for the proposed dividend, shareholders should deliver share certificates together with transfer documents to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 17 April 2012.

TRANSFERS TO RESERVES

Profits attributable to shareholders before dividends of RMB159 million (2010: RMB66.71 million) have been transferred to reserves. Other movements in the reserves are set out in note 26 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group invested approximately RMB112 million for the acquisition of property, plant and equipment (including construction in progress). Details of the movements of property, plant and equipment, and construction in progress are set out in note 11 to the financial statements.

SHARE CAPITAL

For the year ended 31 December 2011, an additional 3,710,000 Shares were issued as a result of the exercise of certain share options granted under the Old Share Option Scheme and the New Share Option Scheme.

As a result of the above, the Company's total issued share capital increased to 509,070,000 Shares as of 31 December 2011, representing an increase of 3,710,000 Shares compared to last year.

Details of the movements in share capital of the Company during the year are set out in note 26 to the financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2011 amounted to RMB1,292 million.

PRE-EMPTIVE RIGHTS

There was no provision in respect of pre-emptive rights in the articles of association of the Company or any requirement in the laws of the Cayman Islands requiring the Company to issue new shares to the existing shareholders proportionately.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not repurchased its own listed shares during the reporting period. During the period, save as disclosed in this Annual Report, the Company or any of its subsidiaries has not purchased or sold or redeemed any of the listed shares in the Company.

Directors' Report

MATERIAL CONTRACTS

Save as disclosed in this Annual Report, no contract of significance has been entered into during the reporting period between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries.

SERVICE CONTRACTS

No Director has an unexpired service contract which is not determinable by the Company within one year without payment of compensation other than normal statutory compensation.

DIRECTORS

The Directors of the Company during the year were as follows:

Executive Directors:

Ms. Wang Xiaowen *(Chairman)*
Ms. Xie Mei *(Chief Executive Officer)*
Mr. Zhou Guangneng

Non-Executive Director:

Mr. He Haibin

Independent non-executive Directors:

Ms. Wong Wai Ling
Mr. Xu Jian
Mr. Lam Sing Kwong Simon

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this Annual Report, no contract of significance in relation to the Group's business to which the Company, any of its holding companies, subsidiaries or fellow 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.

PERSONAL BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Personal biographies of Directors and senior management are set out on pages 12 to 14.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors of the Company is or was interested in any business apart from the Group's business, that competes or competed or is or was likely to compete, either directly or indirectly, with the Group's business at any time during the 2011 financial year up to and including the date of this report.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2011, interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix X of the Listing Rules are as follows:

Long positions in ordinary shares of the Company

Name of Directors	Number of ordinary shares held	Capacity	Nature of interest	Approximate % of issued share capital of the Company
Zhou Guangneng	1,200,000	Beneficial owner	Personal	0.24%

Long positions in underlying shares of the Company

Name of Directors	Number of underlying shares	Capacity	Nature of interest	Approximate % of issued share capital of the Company
Zhou Guangneng *(Note 1)*	800,000	Beneficial owner	Personal	0.16%
He Haibin *(Note 2)*	400,000	Beneficial owner	Personal	0.08%

Note:

(1) Zhou Guangneng is taken to be interested as a grantee of options to subscribe for 800,000 shares under the share option scheme of the Company.

(2) He Haibin is taken to be interested as a grantee of options to subscribe for 400,000 shares under the share option scheme of the Company.

Save as disclosed above, as at 31 December 2011, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2011, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long Position in Ordinary Shares ("Shares")of the Company

Name	Capacity/Nature	No. of shares held	Approximate % of shareholding
Substantial Shareholders			
Pacific Climax Limited ("Pacific Climax") *(Note 1)*	Beneficial owner	292,142,000	57.38%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)") *(Note 2)*	Interest of a controlled corporation	292,142,000	57.38%
Shenzhen Overseas Chinese Town Company Limited (formerly known as Shenzhen Overseas Chinese Town Holding Company) ("OCT Ltd.") *(Note 3)*	Interest of a controlled corporation	292,142,000	57.38%
Overseas Chinese Town Enterprises Company ("OCT Group") *(Note 4)*	Interest of a controlled corporation	292,142,000	57.38%
Others			
UBS AG *(Note 5)*	Interest of a controlled corporation	35,592,000	6.99%

Notes:

(1) Ms. Xie Mei and Mr. Zhou Guangneng, both being executive Directors, are also directors of Pacific Climax.

(2) OCT (HK) is the beneficial owner of all the issued share capital in Pacific Climax. Therefore, OCT (HK) is deemed, or taken to be interested in these shares for the purpose of the SFO. Ms. Wang Xiaowen and Ms. Xie Mei, both being executive Directors, are also directors of OCT (HK).

(3) OCT Ltd. is the beneficial owner of all the issued share capital in OCT (HK). Therefore, OCT Ltd. is deemed, or taken to be interested in all the Shares which are beneficially owned by Pacific Climax for the purpose of the SFO. OCT Ltd. is a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange. OCT Ltd. is a subsidiary of OCT Group.

Directors' Report

(4) OCT Group is the beneficial owner of 56.52% of the issued shares in OCT Ltd., which is the beneficial owner of all the issued share capital in OCT (HK) and in turn, the beneficial owner of all the issued share capital in Pacific Climax. Therefore, OCT Group is deemed, or taken to be interested in all the Shares which are beneficially owned by Pacific Climax for the purpose of the SFO.

(5) The interest of UBS AG is derived from the interests in 27,916,000 Shares, 3,892,000 Shares and 3,534,000 Shares (total: 35,592,000 Shares) held by UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Hong Kong) Ltd and UBS Global Asset Management (Singapore) Ltd respectively, which are directly wholly-owned by UBS AG. Therefore, UBS AG is deemed, or taken to be interested in the total of 35,592,000 Shares for the purpose of the SFO.

Save as disclosed above, as at 31 December 2011, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	**Purchases**
The largest customer	3%	
Five largest customers in aggregate	11%	
The largest supplier		17%
Five largest suppliers in aggregate		35%

Other than OCT Group, the ultimate controlling company of the Company, which owns approximately 19% of the total issued share capital and has gained the control of majority of the board of Konka Group Co., Ltd., the largest customer of the Group in 2011, at no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the Group's five largest suppliers or customers.

Directors' Report

CONNECTED TRANSACTIONS

During the year, the Group has the following continuing connected transactions (the "Connected Transactions") and the Company has fully complied with the announcement, reporting and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules (where applicable):

1. On 31 December 2010, the Group entered into the New Sale and Purchase Agreement with Panyu Huali Youde Offset Printing & Packaging Company Limited (廣州市番華力友德彩印包裝有限公司) ("Panyu Huali") for a term of three years commencing from 1 January 2011 and ending on 31 December 2013. Pursuant to the New Sale and Purchase Agreement, the Group agreed to purchase printed instruction manuals, brochures or similar publications from Panyu Huali. Accordingly, the arrangements under the above New Sale and Purchase Agreement constitute continuing connected transactions under the Listing Rules.

   From 1 January 2011 to 21 November 2011, Panyu Huali had been an indirect wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. The arrangements under the above New Sale and Purchase Agreement constituted continuing connected transactions until 21 November 2011. After 21 November 2011, Panyu Huali, which had been disposed of, is no longer an indirect wholly-owned subsidiary of OCT Ltd.. Accordingly, Panyu Huali is no longer a connected person of the Company.

2. On 31 December 2010, the Group entered into the New Cartons Sale and Purchase Agreement with OCT Group for a term of three years commencing from 1 January 2011 and ending on 31 December 2013.

   On 27 January 2011, the Group entered into a cartons sale and purchase framework agreement (the "New Cartons Framework Agreement") with OCT Group for a term of three years commencing from 1 January 2011 and ending on 31 December 2013. It was agreed by the parties that the above New Cartons Sale and Purchase Agreement would be automatically terminated upon the New Cartons Framework Agreement obtaining the independent shareholders' approval in accordance with Chapter 14A of the Listing Rules. The independent Shareholders' approval for the New Cartons Framework Agreement was obtained on 6 April 2011.

   OCT Group is a holding company of OCT Ltd., holding approximately 56.52% interests in OCT Ltd. as at the date of this Annual Report. OCT Ltd. owns 100% equity interests in OCT (HK), which owns 100% equity interests in Pacific Climax, a controlling shareholder of the Company, and hence each of OCT Group and its associates is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the arrangements under the above New Cartons Sale and Purchase Agreement constitute continuing connected transactions under the Listing Rules.

3. On 31 December 2010, Happy Valley branch office of Chengdu OCT (成都天府華僑城實業發展有限公司歡樂谷分公司) ("Chengdu OCT Happy Valley Branch") entered into the New Cooperation Agreement with a branch office of Shenzhen Overseas Chinese Town City Inn Company Limited (深圳市華僑城城市客棧有限公司) ("OCT City Inn Chengdu Branch") for a term of three years commencing from 1 January 2011 and ending on 31 December 2013. Pursuant to the New Cooperation Agreement, Chengdu OCT Happy Valley Branch agrees to sell tickets of the Theme Park to OCT City Inn Chengdu Branch at a fixed discounted price per ticket. OCT City Inn Chengdu Branch shall settle the ticket sales on a monthly basis by cash for the actual transaction amount.

Directors' Report

Shenzhen Overseas Chinese Town City Inn Company Limited (深圳市華僑城城市客棧有限公司) ("OCT City Inn") is an indirect wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. OCT City Inn Chengdu Branch is the branch company of OCT City Inn. Accordingly, the arrangements under the above New Cooperation Agreement constitute continuing connected transactions under the Listing Rules.

4. On 31 December 2010, Chengdu OCT Happy Valley Branch entered into the New Marketing Contract with OCT Ltd. for a term of three years commencing from 1 January 2011 and ending on 31 December 2013. Pursuant to the New Marketing Contract, Chengdu OCT Happy Valley Branch will sell VIP tickets of the Theme Park to OCT Ltd. The selling prices of such VIP tickets will be similar to those offered to independent third parties for similar nature of transactions. OCT Ltd. shall settle the ticket sales on a half-yearly basis by cash or bank transfer for the actual transaction amount.

   OCT Ltd. owns 100% equity interests in OCT (HK), which owns 100% equity interests in Pacific Climax, a controlling shareholder of the Company, and hence a connected person of the Company within the meaning of the Listing Rules. Accordingly, the arrangements under the above New Marketing Contract constitute continuing connected transactions under the Listing Rules.

5. On 31 December 2010, Chengdu OCT Happy Valley Branch entered into the New Theme Show Framework Agreement with Shenzhen Overseas Chinese Town International Media and Performance Company Limited (深圳華僑城國際傳媒演藝有限公司) ("OCT International Media") for a term of three years commencing from 1 January 2011 and ending on 31 December 2013.

   OCT International Media is a non-wholly-owned subsidiary of OCT Ltd. and is owned directly as to 10% by Chengdu OCT, and hence a connected person of the Company. Accordingly, the arrangements under the above Theme Show Framework Agreement constitute continuing connected transactions under the Listing Rules.

6. On 31 December 2010, Chengdu OCT entered into the New Design Contract with Shenzhen OCT Tourism Planning Consultancy Company Limited (深圳市華僑城旅遊策劃顧問有限公司) ("OCT Tourism") for a term of two years commencing from 1 January 2011 and ending on 31 December 2012. Pursuant to the New Design Contract, OCT Tourism will provide design and general planning services to Chengdu OCT for phase II of the Theme Park. The charge for the services will be determined by the parties by way of negotiation with reference to the prevailing market prices at the time of provision of such services and shall be comparable to that could be obtained by Chengdu OCT from independent third parties of similar scale.

   OCT Tourism is a wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. Accordingly, the arrangements under the above New Design Contract constitute continuing connected transactions under the Listing Rules.

Directors' Report

7. On 12 December 2008, Chengdu OCT entered into the tenancy agreement ("Existing Tenancy Agreement") with OCT City Inn for a term of 15 years from the second day of the date of vacant possession of certain premises located in Jinniu District, Chengdu, Sichuan Province, the PRC. Chengdu OCT and OCT City Inn agreed to terminate the Existing Tenancy Agreement and entered into the New Chengdu Tenancy I on 31 December 2010 for a term of three years commencing from 1 January 2011 and ending on 31 December 2013. Pursuant to the New Chengdu Tenancy I, Chengdu OCT agrees to lease to OCT City Inn certain premises located at Jinniu District, Chengdu, Sichuan Province, the PRC owned by Chengdu OCT for the operation of an inn.

   OCT City Inn is an indirect wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. OCT City Inn Chengdu Branch is the branch company of OCT City Inn. Accordingly, the arrangements under the above New Chengdu Tenancy I constitute continuing connected transactions under the Listing Rules.

8. On 31 December 2010, Chengdu OCT entered into the New Chengdu Tenancy II with Shenzhen OCT Hake Culture Company Limited (深圳華僑城哈克文化有限公司) ("OCT Hake") for a term of three years commencing from 1 January 2011 and ending on 31 December 2013. Pursuant to the New Chengdu Tenancy II, Chengdu OCT agrees to lease to OCT Hake certain premises located at Jinniu District, Chengdu, Sichuan Province, the PRC for the operation of an entertainment centre for children.

   OCT Hake is a wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. Accordingly, the arrangements under the above New Chengdu Tenancy II constitute continuing connected transactions under the Listing Rules.

