ANNUAL REPORT | 2009

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

Contents

Corporate Information

Board of Directors	**Executive Directors** Mr. Hou Songrong *(Chairman)* Mr. Ni Zheng Ms. Xie Mei *(Chief Executive Officer)* Mr. Zhou Guangneng **Non-Executive Director** Mr. Zheng Fan **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

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 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	Mr. Ni Zheng Mr. Fong Fuk Wai

Financial Highlights

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009
(Expressed in Renminbi)

	2009 RMB'000	2008 RMB'000
Turnover	**622,063**	762,769
Cost of sales	**(536,237)**	(673,194)
Gross profit	**85,826**	89,575
Other revenue	**2,662**	3,121
Other net gain/(loss)	**1,454**	36,680
Distribution costs	**(31,625)**	(33,920)
Administrative expenses	**(42,913)**	(50,701)
Other operating expenses	**(1,392)**	(6,423)
Profit from operations	**14,012**	38,332
Finance costs	**(3,202)**	(3,304)
Share of losses from an associate	**20,728**	(10,648)
Profit before taxation	**31,538**	24,380
Income tax	**(7,728)**	(7,790)
Profit for the year	**23,810**	16,590
Attributable to:		
Equity shareholders of the Company	**23,810**	16,590
Minority interests	**–**	–
Profit for the year	**23,810**	16,590
Dividends payable to equity shareholders of the Company attributable to the year:		
Final dividend proposed after the balance sheet date	**7,205**	5,079
Earnings per share (RMB)		
Basic	**0.08**	0.07
Diluted	**0.08**	0.07

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 2009, and would like to express my sincere gratitude to all shareholders and all the staff.

BUSINESS REVIEW

For the year ended 31 December 2009, the Group's turnover was RMB622 million, representing a decrease of 18.5% over 2008. Profit for the year was RMB23.81 million, representing an increase of approximately 43.5% over 2008. Gross profit margin was approximately 13.8%, representing an increase of 2.1% over 2008. Total assets and total equity amounted to RMB1.177 billion and RMB695 million, representing an increase of 27.2% and 29.4% over 2008 respectively.

During the period under review, China registered stable economic growth amid the shroud of uncertainties around global economic recovery. In the first half of the year, despite the slow recovery of the economy, overall demand for paper packaging remained stagnant and the paper packaging market in China showed few signs of promising recovery, which posed great pressure to the Group. However, in the second half of the year, the combination of the economic stimulus of "Home appliances going to the countryside", as well as the stringent internal management and the shift of sales focus of the Group, the Group recorded steady increase in sales. To cope with the changing market environment, the Group actively launched a series of sales strategies to mitigate the negative impacts resulting from the change in customer demand and the intensification in industry competition, which included the active expansion of domestic sales and the color printed packaging business and so on, which enabled the Group to maintain a healthy development during economic hard times.

In December 2009, Huizhou Huali Packaging Co., Ltd. ("Huizhou Huali"), a subsidiary of the Company, commenced operation. The Group has successfully relocated a majority of the production facilities and personnel of its Shenzhen plant to Huizhou. Huizhou Huali is committed to becoming the largest corrugated paper packaging production base in Southern China, with an integrated production pattern from concept and design, R&D and testing, plate making and printing, post-press processing to storage and logistics. The Company believes that the operation of Huizhou Huali can effectively integrate regional resources and further the penetration into the Southern China market by the Group, so as to seize opportunities to expand our market share.

成都天府華僑城實業發展有限公司 (Chengdu Tianfu OCT Industry Development Co., Ltd.) ("Chengdu OCT"), the Company's investment, was operating smoothly. Its theme park project "Chengdu Happy Valley" (Phase I) opened on 18 January 2009. The park recorded approximately 2.3 million visitors over the year and became a new tourist attraction in Sichuan Province. The retail project "Park Plaza" also commenced operation in January 2009. The multi-storey and high-rise apartments of Phase I property projects have been delivered for occupation, the multi-storey and low density residential project of Phase II was successfully launched into the market in the second half of the year, while Phase III commenced construction at the end of year as scheduled. Moreover, the Group has committed to hold 25% interest in 西安華僑城投資有限公司 (Xi'an OCT Investment Ltd.) ("Xi'an OCT"). As an important window to the Development of Western China, Xi'an has great development potential, therefore the Group intends to explore new profit sources through the investment in the property projects of Xi'an OCT project.

Chairman's Statement

PROSPECTS

In spite of the nascent recovery of the global economy and the intensification of industry competition, as the economic development in China progresses steadily and the domestic consumption power picks up rapidly, we are still optimistic about the prospects of the paper packaging industry at home and abroad. Looking into 2010, product demand is expected to increase progressively, and overall paper packaging business will continue to sustain a healthy growth. Therefore, the Company will adhere to its past strategies to augment its market competitiveness through maintaining and reinforcing high level of internal management and production process control, exploring new customers, developing new products and expanding the market share of high profit margin products.

