



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

(Formerly known as Huali Holdings (Group) Limited 華力控股（集團）有限公司)
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3366

INTERIM REPORT
2008

OCT Asia

OCT Asia

OCT Asia

OCT Asia

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CORPORATE INFORMATION

Registered Office

Clifton House,
PO Box 1350 GT, 75 Fort Street
Grand Cayman, Cayman Islands

Head Office and Principal Place of Business

Suite 3203–3204, Tower 6
The Gateway, Harbour City
Canton Road, Tsim Sha Tsui
Kowloon, Hong Kong

Board of Directors

Executive Directors

Mr. Zheng Fan
(the Chairman of the Company)
Mr. Ni Zheng
*(the Chief Executive Officer
of the Company)*
Ms. Xie Mei
Mr. Zhou Guangneng

Independent Non-executive Directors

Ms. Wong Wai Ling
Mr. Chen Xiangdong
Mr. Xiao Yongping

Audit Committee/ Remuneration Committee

Ms. Wong Wai Ling *(Chairman)*
Mr. Chen Xiangdong
Mr. Xiao Yongping

Qualified Accountant and Company Secretary

Mr. Fong Fuk Wai *(FCPA, FCCA, ACA)*

Auditors

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

Hong Kong Legal Adviser

Loong & Yeung
Suites 2201-2203, 22/F, Jardine House,
1 Connaught Place, Central, Hong Kong

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

Principal Bankers

China Merchants Bank Hong Kong Branch
Standard Chartered Bank (HK) Ltd.

Stock Information

Listing Date: 2 November 2005
Stock Code: 3366
Stock Short Name: OCT (ASIA)
Company's Website: <http://www.oct-asia.com>

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND BUSINESS REVIEW

During the period under review, Overseas Chinese Town (Asia) Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) continued to expand the paper packaging business and announced the acquisition of 51% interest and shareholder’s loan in OCT Investments Limited (“OCT Investments”). Upon completion of the transaction, the Company will indirectly hold 25% interest in Chengdu Tianfu OCT Industry Development Co., Ltd. (“Chengdu OCT”) whereby the Company intended to explore new potential profits sources through the expansion of the Group’s business scope. During the first half of 2008, notwithstanding the substantial growth of raw material price and the pressure from external environment, the Group still achieved stable growth in its principal business by continually strengthening its internal management, increasing bargaining power by bulk purchase of raw materials and enhancing innovative production technology to reduce costs and increase production efficiency. During the period under review, raw material prices grew significantly and energy prices and labor costs rose to different extents over the same period of last year. Market competition was especially intense in the relatively mature paper packaging industry in the Pearl River Delta and Yangtze River Delta in the PRC where the Group operated, which exposed the operation and development of the main business of the Group to challenges.

For the six months ended 30 June 2008, the Group recorded a turnover of approximately RMB374 million, representing an increase of approximately 9.0% over the same period of last year; the gross profit margin was approximately 6.5%, representing a decrease of 6.4% over the same period of 2007, which was mainly attributable to higher cost of sales due to increase in raw material prices; profits attributable to shareholders were approximately RMB15.57 million, representing a decrease of approximately 28.4% over the same period of last year, which was mainly due to the drop of gross profit in the period.

In the period under review, the Group continued to promote the concept of environmental protection and hi-tech innovation. Anhui Huali Packaging Co., Ltd. ("Anhui Huali") passed the quality audit of ISO9000 and the audit of environmental management systems of ISO14000. The new paper pallet and "sealing patch for carton handle hole(s)" developed by Shanghai Huali Packaging Co., Ltd. ("Shanghai Huali") and Shenzhen Huali Packing & Trading Co., Ltd. ("Shenzhen Huali") have respectively been approved by the State Intellectual Property Office of the PRC and received the "Certificates of patent for utility model". The colour printing equipment of Shanghai Huali ran smoothly and all kinds of technology have been well grasped to satisfy the needs of new business and new customers, by which Shanghai Huali expanded its products from watermarks to colour printing products. The new production base of Huizhou Huali Packing Co., Ltd. ("Huizhou Huali") was still under construction and production facilities of Shenzhen Huali is planned to be gradually relocated to the new production base of Huizhou Huali from late 2008.

In June 2008, the Company announced the acquisition of 51% interest and shareholder's loan in OCT Investments, which was then approved in the extraordinary general meeting held on 10 July 2008. Upon completion of the transaction, the Company will wholly own OCT Investments and thus indirectly hold 25% interest in Chengdu OCT. As Chengdu OCT is one of the major projects of Overseas Chinese Town Enterprises Company ("OCT Group"), the ultimate controlling shareholder of the Group, the Company believes that the project will have good development prospects in the future. During the period under review, the Company received the net proceeds of RMB35.59 million from the disposal of properties held by Shenzhen Huali in 2007 and made provision for the relocation costs of Shenzhen Huali of RMB15.00 million (see note 4 and note 5 to the financial statements).