9. On 31 December 2010, Chengdu OCT and a branch office of Shenzhen Overseas Chinese Town Property Management Company Limited (深圳市華僑城物業管理有限公司) ("OCT Property Management Chengdu Branch") agreed to terminate the Existing Property Management Contracts and entered into the New Property Management Framework Agreement for a term of three years commencing from 1 January 2011 and ending on 31 December 2013. Pursuant to the New Property Management Framework Agreement, OCT Property Management Chengdu Branch will provide property management services to the whole project of Chengdu OCT in Chengdu. The management fees payable under New Property Management Framework Agreement will be calculated based on the actual areas that are managed, and the manpower that have been employed by OCT Property Management Chengdu Branch and the parties shall enter into separate management contract for the precise property that would be managed by OCT Property Management Chengdu Branch which shall specify the payment arrangement for the management fees.

   Shenzhen Overseas Chinese Town Property Management Company Limited (深圳市華僑城物業管理有限公司) ("OCT Property Management") is a wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. OCT Property Management Chengdu Branch is the branch company of OCT Property Management. Accordingly, the arrangements of the above New Property Management Framework Agreement constitute continuing connected transactions under the Listing Rules.

Directors' Report

10. On 31 December 2010, Chengdu OCT entered into the New Electricity Consultation Services Agreement with Shenzhen Overseas Chinese Town Water and Electricity Company Limited (深圳華僑城水電有限公司) ("OCT Electricity") for a term of three years commencing from 1 January 2011 and ending on 31 December 2013. Pursuant to the New Electricity Consultation Services Agreement, OCT Electricity will provide consultation services in relation to electricity facilities in the development projects in Chengdu to Chengdu OCT.

    OCT Electricity is a wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. Accordingly, the arrangements of the above New Electricity Consultation Services Agreement constitute continuing connected transactions under the Listing Rules.

11. On 31 December 2010, Shenzhen Huali entered into the New Tenancy Agreement I with OCT Properties for a term of one year commencing from 1 January 2011 to 31 December 2011.

    OCT Properties is a wholly-owned subsidiary of OCT Ltd. and also owns 24.8% interests in Chengdu OCT, a non-wholly-owned subsidiary of the Company, and hence a connected person of the Company within the meaning of the Listing Rules. Accordingly, the arrangements under the above New Tenancy Agreement I constitute continuing connected transactions under the Listing Rules.

12. On 31 December 2010, Shenzhen Huali entered into the New Tenancy Agreement II with OCT Group for a term of three years commencing from 1 January 2011 to 31 December 2013.

    OCT Group is a holding company of OCT Ltd., holding approximately 56.52% interests in OCT Ltd. as at the date of this Annual Report. OCT Ltd. owns 100% equity interests in OCT (HK), which owns 100% equity interests in Pacific Climax, a controlling shareholder of the Company, and hence each of OCT Group and its associates is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the arrangements under the above New Tenancy Agreement II constitute continuing connected transactions under the Listing Rules.

13. On 31 December 2010, Shenzhen Huali entered into the New Utilities Agreement with OCT Electricity for a term of three years commencing from 1 January 2011 and ending on 31 December 2013.

    OCT Electricity is a wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. Accordingly, the arrangements under the above New Utilities Agreement constitute continuing connected transactions under the Listing Rules.

Directors' Report

14. On 16 August 2011, Chengdu OCT entered into the Framework Agreement with OCT Electricity. Pursuant to the Framework Agreement, OCT Electricity has agreed to provide the Electricity Equipment Maintenance Service to Chengdu OCT for a term with effect from the effective date of the Framework Agreement and ending on 31 December 2013.

    OCT Electricity is a wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Group within the meaning of the Listing Rules. Accordingly, the arrangements under the above Framework Agreement constitute continuing connected transactions under the Listing Rules.

15. On 15 November 2011, Chengdu OCT Happy Valley Branch entered into the OCT Culture Framework Agreement with OCT Culture. Pursuant to the OCT Culture Framework Agreement, Chengdu OCT Happy Valley Branch has agreed to purchase and OCT Culture has agreed to supply the Entertainment Facilities and Service to Chengdu OCT Happy Valley Branch for a term with effect from the effective date of the OCT Culture Framework Agreement and ending on 31 December 2013.

    OCT Culture is a non-wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Group within the meaning of the Listing Rules. Accordingly, the arrangements under the above OCT Culture Framework Agreement constitute continuing connected transactions under the Listing Rules.

Directors' Report

Details of items (1) to (13) of the Connected Transactions are set out in the announcement of the Company dated 31 December 2010; and details of item (14) of the Connected Transactions are set out in the announcement of the Company dated 27 January 2011; details of item (15) of the Connected Transactions are set out in the announcement of the Company dated 16 August 2011; details of item (16) of the Connected Transaction are set out in the announcement of the Company dated 15 November 2011. The transaction amount and cap amount of the Connected Transactions for the year ended 31 December 2011 are as follows:

	Particulars of the continuing connected transactions	**Transaction Amount for the year ended 31 December 2011** *RMB'000*	**Cap amount for the year ended 31 December 2011** *RMB'000*
(1)	Sale and Purchase Agreement between the Group and Panyu Huali	283	3,000
(2)	Cartons Sale and Purchase Agreement between the Group and OCT Group	86,508	120,000
(3)	Cooperation Agreement between Chengdu OCT Happy Valley Branch and OCT City Inn Chengdu Branch	673	1,500
(4)	Marketing Contract between Chengdu OCT Happy Valley Branch and OCT Ltd.	–	1,000
(5)	Theme Show Framework Agreement between Chengdu OCT Happy Valley Branch and OCT International Media	5,280	30,000
(6)	Design Contract between Chengdu OCT and OCT Tourism	–	2,000
(7)	Chengdu Tenancy I between Chengdu OCT and OCT City Inn	251	500
(8)	Chengdu Tenancy II between Chengdu OCT and OCT Hake	–	1,500
(9)	Property Management Framework Agreement between Chengdu OCT and OCT Property Management Chengdu Branch	21,659	31,400
(10)	Electricity Consultation Services Agreement between Chengdu OCT and OCT Electricity	490	600
(11)	Tenancy Agreement I between Shenzhen Huali and OCT Properties	158	320
(12)	Tenancy Agreement II between Shenzhen Huali and OCT Group	838	838
(13)	Utilities Agreement between Shenzhen Huali and OCT Electricity	211	700
(14)	Framework Agreement between Chengdu OCT and OCT Electricity	940	1,880
(15)	Culture Framework Agreement between Chengdu OCT Happy Valley Branch and OCT Culture	2,000	60,000

The Directors confirm that for the above Connected Transactions, the Company has complied with the disclosure, reporting and/or shareholders' approval requirements under Chapter 14A of the Listing Rules.

The independent non-executive Directors have reviewed the above continuing Connected Transactions and confirm:

(1) the above Connected Transactions are in the ordinary course of business of the Company;

(2) the above Connected Transactions are on normal commercial terms, or if there are insufficient comparable transactions to judge whether the terms of those transactions are normal commercial terms, as far as the Company is concerned, the terms of the above transactions are no less favourable than those available to or from independent third parties (as the case may be); and

Directors' Report

(3) the above Connected Transactions are entered into under the terms of the agreements in respect of the relevant transactions and the transaction terms are fair and reasonable and are in the interest of shareholders of the Company as a whole.

In addition, the Company's auditors have also confirmed in writing to the Board, the above Connected Transactions:

(1) have received the approval of the Board;

(2) nothing had come to their attention which caused them to believe that:

- the Connected Transactions had not been entered into in accordance with the relevant agreements governing the transactions;
- the Connected Transactions had not been entered into in accordance with the pricing policies of the Group if the transactions involve provision of goods by the Group; and
- the transaction amount occurred in 2011 for each of the Connected Transactions was not within the respective cap amount as disclosed in the Company's announcements on 31 December 2010, 27 January 2011, 16 August 2011 and 15 November 2011.

The Group entered into (and announced) the following continuing connected transaction in November 2011 and has complied with the requirements under Chapter 14A of the Listing Rules.

On 15 November 2011, Chengdu OCT entered into the Konka Framework Agreement with Konka Group. Pursuant to the Konka Framework Agreement, Chengdu OCT has agreed to purchase and Konka Group has agreed to supply the LED Equipment, Television and Other Electronic Products and Service to Chengdu OCT for a term with effect from 1 January 2012 and ending on 31 December 2013. The maximum annual aggregate amount to be paid for the LED Equipment, Television and Other Electronic Products and Service by Chengdu OCT to Konka Group under the Konka Framework Agreement for each of the two years ending 31 December 2012 and 2013 will not exceed the annual caps of RMB8 million and RMB11 million respectively.

Konka Group is directly owned by OCT Group as to approximately 19% of its total issued share capital and has gained control of majority of the board of Konka Group. Hence Konka Group is a connected person of the Group within the meaning of the Listing Rules. Accordingly, the arrangements under the above Konka Framework Agreement constitute continuing connected transactions under the Listing Rules.

The related party transactions are set out in note 30 to the financial statements of the Company. Apart from the connected transactions and continuing connected transactions disclosed above, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Directors' Report

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2011 are set out in note 22 to the financial statements.

FIVE YEAR SUMMARY

A summary of the results and the assets and liabilities of the Company for the last five years is set out on pages 125 to 126 of this Annual Report.

RETIREMENT SCHEMES

The Group participates in two defined contribution retirement schemes which cover the Group's full-time employees. Particulars of these retirement schemes are set out in note 23 to the financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent parties.

AUDITOR

KPMG was first appointed as the auditor of the Company in 2005.

KPMG will retire and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of KPMG as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules.

SHARE OPTION SCHEME

Under the ordinary resolution passed at the extraordinary general meeting on 15 February 2011, the Board adopted a new share option scheme (the "New Scheme") and simultaneously terminated the share option scheme (the "Old Scheme") which was adopted by the Company on 12 October 2005. The purpose of the New Scheme is to attract and retain the best available personnel, to provide additional incentive to the employees (full-time and part-time), directors, consultants and advisers of the Group and to promote the business development of the Group. The New Scheme shall be valid and effective for a period of ten years ending on 14 February 2021, unless terminated earlier by shareholders of the Company at general meeting.

Directors' Report

The participants of the New Scheme include any full-time or part-time employee, director, advisor and professional consultant of the Group or any member of the Group.

The Directors may at their absolute discretion and on such terms as they may think fit, propose any eligible person under the New Scheme to take up options.

An offer for the grant of options must be accepted within 28 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

The subscription price of a share in respect of any particular option granted under the New Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under all the New Schemes and any other Share Option Scheme does not exceed 10% of the shares in issue at the date of approval of the New Scheme. The Company may at any time refresh such limit, subject to the shareholders' approval and issue of a circular in compliance with the Listing Rules, provided that the total number of shares which may be issued upon exercise of all options granted and yet to be exercised under all the New Schemes and any other Share Option Scheme of the Company does not exceed 30% of the shares in issue at the time.

The total number of options available for issue under the New Scheme as at 31 December 2011 was 20,436,000 options, which represented approximately 4.01% of all the issued share capital of the Company as at 31 December 2011. In addition, the total number of shares to be issued upon exercise of options already granted under the New Scheme and the Old Scheme as at 31 December 2011 was 30,820,000 Shares, representing approximately 6.05% of the issued share capital of the Company as at 31 December 2011. The total number of shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options), in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company then in issue.

An option may be exercised in accordance with the terms of the New Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant.

Directors' Report

Pursuant to the terms of the New Scheme, the Company granted 30,100,000 options to some eligible participants (including some directors and employees) at the exercise price of HK$4.04 and grant price of HK$1 on 3 March 2011. Details of the options granted under the New Scheme above are set out in the announcement of the Company dated 3 March 2011.

The status of the share options granted up to 31 December 2011 is as follows:

Name and Category of participants	Number of unlisted share options (physically settled equity derivatives) As at 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 31 December 2011	Date of grant of share options	Exercise period of share options	Exercise price of share options** HK$	Share price of the Company as at the date of grant of share options*** HK$	Share price of the Company as at the date of exercise of share options**** HK$
Directors										
Zhou Guangneng	1,190,000	–	690,000	–	500,000	7 February 2006*	7 February 2006 to 6 February 2016	1.41	1.41	4.60 *(Note)*
	–	300,000	–	–	300,000	3 March 2011*****	3 March 2011 to 2 March 2016	4.04	4.04	–
He Haibin	–	400,000	–	–	400,000	3 March 2011*****	3 March 2011 to 2 March 2016	4.04	4.04	–
	1,190,000	700,000	690,000	–	1,200,000					

Directors' Report

Name and Category of participants	As at 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 31 December 2011	Date of grant of share options	Exercise period of share options	Exercise price of share options**	Share price of the Company as at the date of grant of share options***	Share price of the Company as at the date of exercise of share options****
	Number of unlisted share options (physically settled equity derivatives)									
								HK$	*HK$*	*HK$*
Other employees	3,240,000	–	3,020,000	–	220,000	7 February 2006*	7 February 2006 to 6 February 2016	1.41	1.41	4.60 *(Note)*
	–	29,400,000	–	–	29,400,000	3 March 2011*****	3 March 2011 to 2 March 2016	4.04	4.04	–
	3,240,000	29,400,000	3,020,000	–	29,620,000					
Total	4,430,000	30,100,000	3,710,000	–	30,820,000					

* Under the Old Scheme, there is no vesting period of the share options.