In 2010, Chengdu Happy Valley Phase I of Chengdu OCT, part of the Company's investment, will launch a number of entertainment projects, while Chengdu Happy Valley Phase II will complete its project planning and designing stage. As for property projects, the high-rise apartments of Phase II will be launched in the first half of 2010, while some of the buildings of Phase III are expected to be launched in the second half of 2010. The Company is confident about the long-term prospects of Chengdu OCT, which the Directors believe is likely to generate attractive returns for the Company. Bantix International Limited, the Company's wholly owned subsidiary, intended to increase its investment in Chengdu OCT by solely contributing, in cash, RMB588,000,000 into Chengdu OCT. After completion of the capital injection, Bantix International Limited's interest in Chengdu OCT will increase from 25% to 51%, and Chengdu OCT will become a non-wholly owned subsidiary of the Company. As the capital injection is a very substantial acquisition and a connected transaction, it is subject to approval procedures (including but not limited to independent Shareholders') as set out in the Listing Rules as well as the approval procedures as required under the PRC laws and regulations. Meanwhile, the construction of Xi'an OCT will also gradually unfold.

Overseas Chinese Town Enterprises Company ("OCT Group"), the ultimate controlling shareholder of the Company, is one of the sixteen Central State Owned Enterprises engaging in real estate development and operation as its main business. Looking forward, the Company will work with OCT Group to seek for more suitable investment opportunities and increase the investment in comprehensive development projects. Meanwhile, the Company will continue to maintain steady development of the paper packaging business. The management believes that, leveraging on the extensive experience of the Company and the established brand image of "OCT", the Group can effectively strengthen its market competitiveness, which in turn can steadily increase the Company's value and bring long-term satisfactory results to its Shareholders.

APPRECIATION

I, on behalf of the board of directors, hereby express our most sincere gratitudes 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.

Hou Songrong
Chairman

Hong Kong, 30 March 2010

Management Discussion and Analysis

OPERATING RESULTS

As at 31 December 2009, the Group's total assets amounted to RMB1.177 billion. Total equity amounted to RMB695 million, representing an increase of 29.4% over that as at 31 December 2008. The Group realized sales of RMB622 million in 2009, representing a decrease of 18.5% over 2008. Profits attributable to equity holders of the Company were RMB23.81 million, representing an increase of 43.5% over 2008. The basic earnings per share for the year were RMB0.08, as compared to RMB0.07 for 2008.

During the period under review, gross profit margin was approximately 13.8% (2008: approximately 11.7%), representing an increase of 2.1% over the same period in 2008. The increase was mainly attributable to the decrease in the average price of raw materials compared to that in the same period in 2008, resulting in a decrease in the cost of sales. Net profit margin attributable to equity holders of the Company was approximately 3.8% (2008: approximately 2.2%). Net profit margin attributable to equity holders of the Company increased by 1.6% over 2008.

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

Distribution costs for the year ended 31 December 2009 were approximately RMB31.63 million (2008: RMB33.92 million), representing a decrease of approximately 6.8% over the same period in 2008, mainly attributable to lower sales revenue and hence lower transportation costs for the period.

The Group's administrative expenses for the year ended 31 December 2009 were approximately RMB42.91 million (2008: approximately RMB50.70 million), representing a decrease of approximately 15.4% over the same period in 2008. The main reason for the decrease was that the relocation costs of Shenzhen Huali in 2008 was recognised as an expense. Excluding the relocation costs, the administrative expenses increased by approximately RMB4.15 million over the same period in 2008, which was mainly due to the increase of preliminary expenses of approximately RMB1.55 million of Huizhou Huali and the increase of relevant costs generated from operating activities during the period.

INTEREST EXPENSES

The interest expenses of the Group were approximately RMB3.20 million for the year ended 31 December 2009, as compared to RMB3.30 million for the year ended 31 December 2008. The decrease was mainly attributable to the decrease of loan interest rates during the year.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK$2.36 cents per share for the year ended 31 December 2009 (2008: HK$2.0 cents per share).

Management Discussion and Analysis

INVENTORIES, DEBTORS' AND CREDITORS' TURNOVER

For the year ended 31 December 2009, the Group's inventory turnover days were 56 days, longer as compared to 46 days for the year ended 31 December 2008. The increase in inventory turnover days was mainly attributable to the decrease in the cost of sales of the Group during the period. The Group's debtors' turnover days were 81 days for the year ended 31 December 2009, representing a slight increase as compared to 78 days for the year ended 31 December 2008, which was mainly due to a decrease of income during the period. The Group's creditors' turnover days were 146 days for the year ended 31 December 2009, as compared to 74 days for the year ended 31 December 2008. The increase in the creditors' turnover days was mainly due to a decrease in the cost of sales and more accommodating payment conditions resulting in an extended payment term.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total equity of the Group as at 31 December 2009 was RMB695 million (31 December 2008: RMB537 million). As at 31 December 2009, the Group had current assets of RMB546 million (31 December 2008: RMB380 million) and current liabilities of RMB349 million (31 December 2008: RMB255 million). The liquidity ratio was 1.56 as at 31 December 2009 as compared to 1.49 as at 31 December 2008. The increase in liquidity ratio was mainly due to the increase in the working capital during the period. The Group generally finances its operations with internally generated funds and credit facilities provided by banks.