Outlook

As at the date of this report, raw material and energy prices and labor costs of the Group remained at high level and competition became more intense. It is expected the situation can hardly improve in the short term. In the second half of 2008, the Group will continue to enhance the innovative technology of its products to satisfy customers' needs, increase production efficiency and continually enhance the production and sales of high margin products like color printed packaging, so as to enlarge its market share. The management is confident towards the long term development of China's economy and the continual increase in domestic consumption, and believes that the Group will be able to get over difficult times of the slacken economy riding on the Group's quality products and innovative capability, stable growth of customers and the continual optimization of strategies.

RE-ELECTION OF DIRECTOR

At the 2007 Annual General Meeting of the Company (the "AGM") held on 25 April 2008, a resolution was passed in respect of the re-election of Mr. Zheng Fan, Mr. Ni Zheng, Ms. Xie Mei and Mr. Zhou Guangneng as the executive Directors of the Company for a term of three years commencing on the date of the AGM which approved the appointments. Ms. Wong Wai Ling was re-elected as an independent non-executive Director of the Company for a term commencing on the date of the AGM which approved her appointment and ending at the conclusion of the 2009 annual general meeting of the Company to be held in 2010. Mr. Chen Xiangdong and Mr. Xiao Yongping were re-elected as independent non-executive Directors of the Company for a term commencing on the date of the AGM which approved their appointments and ending at the conclusion of the 2008 annual general meeting of the Company to be held in 2009.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2008, the Group employed approximately 1,877 full-time staff members. The basic remunerations of the employees are mainly determined with reference to the industrial remuneration benchmark, the employees' experience and their performance. Salaries of employees are maintained at a competitive level and are reviewed annually. Apart from the basic remunerations and statutory benefits required by laws, the Group also provides discretionary bonuses based upon the Group's results and the individual staff's performance. The Group has adopted a share option scheme with a view to attracting and retaining high calibre personnel.

FINANCIAL REVIEW

As at 30 June 2008, the Group's total assets were approximately RMB834 million. Total equity amounted to approximately RMB520 million. The Group's turnover was approximately RMB374 million for the six months ended 30 June 2008, representing an increase of approximately 9.0% over the same period of 2007; gross profit margin was approximately 6.5% (same period in 2007: 12.9%), representing a decrease of 6.4% over the same period of 2007, which was mainly attributable to higher cost of sales due to increases in raw material prices; profits attributable to shareholders were approximately RMB15.57 million, representing a decrease of approximately 28.4% over the same period of 2007, which was mainly due to the drop of gross profit in the period.

Distribution Costs and Administrative Expenses

Distribution costs for the six months ended 30 June 2008 were approximately RMB17.10 million (same period in 2007: approximately RMB14.73 million), representing an increase of approximately 16.2% over the corresponding period in 2007. This was mainly attributable to the increase of commission paid to sales persons due to the increase in sales revenue and the higher transportation costs due to the surge of oil price in the period.

The Group's administrative expenses for the six months ended 30 June 2008 were approximately RMB30.35 million (same period in 2007: approximately RMB12.57 million), representing an increase of approximately 141.4% over the corresponding period in 2007. Excluding the factor that the relocation costs of Shenzhen Huali was recognized as an expense, administrative expenses increased by approximately RMB2.78 million over the corresponding period in 2007, which was mainly due to the increase of preliminary expenses of RMB2.59 million of Huizhou Huali during the period.

Interest Expenses

The interest expenses of the Group were approximately RMB1.29 million for the six months ended 30 June 2008, representing a decrease of approximately RMB930,000 as compared with RMB2.22 million for the same period ended 30 June 2007. The decrease was mainly due to the decrease of the average outstanding bank loan balance in the period.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008.

Inventories, Debtors' and Creditors' Turnover

The inventory turnover of the Group was 69 days for the six months ended 30 June 2008 as compared with 51 days for the year ended 31 December 2007. The increase in inventory turnover day over 2007 was mainly attributable to higher inventory level in response to the rise of raw material price. The Group's debtors' turnover days were 83 days for the six months ended 30 June 2008 as compared with 79 days for the year ended 31 December 2007. The above debtors' turnover days are substantially the same as that normally granted by the Group to its customers. The Group's creditors' turnover days were 102 days for the six months ended 30 June 2008 as compared with 127 days for the year ended 31 December 2007. This was mainly due to the change of purchases settlement method to capture the benefits of the appreciation of Renminbi and the enjoyment of cash discount from suppliers resulting in the shorter creditors' turnover days. The Group settled the accounts payable largely by surplus cash.

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 30 June 2008 was approximately RMB520 million (31 December 2007: approximately RMB511 million). As at 30 June 2008, the Group had current assets of approximately RMB449 million (31 December 2007: approximately RMB434 million) and current liabilities of approximately RMB287 million (31 December 2007: approximately RMB297 million). The liquidity ratio was 1.56 as at 30 June 2008 as compared with 1.46 as at 31 December 2007. Increase of liquidity ratio was mainly due to the further improvement of the Company's financial position. As at 30 June 2008, the Group had outstanding bank loans of approximately RMB58.61 million, of which approximately RMB15.00 million were fixed rate loans (as at 31 December 2007: outstanding bank loans of approximately RMB44.72 million, of which approximately RMB20.00 million were fixed rate loans). The interest rates of bank loans of the Group was 2.570% to 6.561% per annum for the six months ended 30 June 2008 (from 4.132% to 6.561% per annum for the year ended 31 December 2007). Part of these bank loans were secured by guarantees provided by certain subsidiaries of the Company. The Group's gearing ratio (being the total borrowings including bills payable and bank loans divided by total assets) decreased from approximately 21% as at 31 December 2007 to approximately 17% as at 30 June 2008.