** The exercise price of the share options was subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The share price of the Company disclosed as at the date of the grant of the share options was the closing price as quoted on the Stock Exchange of the trading day immediately prior to the date of the grant of the share options.

**** The share price of the Company as at the date of the exercise of the share options was the weighted average closing price of the shares immediately before the dates on which the share options were exercised during the period.

***** The share options granted under the New Scheme shall be exercisable during the period from the date of acceptance of the offer of the grant (the "Date of Grant") up to 5 years from the Date of Grant subject to the following vesting term:–

Directors' Report

Maximum percentage of Share Options exercisable including the percentage of share options previously exercised	Period for exercise of the relevant percentage of the share options
30%	at any time after the expiry of 2 years from the Date of Grant up to 3 years from the Date of Grant
60%	at any time after the expiry of 3 years from the Date of Grant up to 4 years from the Date of Grant
100%	at any time after the expiry of 4 years from the Date of Grant up to 5 years from the Date of Grant

Note: The share options were exercised on 28 April 2011.

The details of the model and significant assumptions used to estimate the fair value of the share options granted by the Company to the eligible participants during the period are set out under Note 24 to the financial report.

Apart from the foregoing, at no time during the period prior to the date of this report was the Company, any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

After the end of the reporting period, the Directors proposed a final dividend. Further details are disclosed in note 26 to the financial statements.

By order of the Board
Wang Xiaowen
Chairman

Hong Kong, 28 February 2012

Independent Auditor's Report

KPMG

Independent auditor's report to the shareholders of
Overseas Chinese Town (Asia) Holdings Limited
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Overseas Chinese Town (Asia) Holdings Limited ("the company") and its subsidiaries (together "the group") set out on pages 43 to 124, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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 disclosure requirements of 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. This report is made solely to you, as a body, 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 the 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.

Independent Auditor's Report

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 December 2011 and of the group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 February 2012

Consolidated Income Statement

for the year ended 31 December 2011

(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Turnover	3	**2,558,860**	1,905,792
Cost of sales		**(1,786,190)**	(1,646,418)
Gross profit		**772,670**	259,374
Other revenue	4(a)	**11,676**	7,212
Other net income	4(b)	**24,057**	5,851
Distribution costs		**(160,648)**	(84,336)
Administrative expenses		**(126,268)**	(59,325)
Other operating expenses		**(1,832)**	(2,056)
Profit from operations		**519,655**	126,720
Finance costs	5(a)	**(55,486)**	(26,259)
Share of profit less loss of associates	15	**36,366**	(1,040)
Gain on remeasurement of the previously held interest in an associate		**–**	38,890
Profit before taxation	5	**500,535**	138,311
Income tax	6	**(231,582)**	(52,428)
Profit for the year		**268,953**	85,883
Attributable to:			
Equity shareholders of the company		**159,236**	66,713
Non-controlling interests		**109,717**	19,170
Profit for the year		**268,953**	85,883
Earnings per share (RMB)	10		
Basic		**0.31**	0.15
Diluted		**0.31**	0.15

The notes on pages 50 to 124 form part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 26(b).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

(Expressed in Renminbi)

	2011	2010
	RMB'000	*RMB'000*
Profit for the year	**268,953**	85,883
Other comprehensive income for the year (after tax and reclassification adjustments)		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	**(756)**	2,042
Total comprehensive income for the year	**268,197**	87,925
Attributable to:		
Equity shareholders of the company	**158,480**	68,755
Non-controlling interests	**109,717**	19,170
Total comprehensive income for the year	**268,197**	87,925

The notes on pages 50 to 124 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2011

(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Fixed assets	11		
– Investment property		**565,953**	513,647
– Other property, plant and equipment		**1,400,463**	1,414,971
– Interests in leasehold land held for own use under operating leases		**726,263**	776,481
		2,692,679	2,705,099
Intangible assets	12	**221**	182
Goodwill	13	**266,625**	266,625
Interest in an associate	15	**80,934**	44,568
Other financial assets	16	**4,320**	4,320
Deferred tax assets	25(b)	**95,761**	53,439
		3,140,540	3,074,233
Current assets			
Inventories	17	**2,015,536**	1,681,962
Trade and other receivables	18	**300,055**	266,171
Cash and cash equivalents	19	**748,393**	1,005,358
		3,063,984	2,953,491
Current liabilities			
Trade and other payables	20	**1,918,981**	1,638,310
Receipts in advance	21	**601,037**	667,473
Bank loans	22	**92,068**	44,105
Related party loans	22	**–**	361,632
Current taxation	25(a)	**124,160**	87,869
		2,736,246	2,799,389
Net current assets		**327,738**	154,102
Total assets less current liabilities		**3,468,278**	3,228,335

The notes on pages 50 to 124 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2011 *(continued)*
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current liabilities			
Bank loans	22	**81,070**	28,562
Related party loans	22	**1,044,548**	1,100,000
Deferred tax liabilities	25(b)	**52,522**	56,267
		1,178,140	1,184,829
NET ASSETS		**2,290,138**	2,043,506
CAPITAL AND RESERVES			
Share capital	26(c)	**48,274**	47,964
Reserves	26(d)	**1,529,627**	1,371,032
Total equity attributable to equity shareholders of the Company	26	**1,577,901**	1,418,996
Non-controlling interests		**712,237**	624,510
TOTAL EQUITY		**2,290,138**	2,043,506

Approved and authorised for issue by the board of directors on 28 February 2012.

Wang Xiaowen)
) Directors
Xie Mei)

The notes on pages 50 to 124 form part of these financial statements.

Statements of Financial Position

at 31 December 2011

(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Fixed assets	11	**11**	18
Investments in subsidiaries	14	**397,551**	389,452
		397,562	389,470
Current assets			
Other receivables	18	**1,287,628**	1,241,000
Cash and cash equivalents	19	**21,524**	5,738
		1,309,152	1,246,738
Current liabilities			
Other payables	20	**205,495**	215,322
Bank loans	22	**80,178**	39,567
		285,673	254,889
Net current assets		**1,023,479**	991,849
Total assets less current liabilities		**1,421,041**	1,381,319
Non-current liabilities			
Bank loans	22	**81,070**	16,082
NET ASSETS		**1,339,971**	1,365,237
CAPITAL AND RESERVES			
Share capital	26(c)	**48,274**	47,964
Reserves	26(d)	**1,291,697**	1,317,273
TOTAL EQUITY		**1,339,971**	1,365,237

Approved and authorised for issue by the board of directors on 28 February 2012.

Wang Xiaowen)
) Directors
Xie Mei)

The notes on pages 50 to 124 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2011

(Expressed in Renminbi)

		Attributable to equity shareholders of the company											
	Note	Issued capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		(note 26(c))	(note 26(d)(i))	(note 26(d)(i))	(note 26(d)(ii))	(note 26(d)(iii))		(note 26(d)(iv))	(note 26(d)(v))				
Balance at 1 January 2010		34,148	332,762	147,711	24,757	23,615	(5,655)	37,821	5,366	94,036	694,561	–	694,561
Changes in equity for 2010:													
Profit for the year		–	–	–	–	–	–	–	–	66,713	66,713	19,170	85,883
Other comprehensive income		–	–	–	–	–	2,042	–	–	–	2,042	–	2,042
Total comprehensive income for the year		–	–	–	–	–	2,042	–	–	66,713	68,755	19,170	87,925
Issuance of shares	26(c)	13,816	650,677	–	–	(1,608)	–	–	–	–	662,885	–	662,885
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	–	–	605,340	605,340
Transfer between reserves		–	–	–	–	–	–	10,497	–	(10,497)	–	–	–
Dividend approved in respect of previous year	26(b)	–	–	–	–	–	–	–	–	(7,205)	(7,205)	–	(7,205)
Balance at 31 December 2010		47,964	983,439	147,711	24,757	22,007	(3,613)	48,318	5,366	143,047	1,418,996	624,510	2,043,506
Balance at 1 January 2011		**47,964**	**983,439**	**147,711**	**24,757**	**22,007**	**(3,613)**	**48,318**	**5,366**	**143,047**	**1,418,996**	**624,510**	**2,043,506**
Changes in equity for 2011:													
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**159,236**	**159,236**	**109,717**	**268,953**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**	**(756)**	**-**	**-**	**-**	**(756)**	**-**	**(756)**
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**(756)**	**-**	**-**	**159,236**	**158,480**	**109,717**	**268,197**
Transfer between reserves		**-**	**-**	**-**	**-**	**-**	**-**	**13,813**	**-**	**(13,813)**	**-**	**-**	**-**
Dividend approved in respect of previous year	26(b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(13,190)**	**(13,190)**	**(21,990)**	**(35,180)**
Shares issued under share option scheme	26(c)	**310**	**4,941**	**-**	**-**	**(877)**	**-**	**-**	**-**	**-**	**4,374**	**-**	**4,374**
Equity settled share-based transactions	24(b)	**-**	**-**	**-**	**-**	**9,241**	**-**	**-**	**-**	**-**	**9,241**	**-**	**9,241**
At 31 December 2011		**48,274**	**988,380**	**147,711**	**24,757**	**30,371**	**(4,369)**	**62,131**	**5,366**	**275,280**	**1,577,901**	**712,237**	**2,290,138**

The notes on pages 50 to 124 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2011

(Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Operating activities			
Cash generated from operations	19	**637,088**	489,177
Tax paid:			
– PRC tax paid		**(241,358)**	(45,647)
Interest paid		**(55,675)**	(25,783)
Net cash generated from operating activities		**340,055**	417,747
Investing activities			
Payment for purchase of fixed assets		**(290,318)**	(83,315)
Investment in an associate		**–**	(50,000)
Cash acquired from acquisition of a subsidiary		**–**	133,764
Proceeds from disposal of fixed assets		**10,071**	12,753
Interest received		**10,885**	5,123
Net cash (used in)/generated from investing activities		**(269,362)**	18,325
Financing activities			
Net proceeds from issuance of shares		**4,374**	662,885
Proceeds from new borrowings		**145,926**	63,378
Dividends paid to the equity shareholders of the company		**(13,190)**	(7,205)
Dividends paid to the non-controlling interests		**(21,990)**	–
Repayment of borrowings		**(442,022)**	(465,820)
Net cash (used in)/generated from financing activities		**(326,902)**	253,238
Net (decrease)/increase in cash and cash equivalents		**(256,209)**	689,310
Cash and cash equivalents at 1 January		**1,005,358**	314,006
Effect of foreign exchange rate changes		**(756)**	2,042
Cash and cash equivalents at 31 December	19	**748,393**	1,005,358

The notes on pages 50 to 124 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

The company was incorporated in the Cayman Islands on 28 February 2005 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the group and the company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the company and its subsidiaries (together referred to as the "group") and the group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group's financial statements:

- HKAS 24 (revised 2009), Related party disclosures
- Improvements HKFRSs (2010)

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The impacts of the above developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. The disclosures about the group's related parties have been conformed to the amended disclosure requirements.
- *Improvements to HKFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests *(continued)*

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the company. Non-controlling interests in the results of the group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with note 1(o) depending on the nature of the liability.

In the company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(l)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates

An associate is an entity in which the group or the company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates *(continued)*

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (l)). Any acquisition-date excess over cost, the group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the group's share of losses exceeds its interest in the associate, the group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the group's interest is the carrying amount of the investment under the equity method together with the group's long-term interests that in substance form part of the group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the group and its associates are eliminated to the extent of the group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(l)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Goodwill *(continued)*

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of profit or loss on disposal.

(g) Other investment in equity securities

The group's and the company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(l)).

(h) Investment property

Investment properties are stated in the statements of financial position at cost less accumulated depreciation and impairment losses (see note 1(l)). Depreciation is calculated to write off the cost less estimated residual value if applicable and is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives ranging from 25 years to 38 years.

Rental income from investment properties is accounted for as described in note 1(u)(iv).

When the group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(k)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(k).

Property that is being constructed or developed for future use as investment property is stated at cost less impairment loss (see note 1(l)) until construction or development is complete.

(i) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(l)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Other property, plant and equipment *(continued)*

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(w)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	20 years
Plant and machinery	5 to 10 years
Motor vehicles	4 to 5 years
Other property, plant and equipment	3 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other the goodwill)

Intangible assets that are acquired by group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(l)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Software	5 years
– Copyright	2 years

Both the period and method of amortisation are reviewed annually.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the group

Assets that are held by group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(h)).

(ii) Operating lease charges

Where the group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(h)) or properties for sale (see note 1(m)(ii)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries and associates (including those recognised using the equity method (see note 1(e))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(l)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

(i) Impairment of investments in debt and equity securities and other receivables (continued)

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– investment property;

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– construction in progress;

– pre-paid interest in leasehold land classified as being under an operating leases;

– intangible assets; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(m) Inventories

(i) Manufacturing of paper cartons and products

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When the inventories are sold, the carrying amount of those inventories is realisable as an expense in the period in which the related revenue is realisable. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories *(continued)*

(ii) Property development

Inventories in respect of property development activities are carried at the lower of cost and net realisable value. Cost and net realisable values are determined as follows:

– Property under development for sale

The cost of properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(w)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

– Completed property held for resale

In the case of completed properties developed by the group, cost is determined by apportionment of the total development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less impairment loss for bad and doubtful debts (see note 1(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(l)).