As at 31 December 2009, the Group had outstanding bank loans of RMB127 million, of which fixed-rate loans amounted to RMB6 million (31 December 2008: outstanding bank loans of RMB99.48 million of which there was no fixed-rate loan). As at 31 December 2009, the bank loan interest rates of the Group ranged from 0.93% to 5.40% per annum (while for the year ended 31 December 2008, the bank loan interest rates of the Group ranged from 1.33% to 6.56% 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) increased from approximately 25% as at 31 December 2008 to approximately 27% as at 31 December 2009.

As at 31 December 2009, approximately 95% of the total amount of outstanding bank loans of the Group was in Hong Kong Dollars, and approximately 5% of its outstanding bank loans was in Renminbi (31 December 2008: 100% in Hong Kong Dollars). As at 31 December 2009, approximately 40% of the total amount of cash and cash equivalents of the Group was in Renminbi (31 December 2008: 47%), approximately 56% of its cash and cash equivalents was in Hong Kong Dollars (31 December 2008: 33%) and approximately 4% of its cash and cash equivalents was in United States Dollars (31 December 2008: 20%).

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 2009. During the year ended 31 December 2009, 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.

Management Discussion and Analysis

THE PLACING AND SUBSCRIPTION

In November 2009, the Company issued an aggregate of 57,000,000 ordinary shares of HK$0.10 each in the Company at the price of HK$2.80 per share to Pacific Climax Limited ("Pacific Climax"). The same number of the Company's ordinary shares owned by Pacific Climax were placed at a price of HK$2.80 per share to independent investors. The placing price represented a discount of approximately 17.65% to the closing price of HK$3.40 per Share as quoted on the Stock Exchange on the day before the date of the placing and subscription agreement. The net proceeds from the Placing amounted to approximately HK$155 million, which was intended to be used as general working capital of the Group.

As a result of the above and the exercise of certain share options by the grantees during the year, the Company's total issued share capital increased to 346,750,000 Shares as at 31 December 2009.

ACQUISITION AND DISPOSAL

Capital Increase of Xi'an OCT – On 7 December 2009, Bantix International Limited ("Bantix"), a wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with Shenzhen Overseas Chinese Town Real Estate Company Limited ("OCT Properties"), whereby each of Bantix and OCT Properties conditionally agreed to contribute RMB50 million in cash to Xi'an OCT. After completion of the increase of the capital, the equity interest of Xi'an OCT will be owned as to 75% and 25% by OCT Properties and Bantix, respectively. The details of the transaction are disclosed in the announcement of the Company dated 7 December 2009 and the circular of the Company dated 22 December 2009.

Capital Increase and Termination of OCT Wuhan – The Group had also committed to increase the capital of 武漢華僑城實業發展有限公司 (Wuhan OCT Industrial Development Ltd.). However, in order to give priority to investments with existing projects so that the Board would be in a better position to estimate the growth potential of the investments, the said investment in OCT Wuhan was terminated on 14 December 2009.

Joint Venture of OCT Xi'an

On 14 September 2009, OCT Properties and Bantix, a wholly-owned subsidiary of the Company, entered into a joint venture agreement to establish Overseas Chinese Town (Xi'an) Industry Company Limited ("OCT Xi'an), a Sino-foreign equity joint venture enterprise. It was intended that OCT Xi'an will be principally engaged in property development business in Xi'an, the PRC. OCT Properties would hold 75% of the equity interest of OCT Xi'an, and Bantix would hold the remaining 25% equity interest of OCT Xi'an. The total registered capital of OCT Xi'an would be RMB100,000,000, to which OCT Properties and Bantix would contribute RMB75,000,000 and RMB25,000,000 in cash, respectively. OCT Properties is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangements under the above transaction constitute connected transactions under the Listing Rules. The above transaction was terminated on 7 December 2009. Details of the above transaction are disclosed in the announcements of the Company dated 15 September 2009 and 7 December 2009 and the circular of the Company dated 28 September 2009 in compliance with the requirements under Chapter 14A of the Listing Rules.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2009, the Group employed nearly 1,800 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 close 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.

The Group adopted a share option scheme at the time of its initial public offering. As at the date of this report, the Company granted a total of 19,300,000 share options under the scheme, of which 1,710,000 share options had been exercised during 2009.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2009.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Hou Songrong, aged 41, is the Chairman of the Company. He joined the Group since May 2009. He is also the Chairman of the board of directors of Overseas Chinese Town (HK) Company Limited ("OCT (HK)"), which is the sole shareholder of Pacific Climax, the controlling shareholder of the Company. Mr. Hou served as general manager of 深圳市華僑城勞動服務有限公司, a subsidiary of Overseas Chinese Town Enterprises Company ("OCT Group"), the ultimate holding company of the Company. He has also served the positions of vice president, general vice president, president and Chief Executive Officer of Konka Group Co., Ltd. ("Konka Group") since 2001. Currently, Mr. Hou is the chairman of the board of directors of Konka Group and OCT (HK), and is the vice president of Shenzhen OCT Holding Co., Ltd. ("OCT Holding"). Both of Konka Group and OCT Holding are listed on the Shenzhen Stock Exchange. Mr. Hou received a bachelor's degree in Economics from Beijing University, the PRC, in 1990, and a master degree in Economics from Renmin University of China in 1999.