As at 30 June 2008, approximately 26% of the total amount of outstanding bank loans of the Group was in Renminbi (31 December 2007: 45%), approximately 74% of its bank loans was in Hong Kong Dollars (31 December 2007: 55%). As at 30 June 2008, approximately 40% of the total amount of cash and cash equivalents of the Group was in Renminbi (31 December 2007: 44%), approximately 53% of its cash and cash equivalents was in Hong Kong Dollars (31 December 2007: 44%) and approximately 7% of its cash and cash equivalents was in US Dollars (31 December 2007: 12%).

The Group's liquidity position remains stable and the Group possesses sufficient cash and banking facilities to meet its commitments, working capital requirements and future investments for expansion. 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 or effects on its operations or liquidity as a result of fluctuations in currency exchange rates for the period up to 30 June 2008. As at 30 June 2008, the Group did not employ any financial instrument for hedging purposes.

Contingent Liabilities

The Group has no contingent liabilities as at 30 June 2008.

Major Acquisition of Subsidiaries and Associated Companies

On 2 June 2008 and 4 June 2008, the Company entered into a share transfer agreement and a supplemental agreement (collectively the "Share Transfer Agreement") with Overseas Chinese Town (HK) Co., Ltd. ("OCT (HK)") respectively, pursuant to which the Company conditionally agreed to acquire and OCT (HK) conditionally agreed to sell the shares representing 51% of the total issued share capital of OCT Investments, and the shareholder's loan at an aggregate consideration of HK\$170 million. The consideration will be satisfied by the Company by cash and the issue and allotment of not more than 50 million consideration shares to OCT (HK). As at the date of this report, the settlement method has not yet been confirmed. The Company will make an announcement on the settlement method of the consideration for the acquisition when the settlement method is confirmed. The acquisition was approved in the extraordinary general meeting of the Company held on 10 July 2008.

Major Event

OCT Group entered into a state-assets transfer agreement (the "State-assets Transfer Agreement") on 6 June 2008 with Shenzhen OCT Holding Co., Ltd. ("OCT Holding"), pursuant to which OCT Group conditionally agreed to sell, and OCT Holding conditionally agreed to purchase, inter alia, the entire issued share capital of OCT (HK). Upon completion of the proposed acquisitions under the State-assets Transfer Agreement, OCT Holding will become the sole beneficial owner of all the issued share capital of OCT (HK), which (1) holds the entire issued share capital of Pacific Climax Limited ("Pacific Climax"), which is the beneficial owner of an aggregate of 160,370,000 shares, representing approximately 63.69% of the existing issued share capital of the Company as at the date of this report; and (2) has entered into the Share Transfer Agreement with the Company pursuant to which the Company may issue to it not more than 50,000,000 shares as part of the consideration upon completion of the Share Transfer Agreement. Pacific Climax will remain as a wholly owned subsidiary of OCT (HK), and there will not be any change of shareholding of Pacific Climax in the Company as a consequence to the completion of the proposed acquisitions under the State-assets Transfer Agreement.

DIRECTORS' INTERESTS

As at 30 June 2008, interests and 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 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") 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
Ni Zheng	600,000	Beneficial owner	Personal	0.24%
Zhou Guangneng	510,000	Beneficial owner	Personal	0.20%

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
Ni Zheng (Note 1)	1,400,000	Beneficial owner	Personal	0.56%
Zhou Guangneng (Note 2)	1,190,000	Beneficial owner	Personal	0.47%

Notes:

- (1) Ni Zheng is taken to be interested as a grantee of options to subscribe for 1,400,000 shares under the share option scheme of the Company.
- (2) Zhou Guangneng is taken to be interested as a grantee of options to subscribe for 1,190,000 shares under the share option scheme of the Company.

Save as disclosed above, as at 30 June 2008, none of the Directors or 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2008, 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 the Ordinary Shares of the Company

Name	Capacity/ Nature	No. of shares held	Approximate shareholding percentage
Substantial Shareholders			
Pacific Climax Limited ("Pacific Climax") (Note 1)	Beneficial owner	160,370,000	63.69%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)") (Note 2)	Interest of a controlled corporation (Note 3)	160,370,000	63.69%
	Beneficial owner (Note 3)	50,000,000	19.86%
Shenzhen OCT Holding Co. Ltd. ("OCT Holding")	Interest of a controlled corporation (Note 4)	210,370,000	83.55%
Overseas Chinese Town Enterprises Company ("OCT Group") (Note 5)	Interest of a controlled corporation (Note 6)	210,370,000	83.55%
Others			
Polyfairz Group Limited	Beneficial owner	15,630,000	6.21%
Zhang Zhilin	Interest of a controlled corporation (Note 7)	15,630,000	6.21%
Tang Qinmei	Interest of spouse (Note 8)	15,630,000	6.21%

Notes:

(1) Mr. Ni Zheng and Mr. Zhou Guangneng, Directors, are also directors of Pacific Climax.