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of borrowings, together with any interest and fee payable, using the effective interest method.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's share. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax *(continued)*

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the group or the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under forward sales deposits and instalments received.

(iii) Sale of tickets

Revenue from the sales of tickets of theme park is recognised when the services are rendered and the ticket proceeds have been received. Revenue from the sales of tickets excludes business tax or other sales related tax and is after deduction of any discounts.

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in the profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned. Revenue from operating leases excludes business tax or other sales related tax.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Revenue recognition *(continued)*

(vi) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them. Grants that compensate the group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items in the statement of financial position are translated into Renminbi at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Related parties

(a) A person, or a close member of that person's family, is related to the group if that person:

(i) has control or joint control over the group;

(ii) has significant influence over the group; or

(iii) is a member of the key management personnel of the group or the group's parent.

(b) An entity is related to the group if any of the following conditions applies:

(i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 ACCOUNTING ESTIMATES

Note 13 contains information about the assumptions relating to goodwill impairment. Other key sources of estimation uncertainty are as follows:

(i) Impairment loss for trade and other receivables

As explained in note 1(l), the group makes impairment loss for trade and other receivables based on the group's estimates of the present value of the estimated future cash flow. Given the uncertainties involved in estimating the future cash flow of individual customer, the actual recoverable amount may be higher or lower than that estimated at the end of the reporting period.

(ii) Impairment loss for fixed assets

As explained in note 1(l), the group makes impairment provision for fixed assets taking into account the group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates. Uncertainty exists in these estimations.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 ACCOUNTING ESTIMATES *(continued)*

(iii) Provision for completed properties held for sale and properties held for future development and under development for sale

As explained in note 1(l), the group's completed properties held for sale and properties held for future development and under development for sale are stated at the lower of cost and net realisable value. Based on the group's recent experience and the nature of the subject properties, the group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for completed properties held for sale and properties held for future development and under development for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

(iv) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax asset to be recognised and hence the net profit in future years.

(v) PRC Corporate Income Tax ("CIT") and PRC Land Appreciation Tax ("LAT")

As explained in note 6(a), the group is subject to PRC CIT and PRC LAT under audited taxation method. Significant judgement is required in determining the level of provision, as the calculations of which depend on the ultimate tax determination and are subject to uncertainty. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 ACCOUNTING ESTIMATES *(continued)*

(vi) Recognition and allocation of construction cost on properties under development

Development costs of properties are recorded as properties under development during construction stage and will be transferred to profit or loss upon the recognition of the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by the group based on management's best estimate.

When developing properties, the group typically divides the development projects into phases. Specific costs directly related to the development of a phase are recorded as the cost of such phase. Costs that are common to phases are allocated to individual phases based on gross floor area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

3 TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the group are comprehensive development and manufacturing and sale of paper carton and products.

Turnover represents the sales value of goods or services supplied to customers (net of value-added tax and business tax), including the sales of properties, rental income from investment properties, ticket sales from theme park and sales of paper carton and products as follows:

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Comprehensive development business	**1,743,970**	1,128,377
Sales of paper cartons and products	**814,890**	777,415
	2,558,860	1,905,792

The group's customer base is diversified and there was no customer with whom transactions exceeded 10% of the group's revenues in 2011.

Further details regarding the group's principal activities are disclosed in note 3(b).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING *(continued)*

(b) Segment reporting

The group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the group's most senior executive management for the purposes of resource allocation and performance assessment, the group has presented the following two reportable segments.

- Comprehensive development business: this segment engaged in the development and operation of tourism theme park, developed and sold residential properties, and development and management of properties.

- Manufacture and sale of paper cartons and products: this segment engaged in the manufacture and sale of paper cartons and products.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment result is "net profit". Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Starting from 2011, to arrive at the net profit of each segment, expenses not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs, were allocated to each individual segment in proportion to its turnover. Previous year's segment information was restated accordingly.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

Information regarding the group's reportable segments as provided to the group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2011 and 2010 is set out below.

	Comprehensive development business		Manufacture and sale of paper carton and products		Total	
	2011	2010	**2011**	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**1,743,970**	1,128,377	**814,890**	777,415	**2,558,860**	1,905,792
Inter-segment revenue	–	–	**–**	–	–	–
Reportable segment revenue	**1,743,970**	1,128,377	**814,890**	777,415	**2,558,860**	1,905,792
Reportable segment net profit	**129,593**	42,693	**29,643**	24,020	**159,236**	66,713
Interest income from bank deposits	**8,811**	3,159	**2,074**	1,964	**10,885**	5,123
Interest expense	**53,562**	24,486	**1,924**	1,773	**55,486**	26,259
Depreciation and amortisation for the year	**129,675**	31,014	**38,035**	38,732	**167,710**	69,746
Reportable segment assets	**5,337,423**	5,173,040	**867,101**	854,684	**6,204,524**	6,027,724
Additions to non-current segment assets during the year	**92,410**	54,764	**19,252**	59,651	**111,662**	114,415
Reportable segment liabilities	**3,546,354**	3,625,838	**368,032**	358,380	**3,914,386**	3,984,218

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3 TURNOVER AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2011	2010
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**2,558,860**	1,905,792
Elimination of inter-segment revenue	**–**	–
Consolidated turnover	**2,558,860**	1,905,792
Profit		
Reportable segment profit	**159,236**	66,713
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from group's external customers	**159,236**	66,713
Consolidated net profit	**159,236**	66,713
Assets		
Reportable segment assets	**6,204,524**	6,027,724
Consolidated total assets	**6,204,524**	6,027,724
Liabilities		
Reportable segment liabilities	**3,914,386**	3,984,218
Consolidated total liabilities	**3,914,386**	3,984,218

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 OTHER REVENUE AND NET INCOME

(a) Other revenue

	2011 RMB'000	2010 RMB'000
Interest income	**10,885**	5,123
Sale of materials	**791**	355
Government grants	**–**	1,734
	11,676	7,212

(b) Other net income

	2011 RMB'000	2010 RMB'000
Net gain/(loss) on disposal of fixed assets	**3,431**	(804)
Exchange gain	**20,026**	6,670
Others	**600**	(15)
	24,057	5,851

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2011 RMB'000	2010 RMB'000
(a) Finance costs:		
Interest on bank loans	**1,924**	2,333
Interest on related party loans	**59,791**	26,801
Total interest expense on financial liabilities not at fair value through profit or loss	**61,715**	29,134
Less: interest expense capitalised into properties under development*	**(6,229)**	(2,875)
	55,486	26,259

* The borrowing costs have been capitalised at a rate of 3.50% – 4.44% per annum (2010: 2.88% – 4.86%).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 PROFIT BEFORE TAXATION *(continued)*

(b) Staff costs:

	2011	2010
	RMB'000	*RMB'000*
Contributions to defined contribution retirement schemes *(note 23)*	**10,793**	5,107
Salaries, wages and other benefits	**122,516**	78,789
Equity-settled share-based payment expenses *(note 24)*	**9,241**	–
	142,550	83,896

(c) Other items:

	2011	2010
	RMB'000	*RMB'000*
Amortisation of intangible assets#	**34**	21
Depreciation#		
– investment property	**20,819**	4,837
– pre-paid interest in leasehold land classified as being under an operating leases	**20,746**	6,660
– other assets	**126,111**	58,228
Impairment losses#		
– trade and other receivables	**2,533**	424
Operating lease charges in respect of properties#	**19,764**	12,272
Net exchange gain	**(20,026)**	(6,670)
Auditors' remuneration		
– audit services	**1,896**	1,800
– other services	**–**	30
Rentals receivable from investment properties less direct outgoings of RMB16,988,000 (2010: RMB4,930,000)	**2,285**	1,778
Cost of inventories *(note 17(c))*#	**1,560,808**	1,415,712

Cost of inventories included RMB202,420,000 (2010: RMB137,269,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in notes 5(b) and 5(c) for each of these types of expenses.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2011	2010
	RMB'000	*RMB'000*
Current tax		
– PRC corporate income tax	**134,414**	50,393
– PRC land appreciation tax	**143,235**	34,183
	277,649	84,576
Deferred tax		
Origination and reversal of temporary differences *(note 25(b))*	**(46,067)**	(32,148)
	(46,067)	(32,148)
	231,582	52,428

(i) *Corporate income tax ("CIT")*

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the year (2010: Nil).

No provision for Hong Kong Profits Tax has been made as the group did not have any assessable profits subject to Hong Kong Profits Tax during the year (2010: Nil).

Pursuant to the income tax rules and regulations of the PRC, taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant cities in the PRC, which range between 24% – 25% (2010: 22% – 25%). Certain subsidiaries are entitled to a tax concession period in which it is fully exempted from PRC income tax for two years, starting from its first profit-making year, followed by a 50% reduction in the PRC income tax for the next three years ("two years free and three years half").

According to the Corporate Income Tax Law of the PRC and Circular 39, the income tax rate of certain PRC subsidiaries are reduced from 33% to 25% from 1 January 2008; the tax rate of certain PRC subsidiaries are gradually increased from 15% to 25% over a five-year transitional period (18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and thereafter). If a PRC subsidiary has not become profit-making and enjoyed the two years free and three years half tax concession period before 2008, the PRC subsidiary can enjoy the tax concession period from 2008 and onward.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(continued)*

(a) Taxation in the consolidated income statement represents: *(continued)*

(i) Corporate income tax ("CIT") (continued)

Additionally, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and jurisdiction of the foreign investors. According to the tax treaty between Hong Kong Special Administrative Region and PRC for avoidance of double taxation and prevention of tax evasion, dividends from declared from PRC subsidiaries to Hong Kong holding companies are subject to 5% withholding income tax from 1 January 2008 and onwards.

(ii) PRC Land Appreciation Tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated statements of comprehensive income as income tax. The group has estimated the tax provision for LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2011 *RMB'000*	2010 *RMB'000*
Profit before taxation	**500,535**	138,311
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**127,582**	25,973
Tax effect of non-deductible expenses	**3,371**	2,647
Tax effect of non-taxable income	**(5,505)**	(6,767)
Tax effect of prior year's unrecognised tax losses utilised	**(2,935)**	(2,062)
Under provision in previous year	**1,899**	–
Tax effect of unused tax losses not recognised	**816**	2,761
Timing difference not included in deferred tax assets	**(906)**	276
LAT	**143,235**	39,164
Tax effect of LAT	**(35,809)**	(9,791)
Effect of tax concessions	**(166)**	(34)
Effect of unrealised intra-group profits	**–**	261
Actual tax expense	**231,582**	52,428

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement schemes contributions *RMB'000*	Share-based payments *RMB'000*	2011 Total *RMB'000*
Chairman:						
– Wang Xiaowen	–	–	–	–	–	–
Executive directors:						
– Xie Mei	–	391	218	16	–	625
– Zhou Guangneng	–	238	138	10	92	478
Non-executive director						
– He Haibin	–	–	–	–	123	123
Independent non-executive directors:						
– Wong Wai Ling	99	–	–	–	–	99
– Lam Sing Kwong	99	–	–	–	–	99
– Xu Jian	99	–	–	–	–	99
	297	629	356	26	215	1,523

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 DIRECTORS' REMUNERATION *(continued)*

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows: *(continued)*

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement schemes contributions *RMB'000*	2010 Total *RMB'000*
Chairman:					
– Wang Xiaowen (appointed on 27 October 2010)	–	–	–	–	–
– Ni Zheng (appointed as chairman on 31 May 2010, and resigned on 27 October 2010)	–	65	218	3	286
– Hou Songrong (retired on 31 May 2010)	–	–	–	–	–
Executive directors:					
– Xie Mei	–	359	126	15	500
– Zhou Guangneng	–	251	128	11	390
Non-executive director:					
– He Haibin (appointed on 31 May 2010)	–	–	–	–	–
– Zheng Fan (retired on 31 May 2010)	–	–	–	–	–
Independent non-executive directors:					
– Wong Wai Ling	104	–	–	–	104
– Lam Sing Kwong	104	–	–	–	104
– Xu Jian	104	–	–	–	104
	312	675	472	29	1,488

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, Nil (2010: Nil) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other five (2010: five) individuals are as follows:

	2011 **RMB'000**	2010 *RMB'000*
Salaries and other emoluments	**1,442**	1,754
Discretionary bonuses	**2,969**	1,530
Retirement schemes contributions	**177**	104
Equity-settled share option payment expenses	**77**	–
	4,665	3,388

The emoluments of the five (2010: five) individuals with the highest emoluments are within the following bands:

RMB	**2011** ***Number of individuals***	2010 *Number of individuals*
Nil – 1,000,000	**4**	5
1,000,001 – 1,500,000	**1**	–

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the company includes a loss of RMB51,681,000 (2010: RMB33,317,000) which has been dealt with in the financial statements of the company.