Mr. Ni Zheng, aged 42. He has been a director of Shenzhen Huali Packing & Trading Co., Ltd. ("Shenzhen Huali") since 1999. Mr. Ni is a director of all the BVI and Hong Kong incorporated subsidiaries of the Company (except Huali Holdings Company Limited ("Huali Holdings")) and the following PRC incorporated subsidiaries of the Company: Shenzhen Huali, Shanghai Huali Packaging Co., Ltd. ("Shanghai Huali"), Huizhou Huali, Huali Packaging (Huizhou) Co., Ltd. (華勵包裝(惠州)有限公司) ("Huali Huizhou") and Shenzhen Huayou Packaging Co., Ltd. ("Shenzhen Huayou"). Mr. Ni is a director of Pacific Climax, the immediate holding company of the Company, and a director of OCT (HK), the intermediate holding company of the Company. Mr. Ni is also a director of various subsidiaries of OCT (HK), a director of Chengdu OCT, and the board secretary of OCT Holding. He had been the deputy general manager and general manager of the investment department of OCT Group. Mr. Ni graduated from the Department of Applied Physics of Chongqing University and obtained a bachelor's degree in Science and a master degree in Engineering in 1988 and 1991, respectively. Mr. Ni had been the Chief Executive Officer of the Company and resigned as the Chief Executive Officer of the Company with effect from 30 March 2010.

Ms. Xie Mei, aged 42, has been the Chief Executive Officer of the Company since 30 March 2010. Ms. Xie joined the Group in December 2004. Ms. Xie is a director of all the BVI and Hong Kong incorporated subsidiaries of the Company (except Bantix) and the following PRC incorporated subsidiaries of the Company: Shenzhen Huali, Huizhou Huali, Huali Huizhou and Shenzhen Huayou. 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 two subsidiaries of OCT Group, namely Inter Continental and Yunnan OCT Industrial Co., Ltd. (雲南華僑城實業有限公司) ("Yunnan OCT"). Ms. Xie has rich management experience in real estate and tourism. Ms. Xie is also the deputy general manager of OCT (HK). 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 September 2005 and was re-designated as an executive Director in August 2007.

Mr. Zhou Guangneng, aged 58, 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 Shanghai Huali, Zhongshan Huali Packaging Co., Ltd (中山華力包裝有限公司) ("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 Limited, the immediate holding company 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. Zheng Fan, aged 54, joined the Group since April 2002. He is also a director of OCT (HK), the intermediate holding company of the Company. He had been a director of Shenzhen Huali, a subsidiary of the Company, from April 2002 to July 2006. Currently, Mr. Zheng is the general manager of OCT Group, the ultimate controlling shareholder of the Company, chairman of Yunnan OCT and a director of OCT Holding. Since 1994, Mr. Zheng has held various senior positions at OCT Group and its subsidiaries and has rich management experience in real estate and tourism. Mr. Zheng was appointed as executive Director and Chairman of the Board in September 2005, and was re-designated as non-executive Director in May 2009.

Independent Non-Executive Directors

Ms. Wong Wai Ling, aged 49, joined the Group in April 2007. She received 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 practicing as a Certified Public Accountant. Ms. Wong is also an independent non-executive director of two Hong Kong listed companies - Galaxy Semi-Conductor 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 57, 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 employed as director of the Guangdong Rong Guan Law Office (廣東融關律師事務所主任) and 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 the member of the Audit Committee and Remuneration Committee of the Company.

Mr. Lam Sing Kwong Simon, aged 51, 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 an 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. Zhang Xiaojun, aged 39, has been with the Group since 1993, and is currently the deputy general manager of the Company. 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 46, is the Chief Financial Officer, Company Secretary and qualified accountant of the Company, and also serves as a director of Huali Holdings, 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, he had been a manager of a group member of a public listed company in Hong Kong, providing group audit and management services. 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.

Corporate Governance Report

The Company believes that high standard corporate governance and 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 comprises eight members, including four 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. Mr. Hou Songrong, the Chairman, is responsible for the operation of the Board and the formulation of the Company's strategies and policies. Mr. Ni Zheng, the Chief Executive Officer, with the assistance of other members of the Board and senior management, was 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 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

Mr. Hou Songrong, the Chairman of the Board

Mr. Ni Zheng

Ms. Xie Mei, the Chief Executive Officer

Mr. Zhou Guangneng

The above executive Directors (except Mr. Hou Songrong) were re-elected as executive Directors of the Company at the annual general meeting of the Company held on 25 April 2008, and have entered into service agreements with the Company with a term of three years starting from 25 April 2008, subject to early termination pursuant to the termination provisions therein. Mr. Hou has entered into a director's service agreement with the Company as an executive Director for a term commencing from 26 May 2009 and ending at the conclusion of the 2009 annual general meeting to be held in 2010, which may be terminated by either the Company or Mr. Hou by giving one month's written notice or otherwise in accordance with the terms of the director's service agreement.