(2) Mr. Zheng Fan, a Director, is the chairman of the board of directors of OCT (HK). Ms. Xie Mei and Mr. Zhou Guangneng, Directors, are the deputy general managers of OCT (HK). Mr. Ni Zheng, a Director, is also a director of OCT (HK).

- (3) 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 which are beneficially owned by Pacific Climax for the purpose of the SFO. OCT (HK) is also deemed, or taken to be interested in the 50,000,000 consideration shares being the maximum number of shares of the Company that may be issued to it (or its nominee) upon completion of the acquisition under the Share Transfer Agreement.
- (4) OCT Group entered into the State-assets Transfer Agreement on 6 June 2008 with OCT Holding, pursuant to which OCT Group conditionally agreed to sell, and OCT Holding conditionally agreed to purchase, inter alia, the entire issued share capital of OCT (HK). The State-assets Transfer Agreement is yet to be completed. For the purposes of the SFO, OCT Holding is deemed, or taken to be, interested in the 160,370,000 Shares which are beneficially owned by Pacific Climax, and the consideration shares which OCT (HK) is deemed, or taken to be interested. OCT Holding is a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange. As at 30 June 2008, OCT Group held 1,250,292,696 shares of OCT Holding, representing approximately 47.70% of the issued share capital of OCT Holding. As advised by OCT Group, OCT Holding is a subsidiary of OCT Group. Mr Zheng Fan, a Director, is also a director of OCT Holding.
- (5) Mr. Zheng Fan, a Director, is the vice president of OCT Group.
- (6) OCT Group is the beneficial owner of all the issued shares in OCT (HK) (OCT Group holds 454,999,998 shares in OCT (HK) in its own name. Mr. Zheng Fan, an executive Director, and Mr. Guo Yubin hold one share each in OCT (HK) on trust for OCT Group) and which is in turn the beneficial owner of all the issued share capital in Pacific Climax and therefore OCT Group is deemed, or taken to be, interested in the 160,370,000 shares which are beneficially owned by Pacific Climax for the purposes of the SFO, and the consideration shares which OCT (HK) is deemed, or taken to be interested.
- (7) Polyfairz Group Limited is beneficially owned as to 90% by Mr. Zhang Zhilin and thus a controlled corporation of Mr. Zhang Zhilin, and Mr. Zhang Zhilin is deemed, or taken to be, interested in the 15,630,000 shares which are beneficially owned by Polyfairz Group Limited for the purpose of the SFO.
- (8) Ms. Tang Qinmei is the spouse of Mr. Zhang Zhilin. Therefore, Ms. Tang Qinmei is deemed, or taken to be, interested in all the shares in which Mr. Zhang Zhilin is interested for the purpose of the SFO.

Save as disclosed above, as at 30 June 2008, no other interest required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 12 October 2005 whereby the Directors are authorised, at their absolute discretion and on such terms as they may think fit, grant an employee (full-time or part-time), a director, consultant and adviser of the Group, or any substantial shareholder of the Group, options to subscribe for shares of the Company. The purpose of the share option scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants and advisers of the Group and to promote the success of the Group. The share option scheme shall be valid and effective for a period of ten years ending on 11 October 2015, unless terminated earlier by shareholders of the Company in general meetings.

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

The subscription price of a share in respect of any particular option granted under the share option 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 options; (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 options; and (iii) the nominal value of the shares on the date of grant of the options.

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 the share option scheme does not exceed 10% of the shares in issue at the date of approval of the share option scheme. The Company may at any time refresh such limit, subject to the shareholders' approval and the issuance of a circular in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, provided that the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all the share option schemes of the Company does not exceed 30% of the shares in issue at the time.

The total number of outstanding options available for issue under the share option scheme as at the date of this report was 700,000 options, which represented approximately 0.28% of the total issued share capital of the Company as at the date of this report. The total number of shares available for issue under the options already granted under the Share Option Scheme was 13,510,000 shares, which represented approximately 5.37% of the issued share capital of the Company as at the date of this report. The total number of shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the share option scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Company's shares in issue.

An option may be exercised in accordance with the terms of the share option scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

The status of the share options granted up to 30 June 2008 is as follows:

Number of unlisted share options (physically settled equity derivatives)										
Name and category of participants	As at 1 January 2008	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 30 June 2008	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****
Directors										
Ni Zheng	2,000,000	-	600,000	-	1,400,000	7 February 2006	7 February 2006 to 6 February 2016	1.41	1.41	3.35
Zhou Guangneng	1,700,000	-	510,000	-	1,190,000	7 February 2006	7 February 2006 to 6 February 2016	1.41	1.41	3.35
	<u>3,700,000</u>	<u>-</u>	<u>1,110,000</u>	<u>-</u>	<u>2,590,000</u>					
Other Employees	15,600,000	-	4,680,000	-	10,920,000	7 February 2006	7 February 2006 to 6 February 2016	1.41	1.41	3.35
	<u>19,300,000</u>	<u>-</u>	<u>5,790,000</u>	<u>-</u>	<u>13,510,000</u>					
Total	<u>19,300,000</u>	<u>-</u>	<u>5,790,000</u>	<u>-</u>	<u>13,510,000</u>					

* Under the Company's share option 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 disclosed as at the date of 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 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 13 on the interim financial report.