Reconciliation of the above amount to the company's loss for the year:

	2011 ***RMB'000***	2010 *RMB'000*
Amount of loss attributable to equity shareholders dealt with in the company's financial statements	**(51,681)**	(33,317)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	**25,990**	22,434
Company's loss for the year *(note 26(a))*	**(25,691)**	(10,883)

Details of dividends paid and payable to equity shareholders of the company are set out in note 26(b).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the company of RMB159,236,000 (2010: RMB66,713,000) and the weighted average of 507,890,932 (2010: 437,561,343) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2011 **No. of shares**	2010 No. of shares
Issued ordinary shares at 1 January *(note 26(c))*	**505,360,000**	346,750,000
Effect of ordinary shares issue *(note 26(c))*	**–**	88,584,658
Effect of share option exercised *(note 26(c))*	**2,530,932**	2,226,685
Weighted average number of ordinary shares at 31 December	**507,890,932**	437,561,343

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the company of RMB159,236,000 (2010: RMB66,713,000) and the weighted average number ordinary shares of 509,024,757 shares (diluted) (2010: 443,632,995) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2011 **No. of shares**	2010 No. of shares
Weighted average number of ordinary shares at 31 December	**507,890,932**	437,561,343
Effect of deemed issue of shares under the company's share option scheme for nil consideration *(note 26(c)(iii))*	**1,133,825**	6,071,652
Weighted average number of ordinary shares (diluted) at 31 December	**509,024,757**	443,632,995

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

11 FIXED ASSETS

(a) The group

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Construction in process *RMB'000*	Motor vehicles *RMB'000*	Other property, plant and equipment *RMB'000*	Sub-total *RMB'000*	Investment property *RMB'000*	Interest in leasehold land held for own use under operating lease *RMB'000*	Total fixed assets *RMB'000*
At 1 January 2010	145,340	337,675	29,141	18,811	29,474	560,441	–	75,646	636,087
Exchange adjustment	–	–	–	–	(2)	(2)	–	–	(2)
Arising on business combination	689,851	345,172	20,944	7,905	88,036	1,151,908	480,415	714,158	2,346,481
Additions	1,128	1,558	55,329	657	1,859	60,531	–	–	60,531
Transfer from construction in progress	28,282	13,343	(75,810)	649	13,490	(20,046)	20,046	–	–
Transfer from inventories	–	–	–	–	–	–	18,023	–	18,023
Disposals	(2,719)	(25,886)	–	(626)	(3,401)	(32,632)	–	–	(32,632)
At 31 December 2010	861,882	671,862	29,604	27,396	129,456	1,720,200	518,484	789,804	3,028,488
At 1 January 2011	861,882	671,862	29,604	27,396	129,456	1,720,200	518,484	789,804	3,028,488
Exchange adjustment	–	–	–	–	(3)	(3)	–	–	(3)
Additions	2,163	2,152	101,125	2,880	3,342	111,662	–	–	111,662
Transfer from construction in progress	5,014	19,997	(33,621)	327	8,283	–	–	–	–
Transfer from inventory	–	–	–	–	–	–	43,653	–	43,653
Transfer from leasehold land	–	–	–	–	–	–	31,125	(31,125)	–
Disposals	(60)	(39,493)	–	–	(692)	(40,245)	–	–	(40,245)
Adjustment of Category	–	(17,157)	–	–	17,157	–	–	–	–
At 31 December 2011	868,999	637,361	97,108	30,603	157,543	1,791,614	593,262	758,679	3,143,555
Accumulated depreciation and impairment loss:									
At 1 January 2010	24,466	207,328	–	14,372	19,911	266,077	–	6,663	272,740
Exchange adjustment	–	–	–	–	(1)	(1)	–	–	(1)
Charge for the year	15,736	33,526	–	2,169	6,798	58,229	4,837	6,660	69,726
Written back on disposal	–	(16,480)	–	(628)	(1,968)	(19,076)	–	–	(19,076)
At 31 December 2010	40,202	224,374	–	15,913	24,740	305,229	4,837	13,323	323,389
At 1 January 2011	40,202	224,374	–	15,913	24,740	305,229	4,837	13,323	323,389
Exchange adjustment	–	–	–	–	(3)	(3)	–	–	(3)
Charge for the year	38,881	69,600	–	3,535	14,095	126,111	20,819	20,746	167,676
Written back on disposal	(5)	(39,493)	–	–	(688)	(40,186)	–	–	(40,186)
Transfer from leasehold land	–	–	–	–	–	–	1,653	(1,653)	–
Adjustment of category	–	(11,877)	–	–	11,877	–	–	–	–
At 31 December 2011	79,078	242,604	–	19,448	50,021	391,151	27,309	32,416	450,876
Net book value:									
At 31 December 2011	789,921	394,757	97,108	11,155	107,522	1,400,463	565,953	726,263	2,692,679
At 31 December 2010	821,680	447,488	29,604	11,483	104,716	1,414,971	513,647	776,481	2,705,099

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

11 FIXED ASSETS *(continued)*

(b) The company

	Other property, plant and equipment *RMB'000*
Cost:	
As at 1 January 2010	37
Addition	19
Exchange adjustment	(1)
As at 31 December 2010 and at 1 January 2011	55
Exchange adjustment	(3)
As at 31 December 2011	52
Accumulated depreciation:	
As at 1 January 2010	37
Charge for the year	1
Exchange adjustment	(1)
As at 31 December 2010 and 1 January 2011	37
Charge for the year	6
Exchange adjustment	(2)
As at 31 December 2011	41
Net book value:	
As at 31 December 2011	11
As at 31 December 2010	18

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

11 FIXED ASSETS *(continued)*

(c) The analysis of net book value of properties is as follows:

	2011 RMB'000	2010 RMB'000
In PRC		
– medium-term leases	**1,516,184**	1,598,161
Representing:		
Building carried at cost	**789,921**	821,680
Interest in leasehold land held for own use under operating lease	**726,263**	776,481
At 31 December	**1,516,184**	1,598,161

(d) According to the State-owned Land Use Right Grant Contract, leasehold land with book value of RMB660,657,000 located in Chengdu OCT of the PRC as at 31 December 2011 (2010: RMB709,187,000) is non-transferable.

(e) Fixed assets leased out under operating leases

The group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 2 years, with an option to renew the lease after that date at which time all terms are renegotiated. In respect of most of the lessees entered or would enter into a new lease for the same or an equivalent asset with the group, the directors of the company are of the opinion that operating lease contracts under investment properties are cancellable, and no future minimum lease payments under non-cancellable operating leases were disclosed.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 INTANGIBLE ASSETS

	RMB'000
Cost:	
Arising on business combination	203
Additions	–
At 31 December 2010	203
At 1 January 2011	203
Additions	103
Disposal	(30)
At 31 December 2011	276
Accumulated amortisation:	
Charge for the year	21
At 31 December 2010	21
At 1 January 2011	21
Charge for the year	34
At 31 December 2011	55
Net book value:	
At 31 December 2011	221
At 31 December 2010	182

The amortisation charge for the year is included in note 5(c) in the consolidated income statement.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 GOODWILL

	The group *RMB'000*
Cost and carrying amount:	
At 1 January 2010, 31 December 2010 and 31 December 2011	266,625

Impairment test for cash-generating units containing goodwill

Goodwill is allocated to the group's cash-generating units ("CGU") identified according to the operating segment and manufacturing bases as follows:

	Note	**2011** ***RMB'000***	2010 *RMB'000*
Shanghai	*(i)*	**1,012**	1,012
Shenzhen and Huizhou	*(i)*	**23,925**	23,925
Chengdu	*(ii)*	**241,688**	241,688
		266,625	266,625

(i) *Shanghai, Shenzhen and Huizhou*

The goodwill is mainly attributable to the skills and technical talent of Shanghai, Shenzhen and Huizhou work force, and the synergies expected to be achieved from integrating the companies into the group's existing manufacturing and sales of paper carton and products business.

(ii) *Chengdu*

The goodwill is mainly attributable to the opportunities for increasing returns as the Chengdu OCT projects benefit from the rise in urban disposable income and tourism numbers in the Chengdu area, skills and technical talent of Chengdu OCT's work force, and the synergies expected to achieved from integrating Chengdu OCT into the group.

The recoverable amounts of the CGUs above are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the period are extrapolated using an estimated weighted average growth rate, which and the discount rates are presented as below. The estimated weighted average growth rate is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the businesses in which the CGU operates. The discount rates used are after-tax and reflect specific risks relating to the relevant segments.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 GOODWILL *(continued)*

	Discount rate		Terminal value growth rate	
	2011	2010	**2011**	2010
	%	%	**%**	%
Shanghai, Shenzhen and Huizhou	**10.00**	6.00	**5.00**	8.00
Chengdu	**13.54**	6.00	**5.00**	8.00

14 INVESTMENTS IN SUBSIDIARIES

	The company	
	2011	2010
	RMB'000	*RMB'000*
Unlisted shares, at cost	**397,551**	389,452

Details of subsidiaries at 31 December 2011 are as follows. The class of shares held is ordinary.

			Proportion of ownership interest			
Name of company	**Place of incorporation/ establishment and operation**	**Particular of registered/ issued capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Shenzhen Huali Packing & Trading. Co., Ltd. ("Shenzhen Huali") *(note (i))*	PRC	Paid-up capital of HK$40,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
Shanghai Huali Packaging Co., Ltd. ("Shanghai Huali") *(note (i))*	PRC	Paid-up capital of RMB55,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
Zhongshan Huali Packaging Co., Ltd. ("Zhongshan Huali") *(note (i))*	PRC	Paid-up capital of HK$40,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
Zhongshan Huali Packing Co., Ltd. *(note (i))*	PRC	Paid-up capital of HK$5,000,000	100%	–	100%	Manufacture and sale of paper boxes and products

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ establishment and operation	Particular of registered/ issued capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Anhui Huali Packaging Co., Ltd. ("Anhui Huali) *(note (i))*	PRC	Paid-up capital of HK$40,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
Shenzhen Huayou Packaging Co., Ltd. ("Shenzhen Huayou") *(note (iv))*	PRC	Paid-up capital of RMB3,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
Huizhou Huali Packaging Co., Ltd. ("Huizhou Huali") *(note (i))*	PRC	Paid-up capital of HK$90,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
Huali Packaging (Huizhou) Co., Ltd. ("Huali Huizhou") *(note (i))*	PRC	Paid-up capital of HK$10,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
Max Surplus Limited ("Max Surplus")	British Virgin Islands ("BVI")	1 share of US$1 each	100%	100%	–	Investment holding
Forever Galaxies Limited	BVI	1 share of US$1 each	100%	–	100%	Investment holding
Fortune Crown International Limited	BVI	1 share of US$1 each	100%	–	100%	Investment holding
Miracle Stone Development Limited	BVI	1 share of US$1 each	100%	–	100%	Investment holding
Grand Signal Limited	BVI	1 share of US$1 each	100%	–	100%	Investment holding
Huali Holdings Company Limited	Hong Kong	1,000,000 shares of HK$1 each	100%	–	100%	Trading
OCT Investments Limited ("OCT Investments")	BVI	100 shares of US$1 each	100%	100%	–	Investment holding
Power Shiny Development Limited	Hong Kong	1 share of HK$1 each	100%	–	100%	Investment holding
Bantix International Limited	Hong Kong	1 share of HK$1 each	100%	–	100%	Investment holding

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES *(continued)*

			Proportion of ownership interest			
Name of company	**Place of incorporation/ establishment and operation**	**Particular of registered/ issued capital**	**Group's effective interest**	**Held by the company**	**Held by a subsidiary**	**Principal activities**
Wantex Investment Limited	Hong Kong	1 share of HK$1 each	100%	–	100%	Investment holding
Barwin Development Limited	Hong Kong	1 share of HK$1 each	100%	–	100%	Investment holding
Excel Founder Limited	Hong Kong	1 share of HK$1 each	100%	–	100%	Investment holding
Hanmax Investment Limited	Hong Kong	1 share of HK$1 each	100%	–	100%	Investment holding
Great Tec Investment Limited *(note (iii))* ("Great Tec")	Hong Kong	1 share of HK$1 each	100%	–	100%	Investment holding
Verdant Forever Limited *(note (iii))*	BVI	1 share of HK$1 each	100%	100%	–	Investment holding
Chengdu Tianfu OCT Wanhui Management Co., Ltd. ("成都天府華僑城萬匯商城管理有限公司") *(note (ii) & (iv))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
Chengdu Tianfu OCT Park Plaza Management Co., Ltd. ("成都天府華僑城公園廣場管理有限公司") *(note (ii) & (iv))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
Chengdu Tianfu OCT Chuangzhan Business District Management Co., Ltd. ("成都天府華僑城創展商業管理有限公司") *(note (ii) & (iv))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
Chengdu Tianfu OCT Commercial Plaza Management Co., Ltd. ("成都天府華僑城商業廣場區管理有限公司") *(note (ii) & (iv))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ establishment and operation	Particular of registered/ issued capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Chengdu Tianfu OCT Theater Management Co., Ltd. ("成都天府華僑城大劇院管理有限公司") *(note (ii) & (iv))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Venue rental, management of entertainment project
Chengdu Tianfu OCT Lakeside Business Management Co., Ltd. ("成都天府華僑城湖濱商業管理有限公司") *(note (ii) & (iv))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
Chengdu Tianfu OCT Riverside Business Management Co., Ltd. ("成都天府華僑城純水岸商業管理有限公司") *(note (ii) & (iv))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
Chengdu Tianfu OCT Urban Entertainment Co., Ltd. ("成都天府華僑城都市娛樂有限公司") *(note (ii) & (iv))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
Chengdu Tianfu OCT Hotel Management Co., Ltd. ("成都天府華僑城酒店管理有限公司") *(note (ii) & (iv))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Hotel management of entertainment project
Chengdu OCT *(note (v))*	PRC	Paid-up capital of RMB612,000,000	51%	–	51%	Tourism and real estate development

Notes:

(i) These companies are wholly foreign-owned enterprises established in the PRC.