Non-Executive Director

Mr. Zheng Fan

Mr. Zheng has entered into a director's service agreement with the Company as a non-executive Director for a term commencing from 26 May 2009 and ending at the conclusion of the 2009 annual general meeting to be held in 2010, which may be terminated by either the Company or Mr. Zheng by giving one month's written notice or otherwise in accordance with the terms of the director's service agreement.

Independent Non-Executive Directors

Ms. Wong Wai Ling

Mr. Xu Jian

Mr. Lam Sing Kwong Simon

The above independent non-executive Directors have entered into service agreements with the Company. Among the independent non-executive Directors, Ms. Wong Wai Ling was re-elected as independent non-executive Director of the Company at the annual general meeting of the Company held on 25 April 2008 for a term commencing from the date of the annual general meeting at which her appointment was approved and ending at the conclusion of the 2009 annual general meeting to be held in 2010 subject to early termination pursuant to the termination provisions therein. Mr. Xu Jian and Mr. Lam Sing Kwong Simon were elected as independent non-executive Directors of the Company at the annual general meeting of the Company held on 14 May 2009 for a term commencing from the date of the annual general meeting at which their respective appointments were approved and ending at the conclusion of the 2009 annual general meeting to be held in 2010 subject to early termination pursuant to the termination provisions therein.

The biographies of all Directors are set out in the Annual Report on pages 11 to 13.

Corporate Governance Report

The Company has not established a Nomination Committee. The Board 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.

THE APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Company has not established a Nomination Committee. All members of the Board are responsible for formulating the procedures for appointing Directors, nominating suitable candidates for approval at the annual general meeting so as to fill vacancies due to the resignation of Directors or appoint additional Directors.

When selecting candidates for appointment as Directors, the Board will consider the candidates' integrity, achievements and experience in the relevant industry, expertise, educational background and whether they have sufficient time to assume the post of Directors.

On 26 May 2009, Mr. Hou Songrong was appointed as an executive Director and Chairman of the Board, and Mr. Zheng Fan was re-designated from an executive Director and Chairman of the Board to a non-executive Director.

At the general meeting held on 14 May 2009, Mr. Xu Jian and Mr. Lam Sing Kwong Simon were elected as independent non-executive Directors of the Company, while Mr. Chen Xiangdong and Mr. Xiao Yongping retired from office and did not offer themselves for re-election.

In accordance with the articles of association of the Company, every Director should be subject to retirement by rotation at least once every three years.

Each of Mr. Hou Songrong, an executive Director, and Mr. Zheng Fan, a non-executive Director, although eligible, will not offer himself for re-election at the forthcoming annual general meeting. The Board has proposed Mr. He Haibin to be appointed as a non-executive Director at the forthcoming annual general meeting.

Each of Ms. Wong Wai Ling, Mr. Xu Jian and Mr. Lam Sing Kwong Simon, being eligible, will offer himself/herself for re-election at the forthcoming annual general meeting.

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 and record respectively. Directors are entitled to inspect the minutes at any time.

Corporate Governance Report

NUMBER OF BOARD MEETINGS HELD AND THE ATTENDANCE OF DIRECTORS

The Board convened eight meetings in the year ended 31 December 2009. 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**
Hou Songrong	4/8 *(Note 1)*	N/A	N/A
Zheng Fan	5/8	N/A	N/A
Ni Zheng	8/8	N/A	N/A
Xie Mei	8/8	N/A	N/A
Zhou Guangneng	7/8	N/A	N/A
Wong Wai Ling	5/8	2/2	2/2
Xu Jian	4/8 *(Note 2)*	1/2	1/2
Lam Sing Kwong Simon	4/8 *(Note 2)*	1/2	1/2
Chen Xiangdong	1/8 *(Note 3)*	1/2	1/2
Xiao Yongping	1/8 *(Note 3)*	1/2	1/2

Note 1: Mr. Hou Songrong has been appointed as an executive Director and Chairman of the Board, with effect from 26 May 2009. Thereafter, six Board meetings had been held for the year ended 31 December 2009 and Mr. Hou had attended four out of the six meetings.

Note 2: Mr. Xu Jian and Mr. Lam Sing Kwong Simon have been appointed as independent non-executive Directors of the Company, with effect from 14 May 2009. Thereafter, six Board meetings, one Audit Committee meeting and one Remuneration Committee meeting had been held and each of Mr. Xu and Mr. Lam had attended four out of the six Board meetings, as well as one Audit Committee meeting and one Remuneration Committee meeting.

Note 3: Mr. Chen Xiangdong and Mr. Xiao Yongping retired from office as independent non-executive Directors of the Company on 14 May 2009. Prior to that date, two Board meetings, one Audit Committee meeting and one Remuneration Committee meeting had been held and each of Mr. Chen and Mr. Xiao had attended one out of the two Board meetings, as well as one Audit Committee meeting and one Remuneration Committee meeting.

SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS

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 or 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 two meetings during the year ended 31 December 2009, 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.

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.