Apart from the foregoing, at no time during the period prior to the date of this interim 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.

CORPORATE GOVERNANCE

For the six months ended 30 June 2008, the Company complied with all the code provisions of the Code on Corporate Governance Practices 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").

Securities Trading by Directors

The Company 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 specific enquiry of all Directors, the Directors have complied with the required standards set out in the Model Code regarding the Directors' securities transactions.

Audit Committee

The Audit Committee of the Company and the management have reviewed the unaudited interim report of the Group for the six months ended 30 June 2008 and have discussed the internal control, accounting principles and practices adopted by the Group.

Purchase, Sale or Redemption of Shares

The Company or any of its subsidiaries has not redeemed any of its shares during the six months ended 30 June 2008. During the same period, neither the Company nor any of its subsidiaries has purchased or sold any of the shares of the Company.

By order of the Board

Zheng Fan

Chairman

Hong Kong, 21 August 2008

INTERIM FINANCIAL REPORT
CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2008 (unaudited)

(Expressed in Renminbi)

		Six months ended 30 June	
		2008	2007
		RMB'000	RMB'000
	<i>Note</i>		
Turnover	3	374,408	343,702
Cost of sales		(350,158)	(299,397)
Gross profit		24,250	44,305
Other revenue		13,451	11,251
Other net gain/(loss)	4	30,987	(659)
Distribution costs		(17,104)	(14,725)
Administrative expenses		(30,346)	(12,571)
Other operating expenses		(895)	(284)
Profit from operations		20,343	27,317
Finance costs	5	(1,285)	(2,223)
Share of loss from an associate		(1,122)	–
Profit before taxation	5	17,936	25,094
Income tax	6	(2,367)	(3,279)
Profit for the period		15,569	21,815
Attributable to:			
Equity shareholders of the Company		15,569	21,757
Minority interests		–	58
Profit for the period		15,569	21,815
Earnings per share (RMB)	8		
Basic		0.063	0.109
Diluted		0.061	0.103

The notes on pages 24 to 40 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

at 30 June 2008 (unaudited)

(Expressed in Renminbi)

	Note	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Non-current assets			
Property, plant and equipment		179,605	191,468
Construction in progress		9,603	921
Goodwill		24,937	24,937
Lease prepayments		71,326	72,169
Interest in an associate		88,785	89,907
Deferred tax assets		10,447	6,444
		<u>384,703</u>	<u>385,846</u>
Current assets			
Non-current assets held for sale	4	–	12,361
Inventories		131,892	91,866
Trade and other receivables	9	218,675	210,296
Cash and cash equivalents	10	98,275	119,292
		<u>448,842</u>	<u>433,815</u>
Current liabilities			
Trade and other payables	11	(247,568)	(259,789)
Bank loans		(32,232)	(32,735)
Current taxation		(7,107)	(4,333)
		<u>(286,907)</u>	<u>(296,857)</u>
Net current assets		<u>161,935</u>	<u>136,958</u>
Total assets less current liabilities		<u>546,638</u>	<u>522,804</u>

The notes on pages 24 to 40 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET (continued)

at 30 June 2008 (unaudited)

(Expressed in Renminbi)

		At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
	Note		
Non-current liabilities			
Bank loans		<u>(26,376)</u>	<u>(11,986)</u>
NET ASSETS		<u>520,262</u>	<u>510,818</u>
CAPITAL AND RESERVES			
Share capital	12	25,780	25,260
Reserves	12	<u>494,482</u>	<u>485,558</u>
Total equity attributable to equity shareholders of the Company		<u>520,262</u>	<u>510,818</u>
TOTAL EQUITY		<u>520,262</u>	<u>510,818</u>

The notes on pages 24 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the six months ended 30 June 2008 (unaudited)

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company											
	Registered/ issued capital	Share premium	Contributed surplus	Merger reserve	Capital reserve	Exchange reserve	General reserve fund	Enterprise expansion fund	Retained profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	25,260	174,960	147,711	24,757	25,386	(1,776)	33,697	5,366	75,457	510,818	-	510,818
Exchange differences on translation of financial statements of foreign subsidiaries	-	-	-	-	-	(841)	-	-	-	(841)	-	(841)
Profit for the period	-	-	-	-	-	-	-	-	15,569	15,569	-	15,569
Total recognised income and expense for the period	-	-	-	-	-	(841)	-	-	15,569	14,728	-	14,728
Issue of shares (note 12(a))	520	8,181	-	-	(1,367)	-	-	-	-	7,334	-	7,334
Dividend approved in respect of previous year (note 7)	-	-	-	-	-	-	-	-	(12,618)	(12,618)	-	(12,618)
At 30 June 2008	25,780	183,141	147,711	24,757	24,019	(2,617)	33,697	5,366	78,408	520,262	-	520,262