(ii) The English translation of the above subsidiaries' names is for reference only. The official name of these companies is in Chinese.

(iii) These companies were established as wholly owned subsidiaries during the year.

(iv) These companies are limited companies established in the PRC.

(v) The company is a sino-foreign joint venture with limited liabilities established in the PRC.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

15 INTEREST IN AN ASSOCIATE

	The group	
	2011	2010
	RMB'000	*RMB'000*
Xi'an OCT Investment Ltd. ("Xi'an OCT")	**80,934**	44,568

Details of the associate of the group, which is an unlisted corporate entity, are as follows:

				Proportion of ownership interest			
Name of associate	**Form of business structure**	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the company**	**Held by a subsidiary**	**Principal activity**
Xi'an OCT	Incorporated	PRC	RMB200,000,000	25%	–	25%	Property investment and property development for sale or lease

Summary financial information on the associate

	Assets	**Liabilities**	**Equity**	**Revenues**	**Profit/(Loss)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2011					
Xi'an OCT					
100 per cent	**775,786**	**(452,049)**	**323,737**	**776,764**	**145,468**
Group's effective interest	**193,946**	**(113,012)**	**80,934**	**194,191**	**36,366**
2010					
Xi'an OCT					
100 per cent	857,781	(679,727)	178,054	–	(21,927)
Group's effective interest	214,445	(169,932)	44,513	–	(5,432)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

16 OTHER FINANCIAL ASSETS

	2011 *RMB'000*	2010 *RMB'000*
Unlisted equity securities, at cost – in the PRC	**4,320**	4,320

The unlisted equity securities do not have quoted market price in active market and were stated at cost at the end of each reporting period. The group's interests in unlisted equity securities.

	Percentage of equity attributable to the group at 31 December 2011	Percentage of equity attributable to the group at 31 December 2010
Shenzhen Overseas Chinese Town International Media and Performance Co., Ltd.	**10%**	10%

17 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	The group	
	2011 ***RMB'000***	2010 *RMB'000*
Manufacturing		
Raw materials	**78,748**	96,006
Work-in-progress	**2,312**	1,545
Finished goods	**14,050**	25,803
	95,110	123,354
Comprehensive development business		
Properties held for future development and under development for sale	**1,171,389**	1,457,431
Completed properties held for sale	**744,155**	96,518
Others	**4,882**	4,659
	1,920,426	1,558,608
	2,015,536	1,681,962

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

17 INVENTORIES *(continued)*

(b) The analysis of carrying value of leasehold land included in properties held for future development and under development for sale and completed properties held for sale are set out as follows:

	The group	
	2011	2010
	RMB'000	*RMB'000*
In the PRC		
– long leases	**645,928**	795,416
– medium-term leases	**29,454**	29,454
	675,382	824,870

(c) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The group	
	2011	2010
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**1,561,746**	1,414,249
Write down of inventories	**962**	1,463
Reversal of write-down of inventories	**(1,900)**	–
	1,560,808	1,415,712

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of certain goods as a result of a change in consumer preferences.

The amount of properties for future development and under development expected to be recovered after more than one year is RMB330,683,000 (2010: RMB357,762,000). All of the other inventories are expected to be recovered within one year.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

18 TRADE AND OTHER RECEIVABLES

	The group		The company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables and bills receivable:				
Amounts due from fellow subsidiaries *(note 30 (b))*	**49,780**	55,131	**–**	–
Amounts due from third parties	**183,073**	147,345	**–**	–
Less: allowance for doubtful debts *(note 18(b))*	**(8,232)**	(6,387)	**–**	–
	224,621	196,089	**–**	–
Prepayment, deposits and other receivables				
Amounts due from subsidiaries	**–**	–	**1,287,628**	1,240,877
Amounts due from fellow subsidiaries *(note 30(b))*	**894**	1,135	**–**	–
Amounts due from third parties	**74,540**	68,947	**–**	123
	300,055	266,171	**1,287,628**	1,241,000

The amounts due from subsidiaries and fellow subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

Apart from rental deposits of RMB11,693,000 (2010: RMB10,502,000) which are expected to be recovered after one year, all of the trade and other receivables, net of impairment losses for bad and doubtful debts, are expected to be recovered within one year.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

18 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis

Included in trade and other receivables are trade and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period.

	The group	
	2011	2010
	RMB'000	*RMB'000*
Current	**207,954**	162,406
Less than 3 months past due	**16,437**	27,923
More than 3 months but less than 12 months pass due	**230**	5,760
Amount past due	**16,667**	33,683
	224,621	196,089

Further details on the group's credit policy are set out in note 27(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade and bills receivable are recorded using an allowance account unless the group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivable directly (see note 1(l)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The group	
	2011	2010
	RMB'000	*RMB'000*
At 1 January	**6,386**	6,331
Impairment loss recognised	**2,413**	2,254
Amount of reversal	**(567)**	(2,198)
At 31 December	**8,232**	6,387

At 31 December 2011, Nil (2010: Nil) of the group's trade receivables were individually determined to be impaired. Consequently, no (2010: Nil) specific allowances for doubtful debts was recognised.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

18 TRADE AND OTHER RECEIVABLES *(continued)*

(c) Trade receivable and bills receivable that are not impaired

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The group does not hold any collateral over these balances.

19 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The group		The company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and in hand	**748,393**	1,005,358	**21,524**	5,738
Cash and cash equivalents in the statement of financial position	**748,393**	1,005,358	**21,524**	5,738
Cash and cash equivalents in the consolidated cash flow statement	**748,393**	1,005,358	**21,524**	5,738

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	**2011** ***RMB'000***	2010 *RMB'000*
Profit before taxation		**500,535**	138,311
Adjustments for:			
Depreciation and amortisation	*5(c)*	**167,710**	69,746
Interest income	*4(a)*	**(10,885)**	(5,123)
(Gain)/loss on disposal of fixed assets	*4(b)*	**(3,431)**	804
Interest expense	5(a)	**55,486**	26,259
Share of profit less loss of associates		**(36,366)**	1,040
Gain on remeasurement of the previously held interest in an associate		**–**	(38,890)
Equity-settled share-based payment expenses	*24*	**9,241**	–
Changes in working capital:		**682,290**	192,147
(Increase)/decrease in inventories		**(396,631)**	658,016
Increase in trade and other receivables		**(33,661)**	(23,500)
Decrease in receipts in advance		**(66,436)**	(416,876)
Increase in trade and other payables		**451,526**	79,390
Cash generated from operation		**637,088**	489,177

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 TRADE AND OTHER PAYABLES

	The group		The company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables and bills payable: *(note 20(a))*				
Amounts due to fellow subsidiaries *(note 30 (b))*	**1,159**	1,564	**–**	–
Amounts due to third parties	**865,456**	757,809	**–**	–
	866,615	759,373	**–**	–
Other payables and accruals:				
Amounts due to subsidiaries	**–**	–	**199,393**	210,365
Amounts due to fellow subsidiaries *(note 30 (b))*	**16,607**	15,916	**–**	–
Amounts due to third parties	**1,035,759**	863,021	**6,102**	4,957
	1,918,981	1,638,310	**205,495**	215,322

(a) The group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 27.

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	The group	
	2011	2010
	RMB'000	*RMB'000*
Due within 3 months or on demand	**866,615**	722,419
Due after 3 months but less than 1 year	**–**	36,954
	866,615	759,373

(b) Chengdu OCT received advances amounting to RMB550,000,000 for construction of infrastructure facilities in previous years. As at 31 December 2011, the balance of the advances received deducting the carrying amount of the related infrastructure facilities was RMB365,695,000 (2010: RMB372,696,000), which was included in other payables.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 RECEIPTS IN ADVANCE

	2011	2010
	RMB'000	*RMB'000*
Pre-sale of properties	**596,697**	666,006
Others	**4,340**	1,467
	601,037	667,473

22 BORROWINGS

	The group		**The company**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current liabilities				
Current portion of bank loans	**27,981**	44,105	**23,657**	39,567
Non-current portion of bank loans repayable on demand	**64,087**	–	**56,521**	–
Loans from related parties *(note 30 (b))*	**–**	361,632	**–**	–
	92,068	405,737	**80,178**	39,567
Non-current liabilities				
Bank loans	**81,070**	28,562	**81,070**	16,082
Loans from related parties *(note 30 (b))*	**1,044,548**	1,100,000	**–**	–
	1,125,618	1,128,562	**81,070**	16,082

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

22 BORROWINGS *(continued)*

At 31 December, the borrowings were repayable as follows:

Bank loans

	The group		The company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year or on demand	**27,981**	44,105	**23,657**	39,567
After 1 year but within 2 years	**52,467**	13,728	**48,144**	9,190
After 2 years but within 5 years	**92,690**	14,834	**89,447**	6,892
	145,157	28,562	**137,591**	16,082
	173,138	72,667	**161,248**	55,649

Related party loans

	The group		The company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year or on demand	**–**	361,632	**–**	–
After 1 year but within 2 years	**1,044,548**	800,000	**–**	–
After 2 years but within 5 years	**–**	300,000	**–**	–
	1,044,548	1,100,000	**–**	–
	1,044,548	1,461,632	**–**	–

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

22 BORROWINGS *(continued)*

The group's short-term borrowings comprise:

		The group		The company	
		2011	2010	**2011**	2010
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Short-term					
HKD denominated	Interest rates at HIBOR*+0.8% per annum with maturity on 22 November 2011	**–**	361,632	**–**	–
Current portion of long-term bank loan					
HKD denominated	Interest rates at HIBOR*+1.2% – HIBOR*+2% per annum with maturities on 14 December 2012 to 28 December 2012	**27,981**	44,105	**23,657**	39,567
Non-current portion of bank loans repayable on demand					
HKD denominated	Interest rates at 1 month HIBOR+2% per annum with maturities on 25 July 2014	**15,403**	–	**15,403**	–
HKD denominated	Interest rates at 1 month HIBOR+1.5% per annum with maturity through 28 November 2015 to 19 December 2015	**34,551**	–	**34,551**	–
HKD denominated	Interest rates at HIBOR+1.2% – 1.29% per annum with maturities through 15 September 2013 and 15 September 2014	**14,133**	–	**6,567**	–
		92,068	405,737	**80,178**	39,567

* Hong Kong Interbank Offer Rate

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

22 BORROWINGS *(continued)*

The group's long-term borrowings comprise:

		The group		The company	
		2011	2010	**2011**	2010
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
HKD denominated	Interest rates at 1 month HIBOR+2.1% per annum with maturities on 27 June 2014	**81,070**	–	**81,070**	–
HKD denominated	Interest rates at 1 month HIBOR+2% per annum with maturities on 25 July 2014	**24,321**	–	**24,321**	–
RMB denominated	Interest rates at 3.92% per annum with maturity on 31 July 2013	**300,000**	300,000	**–**	–
HKD denominated	Interest rates at 1 month HIBOR+1.5% per annum with maturity through 28 November 2015 to 19 December 2015	**40,535**	–	**40,535**	–
RMB denominated	Interest rates at 4.44% per annum with maturity on 30 August 2015	**400,000**	800,000	**–**	–
HKD denominated	Interest rates at HIBOR+1.2% – 1.29% per annum with maturities through 15 September 2013 and 15 September 2014	**27,212**	72,667	**15,322**	55,649
HKD denominated	Interest rate at 3.5% with maturities on 31 December 2013	**344,548**	–	**–**	–
Less: borrowings repayable within a year or on demand		**(92,068)**	(44,105)	**(80,178)**	(39,567)
		1,125,618	1,128,562	**81,070**	16,082

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

22 BORROWINGS *(continued)*

The bank loans of the group at 31 December 2011 were guaranteed by its subsidiaries, namely Huali Holdings Company Limited, Wantex Investment Limited, Excel Founder Limited, Hanmax Investment Limited, Barwin Development Limited, Forever Galaxies Limited, Fortune Crown International Limited and Miracle Stone Development Limited. Except for the above, the group and the company did not have secured or guaranteed bank loans at 31 December 2011.

All of the group's banking facilities are subject to the fulfilment of covenants relating to certain of the group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the group were to breach the covenants, the drawn down facilities would become payable on demand. The group regularly monitors its compliance with these covenants. Further details of the group's management of liquidity risk are set out in note 27(b).

23 EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Shenzhen, Zhongshan, Huizhou, Shanghai, Anhui and Chengdu whereby the group is required to make contributions to the Schemes at a rate ranging from 11% to 22% (2010: 10% to 22%) of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTION

(a) Share options granted on 7 February 2006

On 7 February 2006, 5,400,000 and 13,900,000 share options were granted to directors and employees of the company respectively under the company's share option scheme. Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the company which will be settled by physical delivery of shares. These share options vested immediately from the date of grant, and then be exercisable within a period of ten years. The exercise price is HK$1.41. No option was forfeited or expired during 2011.

This share option scheme was terminated and a new share option scheme was adopted on 3 March 2011. The remaining outstanding 720,000 options granted under the original scheme continue to be valid and were exercisable with a remaining contractual life of 4 years and 1 month at 31 December 2011.