Corporate Governance Report

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 or not renewed, 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 2009, at which the Remuneration Committee reviewed and discussed the remuneration policy and structure of the Company and the remuneration 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 Group's risk management network, and the control and governance processes in order to monitor the effectiveness of the internal control of the Company. The department conducts a 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 department also regularly reviews all the businesses, the supporting teams and matters relating to work approach, procedure, 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.

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 Group's state of affairs, the results and cash flow for the year. In preparing the financial statements for the year ended 31 December 2009, the Directors have:

- selected appropriate accounting policies and applied them consistently; and

- made judgments and estimates that are prudent and reasonable.

Corporate Governance Report

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 4 months after the end of a financial year.

The auditors' responsibilities are set out in the Auditor's Report on page 37.

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 RMB612,000, RMB368,000, RMB384,000, RMB106,000, RMB66,000, RMB66,000, RMB1 and RMB40,000 to Mr. Ni Zheng, Ms. Xie Mei, Mr. Zhou Guangneng, Ms. Wong Wai Ling, Mr. Xu Jian, Mr. Lam Sing Kwong Simon, Mr. Chen Xiangdong and Mr. Xiao Yongping respectively for the year ended 31 December 2009. Mr. Zheng Fan and Mr. Hou Songrong did not receive any basic remuneration from the Group for the year ended 31 December 2009.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2009, 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.

SECURITIES TRANSACTIONS BY SENIOR MANAGEMENT AND STAFF

Senior management and those staff who are more likely to be in possession of unpublished price-sensitive information or other relevant information in relation to the Group have adopted rules based on the Model Code. These senior management and staff have been individually notified and advised about the Model Code by the Company.

Corporate Governance Report

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 advices 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 are properly held and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advices with respect to the Directors' obligations on securities interest disclosure, disclosure requirements of discloseable transactions, connected transactions and price-sensitive information. The Company Secretary shall provide advices to the Board with respect to strict compliance with the laws, requirements and the Company's articles of association at appropriate times. 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 at appropriate times. The Company Secretary is also responsible for supervising and managing the Group's investor relationship.

EXTERNAL AUDITORS

The Group's external auditors are KPMG. The remuneration paid to the external auditors in 2009 comprised fees for audit services of RMB1.42 million and no fees had been paid to them for tax compliance and advisory work. The responsibilities of the auditors to the shareholders are set out on page 37 in this annual report.

INVESTORS RELATIONSHIP

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 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.

Corporate Governance Report

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 2009.

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 principal activities of the Group are design and manufacture of quality paper-based packaging materials and containers, including corrugated paperboard and printed cartons.

RESULTS AND DISTRIBUTIONS

The results of the Group for the year are set out in the consolidated income statement on page 39.

The Directors consider that dividends to be declared during the year or declarable in future by the Group will be decided by the Board in its discretion. The factors that the Board will take into consideration include (among others) 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 continued growth and business expansion. Subject to the above, the Directors propose distribution of a dividend of HK$2.36 cents per share for the year ended 31 December 2009 (2008: HK$2.0 cents per share).

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2009 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 39 to 106.

PROPOSED FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of HK$2.36 cents per share for shareholders whose names appear on the Register of Members of the Company on 27 May 2010. The Register of Members will be closed from 27 May 2010 to 31 May 2010, both days inclusive, and the proposed final dividend is expected to be paid on 24 June 2010. The payment of dividends shall be subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on 31 May 2010. In order to be qualified for attending the Annual General Meeting and the proposed dividend, shareholders should deliver share certificates together with transfer documents to the Company's branch share registrar at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 pm on 26 May 2010.

Directors' Report

TRANSFERS TO RESERVES

Profits attributable to shareholders before dividends of RMB23.81 million (2008: RMB16.59 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 RMB100.83 million for the acquisitions 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 notes 12 and 13 to the financial statements.

SHARE CAPITAL

For the year ended 31 December 2009, an additional 1,710,000 Shares were issued as a result of the exercise of certain share options granted under the Share Option Scheme of the Company.

In November 2009, the Company issued 57,000,000 Shares at the placing price of HK$2.80 per share. The net proceeds from the placing amounted to approximately HK$155,000,000 and were used as general working capital of the Company.

As a result of the above, the Company's total issued share capital increased to 346,750,000 Shares as of 31 December 2009, representing an increase of 58,710,000 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 2009 amounted to RMB686 million.

PRE-EMPTIVE RIGHTS

There was no provision in respect of pre-emptive rights in the articles of association of the Company, nor 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 purchased 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:

Mr. Hou Songrong *(Chairman)*
Mr. Ni Zheng
Ms. Xie Mei
Mr. Zhou Guangneng

Non-Executive Director:

Mr. Zheng Fan

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 11 to 13.

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 2009 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 2009, 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 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	0.17%
Zhou Guangneng	510,000	Beneficial owner	Personal	0.15%

Long positions in underlying shares of the Company

Name of Directors	Number of underlying shares held	Capacity	Nature of interest	Approximate % of issued share capital of the Company
Ni Zheng *(Note 1)*	1,400,000	Beneficial owner	Personal	0.40%
Zhou Guangneng *(Note 2)*	1,190,000	Beneficial owner	Personal	0.34%

Notes:

(1) Ni Zheng is taken to be interested as a grantee of options to subscribe for 1,400,000 Shares.