The notes on pages 24 to 40 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*
for the six months ended 30 June 2008 (unaudited)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company											
	Registered/ issued capital	Share premium	Contributed surplus	Merger reserve	Capital reserve	Exchange reserve	General reserve fund	Enterprise expansion fund	Retained profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	20,800	29,964	147,711	24,757	25,386	(1,290)	31,131	5,366	52,337	336,162	1,699	337,861
Disposal of a subsidiary	-	-	-	-	-	(454)	-	-	-	(454)	(1,757)	(2,211)
Exchange differences on translation of financial statements of foreign subsidiaries	-	-	-	-	-	(27)	-	-	-	(27)	-	(27)
Profit for the period	-	-	-	-	-	-	-	-	21,757	21,757	58	21,815
Total recognised income and expense for the period	-	-	-	-	-	(481)	-	-	21,757	21,276	(1,699)	19,577
Dividend approved in respect of previous year (note 7)	-	-	-	-	-	-	-	-	(12,675)	(12,675)	-	(12,675)
At 30 June 2007	20,800	29,964	147,711	24,757	25,386	(1,771)	31,131	5,366	61,419	344,763	-	344,763

The notes on pages 24 to 40 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2008 (unaudited)

(Expressed in Renminbi)

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Cash used in operations	(58,545)	(5,925)
Tax paid	(4,854)	(5,969)
Net cash outflow from operating activities	(63,399)	(11,894)
Net cash generated from/(used in) investing activities	38,810	(78,208)
Net cash generated from financing Activities	7,314	3,487
Net decrease in cash and cash equivalents	(17,275)	(86,615)
Cash and cash equivalents at 1 January	119,292	172,160
Effect of foreign exchange rate changes	(3,742)	(2,530)
Cash and cash equivalents at 30 June	98,275	83,015

The notes on pages 24 to 40 form part of this interim financial report.

NOTES TO THE INTERIM FINANCIAL REPORT (UNAUDITED)

(Expressed in Renminbi)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements. Please refer to note 2 for the discussion of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) adopted by the Group in 2008.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2007.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2007. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations.

The interim financial report is unaudited and not reviewed by the auditors, but has been reviewed by the Audit Committee of the Company. It was approved and authorised for issue on 21 August 2008.

1 BASIS OF PREPARATION *(continued)*

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 20 March 2008.

2 NEW AND REVISED HKFRSs

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. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies applied in these financial statements for the periods presented.

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

3 TURNOVER

The principal activity of the Group is the manufacture and sale of paper boxes and products. Turnover represents the sales value of goods supplied to customers, net of value-added tax.

4 OTHER NET GAIN/(LOSS)

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Gain on disposal of a subsidiary	–	696
Net gain/(loss) on disposal of property, plant and equipment (<i>Note</i>)	35,391	(42)
Exchange loss	(5,130)	(1,313)
Others	726	–
	30,987	(659)

Note: Included in the net gain/(loss) on disposal of property, plant and equipment was gain on disposal of non-current assets held for sale of RMB35,592,000. On 11 July 2007, a subsidiary of the Group, Shenzhen Huali Packing & Trading Co., Ltd. (“Shenzhen Huali”), entered into an agreement with Shenzhen Overseas Chinese Town Real Estate Company Limited (“OCT Properties”), its fellow subsidiary, to sell the land use right of a piece of land located in Shenzhen and two factory buildings erected on the land (the “Properties”), at a cash consideration of RMB50,600,000. Shenzhen Huali also entered into a tenancy agreement with OCT Properties to lease back the Properties at a monthly rental of approximately RMB264,000. The Properties with a value of RMB12,361,000 were reclassified to non-current assets held for sale in 2007. The lease term has commenced from 1 June 2008 when the transfer of title of the Properties was completed.

5 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
(a) Finance costs:		
Interest on bank loans	1,285	2,223
(b) Staff costs:		
Salaries, wages and other benefits	30,078	25,866
Contributions to defined contribution retirement schemes	1,780	1,541
	31,858	27,407
(c) Other items:		
Amortisation of lease prepayments	843	621
Depreciation of property, plant and equipment	14,000	14,160
Impairment losses made/(written back) on trade and other receivables	423	(2)
Inventory write-down and losses	472	258
Net gain on disposal of a subsidiary	–	(696)
Provision for relocation expenses (<i>Note</i>)	15,000	–

Note: The Group plans to move its production plant in Shenzhen to Huizhou and has provided the relevant costs in relation to the relocation.

6 INCOME TAX

	Six months ended 30 June	
	2008	2007
	RMB'000	<i>RMB'000</i>
Current tax – Provision for PRC income tax		
Provision for the period	<u>6,370</u>	<u>3,279</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(4,003)</u>	<u>–</u>
	<u>2,367</u>	<u>3,279</u>

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 period (2007: Nil).