(b) Share options granted on 3 March 2011

On 3 March 2011, 2,700,000 and 27,400,000 share options were granted to directors and employees of the group respectively under the company's new share option scheme. Each option gives the holder the right to subscribe for one ordinary share of HK$0.1 each of the company which will be settled by physical delivery of shares. The share options shall be exercisable during a period of 5 years from the date of acceptance of the offer of the grant up to 5 years from the date of grant subject to the following vesting term:

Maximum percentage of share options exercisable including the percentage of share options previously exercised	Period for exercise of the relevant percentage of the share options
30%	at any time after the expiry of 2 years from the date of grant up to 3 years from the date of grant
60%	at any time after the expiry of 3 years from the date of grant up to 4 years from the date of grant
100%	at any time after the expiry of 4 years from the date of grant up to 5 years from the date of grant

The exercise price is HK$4.04. No option was forfeited or expired during 2011.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTION *(continued)*

(b) Share options granted on 3 March 2011 *(continued)*

Inputs for measurement of grant date fair values

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plan on 3 March 2011.

Expected vesting date	**3 March 2013**	**3 March 2014**	**3 March 2015**
Fair value at grant date	1.04	1.51	1.71
Share price at grant date	4.04	4.04	4.04
Exercise price	4.04	4.04	4.04
Expected volatility	46.76%	56.81%	55.71%
Option life	2 years	3 years	4 years
Expected dividends	0.74%	0.74%	0.74%
Risk-free interest rate	0.69%	1.06%	1.51%

Expected volatility is estimated taking into account historic average share price volatility. Expected dividends are based on management's best estimation. The risk-free rate is referenced to the yields of Hong Kong Exchange Fund Notes. Changes in the subjective input assumptions could materially affect the fair value estimate. There was no market conditions associated with the share option granted on 3 March 2011.

The total expense recognised for the period ended 31 December 2011 arising from the share option granted on 3 March 2011 was RMB9,241,000.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 EQUITY SETTLED SHARE-BASED TRANSACTION *(continued)*

(c) The number and weighted average exercise prices share options are as follows:

	2011		2010	
	Weighted average exercise price per share	**Number of options**	Weighted average exercise price per share	Number of options
	HKD	***'000***	*HKD*	*'000*
Outstanding at the beginning of the year	**1.41**	**4,430**	1.41	11,240
Granted during the year	**4.04**	**30,100**	–	–
Exercised during the year	**1.41**	**(3,710)**	1.41	(6,810)
Outstanding at the end of the year	**3.96**	**30,820**	1.41	4,430

As specified in the rules governing the share option schemes above, the exercise prices are the higher of (i) the closing price of the shares of the company on the Stock Exchange of Hong Kong Limited (the Stock Exchange) on the date of the grant of the options, (ii) the average of the closing prices of the shares of the company on the Stock Exchange for the five business days immediately preceding the date of the grant of the options and (iii) the nominal value on the company's share on the date of grant of the option.

The fair value of services received in return for share options granted above are measured by reference to the fair value of share options granted. The estimate of the fair value of the service received is measured based on Black-Scholes option pricing model.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

25 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The group	
	2011	2010
	RMB'000	*RMB'000*
PRC Corporate Income Tax		
At 1 January	**75,179**	4,304
Arising on business combination	**–**	40,301
Charged to the statement of comprehensive income *(note 6(a))*	**134,414**	50,393
Provisional profits tax paid	**(102,323)**	(19,819)
At 31 December	**107,270**	75,179
PRC Land Appreciation Tax		
At 1 January	**12,690**	–
Arising on business combination	**–**	4,335
Charged to the statement of comprehensive income *(note 6(a))*	**143,235**	34,183
Tax paid	**(139,035)**	(25,828)
At 31 December	**16,890**	12,690
Total	**124,160**	87,869

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

25 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax assets and liabilities recognised:

(i) *The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:*

	Accounting depreciation in excess of depreciation allowances *RMB'000*	Provisions *RMB'000*	Accrued expenses *RMB'000*	Unrealised profit *RMB'000*	Pre-operating expenses *RMB'000*	Tax losses *RMB'000*	Unrealised gain on pre-sale of properties *RMB'000*	Undistributed profits of subsidiaries and associates *RMB'000*	Fair value adjustment of inventories *RMB'000*	Capitalisation of interest *RMB'000*	Total *RMB'000*
Deferred tax arising from:											
At 1 January 2010	3,795	3,111	1,686	174	44	-	-	(152)	-	-	8,658
Arising on business combination	-	-	-	-	-	75	63,104	-	(106,813)	-	(43,634)
Credited to profit or loss	(745)	(174)	29,038	(20)	(44)	-	(46,605)	(3,815)	54,513	-	32,148
At 31 December 2010	3,050	2,937	30,724	154	-	75	16,499	(3,967)	(52,300)	-	(2,828)
Deferred tax arising from:											
At 1 January 2011	3,050	2,937	30,724	154	-	75	16,499	(3,967)	(52,300)	-	(2,828)
Credited to profit or loss	(627)	201	30,416	239	-	2,084	(1,599)	(6,257)	10,002	11,608	46,067
At 31 December 2011	2,423	3,138	61,140	393	-	2,159	14,900	(10,224)	(42,298)	11,608	43,239

(ii) *Reconciliation to the consolidated statements of financial position*

	2011 ***RMB'000***	2010 *RMB'000*
Net deferred tax asset recognised in the statement of financial position	**95,761**	53,439
Net deferred tax liability recognised in the statement of financial position	**(52,522)**	(56,267)
	43,239	(2,828)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

25 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION *(continued)*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(s), the group has not recognised deferred tax assets in respect of cumulative tax losses of RMB7,822,000 (2010: RMB9,941,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. Among the RMB7,822,000, RMB410,000 will expire progressively in five years. The remaining tax losses do not expire under current tax regulations.

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2010		332,762	248,970	2,787	101,773	686,292
Issuance of shares		650,677	–	(1,608)	–	649,069
Loss for the year		–	–	–	(10,883)	(10,883)
Dividend approved in respect of the previous year	26(b)	–	–	–	(7,205)	(7,205)
At 31 December 2010		983,439	248,970	1,179	83,685	1,317,273
At 1 January 2011		**983,439**	**248,970**	**1,179**	**83,685**	**1,317,273**
Issuance of shares		**4,941**	**–**	**(877)**	**–**	**4,064**
Equity settled share-based transactions	24(b)	**–**	**–**	**9,241**	**–**	**9,241**
Loss for the year		**–**	**–**	**–**	**(25,691)**	**(25,691)**
Dividend approved in respect of the previous year	26(b)	**–**	**–**	**–**	**(13,190)**	**(13,190)**
At 31 December 2011		**988,380**	**248,970**	**9,543**	**44,804**	**1,291,697**

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2011	2010
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of HK$7.30 cents per ordinary share (equivalent RMB5.93 cents per share) (2010: HK$3.00 cents per share (equivalent RMB2.61 cents per share))	**30,168**	13,190

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payables to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2011	2010
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$3 cents per share (equivalent RMB2.61 cents per share) (2010: HK$2.36 cents per share (equivalent RMB2.08 cents per share)	**13,190**	7,205

(c) Share capital

(i) Authorised and issued share capital

	2011		2010	
	No. of shares		No. of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000**	**200,000**	2,000,000	200,000

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital *(continued)*

(i) Authorised and issued share capital (continued)

	2011		2010	
	No. of shares		No. of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Ordinary shares, issued and fully paid:				
At 1 January	**505,360**	**47,964**	346,750	34,148
Issuance of new shares	**–**	**–**	151,800	13,228
Shares issued under share option scheme	**3,710**	**310**	6,810	588
At 31 December	**509,070**	**48,274**	505,360	47,964

(ii) Issue of ordinary shares

On 2 June 2010, the company issued and allotted 91,800,000 shares at par value of HK$0.1 to its immediate holding Company Pacific Climax Limited, and placed 60,000,000 placing shares at par value of HK$0.1 to not less than six investors who are third parties independent of the company and connected persons (within the meaning of the Listing Rules) of the company, both at a price of HK$5 per share.

(iii) Shares issued under share option scheme

30 August 2010, 17 September 2010 and 28 April 2011, 5,680,000, 1,130,000 and 3,710,000 share options of the company at par value of HK$0.1 were exercised at exercise price of HK$1.41 per share respectively. The excess of the exercise price over the par value of the shares issued has been credited to the share premium account of the company.

(d) Nature and purpose of reserves

(i) Share premium and contributed surplus

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the contributed surplus account of the company are distributable to the shareholders of the company provided that immediately following the date on which the dividend is proposed to be distributed, the company will be in a position to pay off its debts as they fall due in the ordinary course of business.

The excess of the issued price net of any issuance expenses over the par value of the shares issued has been credited to the share premium account of the company.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Nature and purpose of reserves *(continued)*

(ii) Merger reserve

Merger reserve arose from the recognition of the remaining goodwill arising on the original acquisition of the subsidiaries as recorded in the controlling party's financial statements in these financial statements.

(iii) Capital reserve

Capital reserve comprises the following:

– difference between the total amount of registered capital and the amount of contributions from the equity holders of a subsidiary; and

– the portion of the grant date fair value of unexercised share options granted to employees of the company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 1(r)(ii).

(iv) General reserve fund

Transfers from retained earnings to general reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the company's subsidiaries incorporated in the PRC and were approved by the respective boards of directors.

The subsidiaries in the PRC are required to transfer 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this fund must be made before distribution of dividends to the equity holders.

General reserve fund can be used to make good previous years' losses, if any, and may be converted into paid up capital provided that the balance of the general reserve fund after such conversion is not less than 25% of the registered capital.

(v) Enterprise expansion fund

The subsidiaries in the PRC are required to transfer a certain percentage of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the enterprise expansion fund. The percentage of this appropriation is decided by the directors of the subsidiaries.

The enterprise expansion fund can be used for the subsidiaries' business development purposes and for working capital purposes. This fund can also be used to increase capital of the subsidiaries, if approved. This fund is non-distributable other than upon liquidation. Transfers to this fund must be made before distribution of dividends to the equity holders.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

26 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Distributability of reserves

At 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the company is RMB1,291,697,000 (2010: RMB1,317,273,000). After the end of the reporting period, the directors proposed a final dividend of HK$7.30 cents per ordinary share (2010: HK$3 cents per share), amounting to RMB30,168,000 (2010: RMB13,190,000). This dividend has not been recognised as a liability at the end of the reporting period.

(f) Capital management

The group's primary objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The group monitors its capital structure on the basis of an adjusted net debt to capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings and trade and other payables) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During 2011, the group's strategy, which was unchanged from 2010 was to maintain the adjusted net debt-to-capital ratio at a level of industry average. In order to maintain or adjust the ratio, the group may issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the group's business. The group's exposure to these risks and the financial risk management policies and practices used by the group to manage these risks are described below:

(a) Credit risk

The group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(a) Credit risk *(continued)*

In respect of receivables of mortgage sales, no credit terms will be granted to the purchasers. In addition, the group did not provide any guarantee to the banks to secure repayment obligations of such purchasers. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 60-120 days from the date of billing. Debtors with balances that are more than 1 month past due are requested to settle all outstanding balances before any further credit is granted. Normally, the group does not obtain collateral from customers.

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the group has significant exposure to individual customers. At the end of the reporting period, 5% (2010: 5%) and 16% (2010: 17%) of the total trade and other receivables was due from the group's largest customer and the five largest customers respectively.

Except for the financial guarantees given by the group as set out in note 29, the group does not provide any other guarantees which would expose the group or the company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 29.

Further quantitative disclosures in respect of the group's exposure to credit risk arising from trade and other receivables are set out in note 18.

(b) Liquidity risk

Individual operating entities within the group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by the company's board when the borrowings exceed certain predetermined levels of authority. The group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Further quantitative disclosures in respect of the group's exposure to liquidity risk arising from trade and other receivables, trade and other payables, borrowings and other payables to intermediate holding company are set out in notes 18, 20, 22 and 30.

For term loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, note 22 shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(c) Interest rate risk

The group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk.

The effective interest rate of cash and cash equivalents is 1.32% per annum (2010: 0.61% per annum). The effective interest rate of bank loans and related party loans is 4.27% per annum (2010: 4.34% per annum). The interest rates and terms of repayment of the group's borrowings and other payable to intermediate holding company are disclosed in notes 22 and 30.

At 31 December 2011, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the group's profit after tax and retained profits by approximately increased RMB882,000 (2010: increased RMB1,204,000).

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non– derivative instruments held by the group at the end of the reporting period, the impact on the group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2010.

(d) Currency risk

The group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros, United States dollars, Hong Kong dollars. The group manages this risk as follows:

(i) Forecast transactions

The group hedge certain of its estimated foreign currency exposure in respect of committed future sales and purchases and certain of its estimated foreign currency exposure in respect of highly probable forecast sales and purchases. The group used forward exchange contracts to mitigate its currency risk.