(2) Zhou Guangneng is taken to be interested as a grantee of options to subscribe for 1,190,000 Shares.

Directors' Report

Save as disclosed above, as at 31 December 2009, 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.

SUBSTANTIAL SHAREHOLDERS' AND OTHER SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2009, 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 of the Company

Name	Capacity/Nature	No. of shares held	Approximate % of shareholding
Substantial Shareholders			
Pacific Climax Limited *(Note 1)*	Beneficial owner	196,620,000	56.70%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)") *(Note 2)*	Interest of a controlled corporation	196,620,000	56.70%
Shenzhen OCT Holding Co. Ltd. ("OCT Holding") *(Note 3)*	Interest of a controlled corporation	196,620,000	56.70%
Overseas Chinese Town Enterprises Company ("OCT Group") *(Note 4)*	Interest of a controlled corporation	196,620,000	56.70%
Others			
UBS AG	Interest of a controlled corporation *(Note 5)*	26,570,000	7.66%

Notes:

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

(2) OCT (HK) is the beneficial owner of all the issued share capital in Pacific Climax Limited. Therefore, OCT (HK) is deemed, or taken to be interested in these shares for the purpose of the SFO. Mr. Hou Songrong, Mr. Zheng Fan and Mr. Ni Zheng, all of them are Directors, are also directors of OCT (HK).

Directors' Report

(3) OCT Holding is the beneficial owner of all the issued share capital in OCT (HK), which is the beneficial owner of all the issued share capital in Pacific Climax Limited. Therefore, OCT Holding is deemed, or taken to be interested in the 196,620,000 Shares which are beneficially owned by Pacific Climax for the purpose of the SFO. OCT Holding is a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange. As advised by OCT Group, OCT Holding is a non-wholly owned subsidiary of OCT Group. Mr Zheng Fan, a Director, is also a director of OCT Holding.

(4) OCT Group is the beneficial owner of 56.36% of the issued shares in OCT Holding, which is the beneficial owner of all the issued share capital in OCT (HK). Therefore, OCT Group is deemed, or taken to be interested in the 196,620,000 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 16,828,000 Shares, 3,542,000 Shares and 6,200,000 Shares (total: 26,570,000 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 26,570,000 Shares for the purpose of the SFO.

Save as disclosed above, 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	9%	
Five largest customers in aggregate	28%	
The largest supplier		14%
Five largest suppliers in aggregate		39%

Other than OCT Group, the ultimate controlling company of the Company (which indirectly owns approximately 56.70% of the issued shares of the Company), which owns a 17.48% stake in Konka Group Co., Ltd., the largest customer of the Group in 2009, 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 27 December 2007, OCT Properties (as lessor) entered into a tenancy agreement with Shenzhen Huali (as lessee), a wholly-owned subsidiary of the Company, for a term from 1 January 2008 to 31 December 2010.

   OCT Properties is a non-wholly owned subsidiary of OCT Group, the ultimate controlling shareholder of the Company. OCT Properties is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the arrangements under the above tenancy agreement constitute continuing connected transactions under the Listing Rules.

2. Shenzhen Huali purchases printed instruction manuals, brochures or similar publications from Panyu Huali Youde Offset Printing & Packaging Company Limited ("Panyu Huali"). On 27 December 2007, a sale and purchase agreement was entered into between Shenzhen Huali and Panyu Huali for a contract period commencing from 1 January 2008 to 31 December 2010.

   OCT Group, the ultimate shareholder of OCT (HK), together with its associates, are directly or indirectly interested in over 50% equity interest in Panyu Huali. As such, Panyu Huali is a connected person within the meaning of the Listing Rules. Accordingly, the above purchase arrangements constitute continuing connected transactions under the Listing Rules.

3. On 27 December 2007, Shenzhen Overseas Chinese Town Water and Electricity Company ("OCT Electricity") and Shenzhen Huali entered into a utilities agreement for a term commencing from 1 January 2008 to 31 December 2010. Under the agreement, Shenzhen Huali has agreed to pay the water (including sewage charges) and electricity charges incurred for the premises owned or rented by Shenzhen Huali located in Huaqiaocheng, Shenzhen. The calculation of the electricity and water charges is based on meter reading of separate meters installed by Shenzhen Huali. The water, sewage and electricity tariffs charged by OCT Electricity follow the standard charges set by the government authorities.

   OCT Electricity is a state-owned enterprise and OCT Group, the ultimate shareholder of OCT (HK), is directly interested in 100% of the registered capital of OCT Electricity. OCT Electricity is a connected person within the meaning of the Listing Rules. Accordingly, the arrangements under the above utilities agreement constitute continuing connected transactions under the Listing Rules.