On 27 February 2008, the Financial Secretary of the Hong Kong SAR Government announced his annual Budget which proposes a cut in the profits tax rate from 17.5% to 16.5% with effect from the fiscal year 2008-09 and a one-off reduction of 75% of the tax payable for the 2007-08 assessment subject to a ceiling of HK\$25,000. In accordance with the Group's accounting policy, the financial effect has been made to these financial statements.

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 18%-25% (2007: 15%-33%). Certain subsidiaries are entitled to a tax concession period in which it is fully exempted from PRC income tax for 2 years starting from its first profit-making year, followed by a 50% reduction in the PRC income tax for the next 3 years.

7 DIVIDENDS

Dividends attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Final dividend in respect of the financial year ended 31 December 2007, approved and paid during the following interim period, of HK\$5.70 cents per share (equivalent RMB5.011 cents per share) (year ended 31 December 2006: HK\$6.40 cents per share) (equivalent RMB6.337 cents per share)	12,618	12,675

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the profit attributable to equity shareholders of the Company of RMB15,569,000 (2007: RMB21,757,000) and the weighted average of 248,207,238 (2007: 200,000,000) ordinary shares in issue during the six months ended 30 June 2008.

8 EARNINGS PER SHARE *(continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 30 June 2008 is based on the profit attributable to equity shareholders of the Company of RMB15,569,000 (2007: RMB21,757,000) and the weighted average of 255,707,644 (2007: 210,377,705) ordinary shares (diluted) during the six months ended 30 June 2008, calculated as follows:

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2008	2007
Weighted average number of ordinary shares at 30 June	248,207,238	200,000,000
Effect of deemed issue of shares under the Company's share option scheme <i>(note 13)</i>	7,500,406	10,377,705
	<u>255,707,644</u>	<u>210,377,705</u>

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Trade receivables and bills receivable:		
Amounts due from fellow subsidiaries <i>(note 15(b))</i>	238	173
Amounts due from other related companies <i>(note 15(b))</i>	4,102	982
Amounts due from third parties	168,899	162,724
Less: allowance for doubtful debts	(3,738)	(3,146)
	<u>169,501</u>	<u>160,733</u>
Prepayment, deposits and other receivables:		
Amounts due from fellow subsidiaries <i>(note 15(b))</i>	820	293
Amounts due from an associate <i>(note 15(b))</i>	41,320	44,008
Others	7,034	5,262
	<u>218,675</u>	<u>210,296</u>

9 TRADE AND OTHER RECEIVABLES *(continued)*

Included in trade and other receivables are trade and bills receivables (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Current	135,007	146,657
Less than 3 months past due	34,416	13,997
3 to 6 months past due	78	79
Amount past due	34,494	14,076
Trade receivables and bills receivable, net of impairment loss	169,501	160,733

The Group normally allows a credit period ranging from 30 days to 90 days to its customers. Subject to negotiation, extended credit terms are available for certain customers with established trading records.

10 CASH AND CASH EQUIVALENTS

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Cash at bank and in hand	98,275	119,292

11 TRADE AND OTHER PAYABLES

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Trade payables and bills payable:		
Amounts due to fellow subsidiaries (<i>note 15(b)</i>)	–	72
Amounts due to other related companies (<i>note 15(b)</i>)	–	20
Amounts due to third parties	195,260	227,360
	195,260	227,452
Other payables:		
Amounts due to other related companies (<i>note 15(b)</i>)	243	194
Amounts due to third parties	52,065	32,143
	247,568	259,789

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Due within 3 months or on demand	191,783	166,638
Due after 3 months but less than 1 year	3,446	60,812
Due after 1 year	31	2
	195,260	227,452

12 RESERVES

(a) Issue of shares

On 21 April 2008, 5,790,000 share options of the Company at par value of HK\$0.1 were exercised at exercise price of HK\$1.41 per share. 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.

(b) Transfer to reserve

There was no transfer to reserve for the six months ended 30 June 2008.

General reserve fund can be used to make good previous year's 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.

13 EQUITY SETTLED SHARE-BASED TRANSACTIONS

On 7 February 2006, 19,300,000 share options were granted to directors and employees of the Company 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, as specified in the rules governing the share option scheme, being the higher of (i) the closing price of the shares of the Company on the Stock Exchange on the date of the grant of the options, (ii) the average closing price of the shares on the Stock Exchange for the five preceding business days immediately before the date of the grant of the options and (iii) the nominal value of the Company's share of the date of grant of the option. On 21 April 2008, 5,790,000 share options were exercised. The remaining options granted above were outstanding and exercisable at 30 June 2008 with a remaining contractual life of 7 years and 7 months.

The fair value of services received in return for share options granted 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.

13 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

Fair value of share options and assumptions

Fair value at measurement date (date of grant)	HK\$0.2271
Share price (date of grant)	HK\$1.41
Exercise price	HK\$1.41
Expected volatility	28.30%
Time to maturity	10 years
Expected exercise period by the option holders	2 years
Expected dividends	2.60%
Risk-free interest rate (based on Exchange Fund Notes)	3.89%

The expected volatility is estimated by the annualised standard deviations of the continuously compounded rates of return on the comparable listed paper-based packaging companies in Hong Kong. Expected dividends are estimated by the management. There were no market conditions associated with the share option grants. Changes in the subjective input assumptions could materially affect the fair value estimate.