(ii) Exposure to currency risk

The following table details the group's and the company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(d) Currency risk *(continued)*

(ii) Exposure to currency risk (continued)

The group

	2011		2010	
	United States Dollars *'000*	**Hong Kong Dollars *'000***	United States Dollars *'000*	Hong Kong Dollars *'000*
Trade and other receivables	**1,517**	**48,653**	416	25,735
Cash and cash equivalents	**685**	**44,612**	1,692	31,376
Trade and other payables	**(1,292)**	**(41,209)**	–	(41,366)
Borrowings	**–**	**(623,900)**	–	(507,700)
Gross exposure arising from recognised assets and liabilities	**910**	**(571,844)**	2,108	(491,955)

The company

	2011	2010
	Hong Kong Dollars *'000*	Hong Kong Dollars *'000*
Trade and other receivables	**1,451,661**	1,353,109
Cash and cash equivalents	**26,551**	6,741
Trade and other payables	**(253,009)**	(252,936)
Bank loans	**(198,900)**	(65,400)
Gross exposure arising from recognised assets and liabilities	**1,026,303**	1,041,514

The group and the company ensure that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address the short term imbalances.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(d) Currency risk *(continued)*

(iii) Sensitivity analysis

A 5 per cent weakening of the Hong Kong dollars and United States dollars against the above RMB at 31 December 2011 would have increased profit by RMB18,898,000 (2010: increased RMB14,405,000). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

A 5 per cent strengthening of the Hong Kong dollars and United States dollars against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Results of the analysis as presented above represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the group which expose the group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the group's presentation currency. The analysis is performed on the same basis for 2010.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010 due to their nature of short-term maturities or floating interest rate for the long-term bank loans.

(f) Estimation of fair values

(i) Forward exchange contracts

Forward exchange contracts are either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

(ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 COMMITMENTS

(a) Capital commitments, outstanding at 31 December 2011 not provided for in the financial statements were as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted for	**304,023**	307,177	**–**	–
Authorised but not contracted for	**1,972,462**	1,979,122	**–**	–
	2,276,485	2,286,299	**–**	–

The capital commitments in 2011 and 2010 mainly represented the commitments in connection with the planned development projects of Chengdu OCT.

(b) At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases in respect of land and properties were payable as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**3,824**	2,634	**–**	–
After one year but within five years	**391**	2,028	**–**	–
After five years	**1,349**	1,243	**–**	–
	5,564	5,905	**–**	–

The group leases a number of land and properties under operating leases. The leases run for period from one to twenty-six years, certain of the leases are with an option to renew when all terms are renegotiated. None of the leases includes contingent rentals.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29 CONTINGENT LIABILITIES

Financial guarantees issued

As at the end of the reporting period, the company has issued the following guarantees:

(a) a single guarantee to a bank in respect of a trade facility granted to a wholly owned subsidiary; and

(b) a single guarantee to a bank in respect of a banking facility granted to a wholly owned subsidiary which expires on 14 September 2014.

As at the end of the reporting period, the directors do not consider it probable that a claim will be made against the company under any of the guarantees. The maximum liability of the company at the end of the reporting period under the guarantees issued is the facility drawn down by the subsidiary of HKD14,667,000 (2010: HKD20,000,000).

The company has not recognised any deferred income in respect of the guarantee as its fair value cannot be reliably measured using observable market data and its transaction price was nil.

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with other state-controlled entities:

The company is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Other than those disclosed in 30(b), transactions with other state-controlled entities include but are not limited to the following:

– Purchase of service;

– Utility supplies; and

– Financial services arrangement.

These transactions are conducted in the ordinary course of the group's business on terms comparable to those with other entities that are not state-controlled. The group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions with other state-controlled entities: *(continued)*

Having considered the potential for transactions to be impacted by related party relationships, the group's pricing strategy, buying and approval processes and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions with other state-controlled entities require disclosure:

(i) Transactions and balances with other state-controlled banks in the PRC:

	2011	2010
	RMB'000	*RMB'000*
Interest income	**10,881**	5,118
Interest expense	**1,152**	1,178

	2011	2010
	RMB'000	*RMB'000*
Cash at bank	**657,983**	995,652
Bank loans	**81,070**	32,675

(ii) Transactions and balances with other state-controlled entities in the PRC:

	2011	2010
	RMB'000	*RMB'000*
Purchase of services	**536,272**	228,203

	2011	2010
	RMB'000	*RMB'000*
Trade and other payables	**158,015**	42,305

For the year ended, management estimates that the aggregate amount of the group's significant transactions with other state-controlled entities are at least 48 percent of its purchase of service for the development of comprehensive development business.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) The group has a related party relationship with the following parties:

Name of party	Relationship with the group
Overseas Chinese Town Enterprises Corporation ("OCT Group")	Ultimate holding company
Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd")	Intermediate holding company
Overseas Chinese Town (HK) Company Limited	Intermediate holding company
Konka Group Company Limited, its subsidiaries and associates ("Konka Group")	Fellow subsidiary
Shenzhen Overseas Chinese Town Water and Electricity Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Happy Coast Investment Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Tourism Advisory Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Property Management Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town City Inn Co., Ltd.	Fellow subsidiary
Shanghai Overseas Chinese Town Investment Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Happy Valley Tourism Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town International Media and Performance Co., Ltd.	Fellow subsidiary
Overseas Chinese Town Culture Tourism and Technology Co., Ltd	Fellow subsidiary

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) The group has a related party relationship with the following parties: *(continued)*

Recurring transactions

	2011	2010
	RMB'000	*RMB'000*
Sales of goods to:		
Konka Group	**86,309**	85,672
OCT Group, its subsidiaries and associates	**872**	270
	87,181	85,942
Purchase of goods from:		
Konka Group	**1,401**	–
OCT Group, its subsidiaries and associates	**2,283**	575
	3,684	575
Interest expense:		
OCT (HK)	**16,519**	14,863
OCT Group	**43,272**	11,938
	59,791	26,801
Rental received from:		
OCT Group, its subsidiaries and associates	**251**	–
Rental paid to:		
OCT Group, its subsidiaries and associates	**997**	1,577
Utility expenses paid to:		
OCT Group, its subsidiaries and associates	**211**	1,903
Purchase of service from:		
OCT Group, its subsidiaries and associates	**28,369**	4,627
Repayment of loan to:		
OCT Group, its subsidiaries and associates	**400,000**	–

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(b) The group has a related party relationship with the following parties: *(continued)*

Balances with related parties

Amounts due from/(to) related parties are as follows:

	Notes	2011 RMB'000	2010 RMB'000
Trade receivable from fellow subsidiaries *(note 18)*	*(i)*	**49,780**	55,131
Trade payable to fellow subsidiaries *(note 20)*	*(ii)*	**(1,159)**	(1,564)
Other receivable from fellow subsidiaries *(note 18)*	*(iii)*	**894**	1,135
Other payable to fellow subsidiaries *(note 20)*	*(iii)*	**(16,607)**	(15,916)
Loans from ultimate holding company *(note 22)*	*(iv)*	**(700,000)**	(1,100,000)
Loan from intermediate holding company *(note 22)*	*(v)*	**(344,548)**	(361,632)

Notes:

(i) The trade receivable balances are unsecured, non-interest bearing and are expected to be recovered within six months. These refer to receivables in respect of sale of paper cartons and paper boxes to related parties.

(ii) The trade payable balances are unsecured, non-interest bearing and are expected to be settled within three months. These refer to payables in respect of purchases of raw material from related parties.

(iii) Other receivables and payables are unsecured, non-interest bearing, and repayable on demand.

(iv) Loans from ultimate holding company of RMB300,000,000 and RMB400,000,000 are bearing an interest at 3.92% and 4.44% respectively.

(v) Loans from intermediate holding company of HK$425,000,000 is bearing an interest at 3.50%.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2011 **RMB'000**	2010 RMB'000
Short-term employee benefits	**5,693**	4,743
Post employment benefits	**203**	133
Equity-settled share option payment expenses	**292**	–
	6,188	4,876

Total remuneration is included in "staff costs" (see note 5(b)).

(d) Contributions to post-employment benefits plans

The group participates in various defined contribution post-employment benefit plans for its employees. Further details of these plans are disclosed in note 23.

31 NON-ADJUSTING POST STATEMENT OF FINANCIAL POSITION EVENTS

(i) Final dividend

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 26.

(ii) Capital investment in the Overseas Chinese Town (Shanghai) Land Company Limited ("OCT Shanghai Land")

On 5 January 2012, Great Tec, entered into a capital investment agreement with Overseas Chinese Town Real Estate Company Limited ("OCT Properties"), pursuant to which Great Tec conditionally agreed to make capital contribution of RMB2,232,000,000 to OCT Shanghai Land. Upon the entire amount of RMB2,232,000,000 has been fully contributed to OCT Shanghai Land, the registered capital of OCT Shanghai Land would be RMB3,030,000,000 and the equity interest of OCT Shanghai Land would be 50.5% and 49.5% owned by Great Tec and OCT Properties, respectively. The transaction is subject to approval by the shareholders.

(iii) Related party loan from OCT (HK)

On 5 January 2012, the company (as borrower) entered into the loan agreement with OCT (HK) (as lender) pursuant to which OCT (HK) conditionally agreed to lend RMB900,000,000 to the company which will be used to finance the capital injection in note 31(ii).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

32 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31 December 2011, the directors consider the ultimate holding company of the group to be Overseas Chinese Town Enterprises Corporation, which is incorporated in the PRC. The directors consider the immediate holding company to be Pacific Climax Limited, which is incorporated in BVI and the intermediate holding company to be OCT Ltd., which is listed on the Shenzhen Stock Exchange. Only OCT Ltd. produces financial statements available for public use.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements. These include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 9, *Financial instruments*	1 January 2013
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements (2011)*	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013

The group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the company's results of operations and financial position.

Five-Year Financial Summary

As at 31 December 2011

(Expressed in Renminbi)

CONSOLIDATED INCOME STATEMENT

	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**2,558,860**	1,905,792	622,063	762,769	760,763
Cost of sales	**(1,786,190)**	(1,646,418)	(536,237)	(673,194)	(654,846)
Gross profit	**772,670**	259,374	85,826	89,575	105,917
Other revenue	**11,676**	7,212	2,662	3,121	7,420
Other net gain/(loss)	**24,057**	5,851	1,454	36,680	(3,836)
Distribution costs	**(160,648)**	(84,336)	(31,625)	(33,920)	(30,799)
Administrative expenses	**(126,268)**	(59,325)	(42,913)	(50,701)	(28,378)
Other operating expenses	**(1,832)**	(2,056)	(1,392)	(6,423)	(4,214)
Profit from operations	**519,655**	126,720	14,012	38,332	46,110
Finance costs	**(55,486)**	(26,259)	(3,202)	(3,304)	(4,381)
Share of profit less loss of associate	**36,366**	(1,040)	20,728	(10,648)	(484)
Gain on remeasurement of the previously held interest in an associate	**–**	38,890	–	–	–
Profit before taxation	**500,535**	138,311	31,538	24,380	41,245
Income tax	**(231,582)**	(52,428)	(7,728)	(7,790)	(2,826)
Profit for the year	**268,953**	85,883	23,810	16,590	38,419
Attributable to:					
Equity shareholders of the Company	**159,236**	66,713	23,810	16,590	38,361
Non-controlling interests	**109,717**	19,170	–	–	58
Profit for the year	**268,953**	85,883	23,810	16,590	38,419
Earnings per share (RMB)					
Basic	**0.31**	0.15	0.08	0.07	0.18
Diluted	**0.31**	0.15	0.08	0.07	0.17

Five-Year Financial Summary

As at 31 December 2011

(Expressed in Renminbi)

CONSOLIDATED BALANCE SHEET

	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Fixed assets	**2,692,679**	2,705,099	363,347	295,810	264,558
Intangible assets	**221**	182	–	–	–
Goodwill	**266,625**	266,625	24,937	24,937	24,937
Interest in an associate	**80,934**	44,568	234,401	213,673	89,907
Other financial assets	**4,320**	4,320	–	–	–
Deferred tax assets	**95,761**	53,439	8,810	10,579	6,444
	3,140,540	3,074,233	631,495	544,999	385,846
Current assets					
Non-current assets held for sale	**–**	–	–	–	12,361
Inventories	**2,015,536**	1,681,962	82,628	84,853	91,866
Trade and other receivables	**300,055**	266,171	149,031	167,371	210,296
Cash and cash equivalents	**748,393**	1,005,358	314,006	127,307	119,292
	3,063,984	2,953,491	545,665	379,531	433,815
Current liabilities					
Trade and other payables	**1,918,981**	1,638,310	278,391	204,907	259,789
Receipt in advance	**601,037**	667,473	–	–	–
Bank loans	**92,068**	44,105	65,947	42,199	32,735
Related party loans	**–**	361,632	–	–	–
Current taxation	**124,160**	87,869	4,304	7,948	4,333
	2,736,246	2,799,389	348,642	255,054	296,857
Net current assets	**327,738**	154,102	197,023	124,477	136,958
Total assets less current liabilities	**3,468,278**	3,228,335	828,518	669,476	522,804
Non-current liabilities					
Other payable to intermediate holding company	**–**	–	73,082	73,198	–
Bank loans	**81,070**	28,562	60,723	57,279	11,986
Related party loans	**1,044,548**	1,100,000	–	–	–
Deferred tax liability	**52,522**	56,267	152	2,183	–
	1,178,140	1,184,829	133,957	132,660	11,986
NET ASSETS	**2,290,138**	2,043,506	694,561	536,816	510,818
Total equity attributable to equity shareholders of the Company	**1,577,901**	1,418,996	694,561	536,816	510,818
Non-controlling interests	**712,237**	624,510	–	–	–
TOTAL EQUITY	**2,290,138**	2,043,506	694,561	536,816	510,818