14 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2008 not provided for in the interim financial reports were as follows:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Contracted for	1,688	5,978
Authorised but not contracted for		
– Purchase of equipment	12,400	2,665
– construction project of Huizhou factory	118,960	–
	133,048	8,643

15 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 note 15(b), transactions with other state-controlled entities include but are not limited to the following:

- 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.

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 with other state-controlled entities in the PRC:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Interest income	438	1,045
Interest expenses	977	2,223

15 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

(ii) Balances with other state-controlled entities in the PRC:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Cash at bank	93,911	86,281
Bank loans – current	32,232	32,735
Bank loans – non-current	17,584	11,986
	<u>143,727</u>	<u>131,002</u>

(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
Overseas Chinese Town (HK) Company Limited (“OCTHK”)	Intermediate holding company
Shanghai Huiyang Industry Co., Ltd. (“Shanghai Hui Yang”)	An entity majority-owned by an equity shareholder who has significant influence over the Company
Shanghai Meiling Central Air Conditioner Company Limited (“Meiling Air-Conditioner”)	Subsidiary of Shanghai Hui Yang
Shanghai Pudong Xiamei Plastics Co., Ltd. (“Shanghai Xiamei”)	Subsidiary of Shanghai Hui Yang
Shenzhen Overseas Chinese Town Real Estate Company Limited (“OCT Properties”)	Subsidiary of OCT Group
Mudanjiang Nanhua Hesheng Paper Company Limited (“Mudanjiang Nanhua”) <i>(Note)</i>	Minority equity holder of a subsidiary
OCT Investments Limited	An associate of the Company

Note: Mudanjiang Nanhua ceased to be a related party of the Group upon the disposal of Mudanjiang Huali on 20 May 2007.

15 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

Recurring transactions

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Sales of goods to:		
OCT Group, its subsidiaries and associate	461	327
Meiling Air-Conditioner	4,926	4,701
	<u>5,387</u>	<u>5,028</u>
Purchase of goods from:		
OCT Group, its subsidiaries and associate	45	577
Mudanjiang Nanhua <i>(Note)</i>	–	547
	<u>45</u>	<u>1,124</u>
Rental paid to:		
OCT Group, its subsidiaries and associates	1,122	850
Shanghai Xiamei	90	90
	<u>1,212</u>	<u>940</u>
Utility expenses paid to:		
OCT Group, its subsidiaries and associates	<u>1,856</u>	<u>1,623</u>
Sales of land use right and factory buildings to:		
OCT Properties <i>(note 4)</i>	<u>50,600</u>	–

Note: The amount for the period ended 30 June 2007 represented transactions occurred before 20 May 2007 when Mudanjiang Nanhua was still regarded as a related party of the Group.

15 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business, on normal commercial terms and in accordance with the agreements governing such transactions.

Balances with related parties

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

		At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
	<i>Notes</i>		
Trade receivable from fellow subsidiaries <i>(note 9)</i>	<i>(i)</i>	238	173
Trade receivable from other related companies <i>(note 9)</i>	<i>(i)</i>	4,102	982
Trade payable to fellow subsidiaries <i>(note 11)</i>	<i>(ii)</i>	–	(72)
Trade payable to other related companies <i>(note 11)</i>	<i>(ii)</i>	–	(20)
Other receivables from fellow subsidiaries <i>(note 9)</i>	<i>(iii)</i>	820	293
Other receivables from an associate <i>(note 9)</i>	<i>(iii)</i>	41,320	44,008
Other payable to other related companies <i>(note 11)</i>	<i>(iii)</i>	(243)	(194)

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 sales 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 materials from related parties.
- (iii) Other receivables and payables are unsecured, non-interest bearing, and repayable on demand.

15 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management personnel compensations

Key management personnel receive compensations in the form of fees, salaries, housing and other allowances, benefits in kind, discretionary bonuses, share options and retirement scheme contribution.

Total compensation of the Group received by key management personnel, including amounts paid to the Company's directors and certain of the highest paid employees, is summarised as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Short-term employee benefits	1,403	1,634
Post employment benefits	40	37
	<u>1,443</u>	<u>1,671</u>

(d) Contributions to post-employment benefit plans

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, Shanghai, Anhui and Huizhou whereby the Group is required to make contributions to the Schemes at a rate ranging from 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.

16 POST BALANCE SHEET EVENTS

On 2 June 2008 and 4 June 2008, the Company entered into Share Transfer Agreement and Supplemental Agreement respectively with OCTHK, pursuant to which the Company has conditionally agreed to acquire from OCTHK 51% equity interest in OCT Investments Limited at an aggregate consideration of HK\$170 million. The transaction was approved at the Extraordinary General Meeting on 10 July 2008. Upon completion of the transaction, OCT Investments Limited will become a wholly owned subsidiary of the Group.