Directors' Report

4. The Group, in particular Shenzhen Huali, sells cartons to OCT Group and a number of its associated companies (being such companies in the equity capital of which OCT Group is directly or indirectly interested so as to exercise or control the exercise of 30% or more of the voting power at general meetings, or to control the composition of a majority of the board of directors). A new sale and purchase agreement was entered into between Shenzhen Huali and OCT Group on 27 December 2007 for a contract period commencing from 1 January 2008 to 31 December 2010.

   OCT Group is the ultimate shareholder of OCT (HK). Pursuant to the Listing Rules, each of OCT Group and its associated companies is a connected person to the Company. Accordingly, the arrangements under the above sales and purchase agreement constitute continuing connected transactions under the Listing Rules.

5. Shanghai Huali sells cartons to Shanghai Meiling Center Air Conditioner Co., Ltd. ("Meiling Air Conditioner"). A new sales and purchase agreement was entered into between Shanghai Huali and Meiling Air Conditioner on 27 December 2007 for a contract period commencing from 1 January 2008 to 31 December 2010.

   Mr. Zhang Zhilin, who had been a director of Shanghai Huali, a subsidiary of the Company, owns 79.08% equity interest in Shanghai Huiyang Industry Co., Ltd., which in turn owns 50% equity interest in Meiling Air Conditioner. Pursuant to the Listing Rules, Meiling Air Conditioner was a connected person to the Company during the period when Mr. Zhang Zhi Lin had been a director of Shanghai Huali and a twelve-month period after he ceased to be a director of Shanghai Huali. Accordingly, the sale arrangements stated above ceased to be a continuing connected transaction under the Listing Rules as Mr. Zhang Zhi Lin resigned as a director of Shanghai Huali on 5 September 2008.

6. On 11 July 2007, Shenzhen Huali and OCT Properties entered into a tenancy agreement, pursuant to which the properties consisting of 2 factory buildings were leased to Shenzhen Huali by OCT Properties commencing from the date of execution of the agreement to 31 December 2009. On 23 December 2009, Shenzhen Huali and OCT Properties entered into a new tenancy agreement for a term of 1 year, commencing from 1 January 2010 to 31 December 2010.

   OCT Properties is a non-wholly owned subsidiary of OCT Group, the ultimate controlling shareholder of the Company. OCT Properties is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the arrangements under the above tenancy agreement constitute continuing connected transactions under the Listing Rules.

Directors' Report

Details of items (1) to (5) of the Connected Transactions are set out in the announcement of the Company dated 28 December 2007, and details of item (6) of the Connected Transactions are set out in the announcements of the Company dated 13 July 2007 and 24 December 2009. The transaction amount and cap amount of the Connected Transactions for the year ended 31 December 2009 are as follows:

	Particulars of the continuing connected transactions	Transaction amount for the year ended 31 December 2009	Cap amount for the year ended 31 December 2009
		RMB'000	*RMB'000*
(1)	Tenancy agreement between OCT Properties (as lessor) and Shenzhen Huali (as lessee)	1,550	1,716
(2)	Purchase of booklets by Shenzhen Huali from Panyu Huali	974	3,000
(3)	Electricity supply arrangement between OCT Electricity and Shenzhen Huali	3,631	5,500
(4)	Sales of cartons by the Group to OCT Group and its associated companies	202	3,000
(5)	Sales of cartons by Shanghai Huali to Meiling Air Conditioner	5,985	9,000
(6)	The lease back of properties between OCT Properties (as lessor) and Shenzhen Huali (as lessee)	3,166	3,166

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

The Independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirm:

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

(2) the above 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 favorable than those available to or from independent third parties (as the case may be); and

(3) the above 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.

Directors' Report

In addition, the Company's auditors have confirmed in writing to the Board, the above continuing 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 2009 for each of the connected transactions was not within the respective cap amount as disclosed in the Company's Announcements on 13 July 2007, 28 December 2007 and 24 December 2009.

On 14 September 2009, OCT Properties and Bantix, a wholly-owned subsidiary of the Company, entered into a joint venture agreement to establish Overseas Chinese Town (Xi'an) Industry Company Limited ("OCT Xi'an"), a Sino-foreign equity joint venture enterprise. It was intended that OCT Xi'an would be principally engaged in property development business in Xi'an, the PRC. OCT Properties would hold 75% of the equity interest of OCT Xi'an, and Bantix would hold the remaining 25% equity interest of OCT Xi'an. The total registered capital of OCT Xi'an would be RMB100,000,000, to which OCT Properties and Bantix would contribute RMB75,000,000 and RMB25,000,000 in cash, respectively. OCT Properties is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangements under the above transaction constitute connected transactions under the Listing Rules. The above transaction was terminated on 7 December 2009. Details of the above transaction are disclosed in the announcements of the Company dated 15 September 2009 and 7 December 2009 and the circular of the Company dated 28 September 2009 in compliance with the requirements under Chapter 14A of the Listing Rules.

On 7 December 2009, Bantix, a wholly-owned subsidiary of the Company, entered into the Xi'an Capital Increase Agreement with OCT Properties, whereby each of Bantix and OCT Properties conditionally agreed to contribute RMB50,000,000 in cash to Xi'an OCT. After Xi'an Capital Increase Agreement becomes effective, Bantix shall own 25% equity interest in Xi'an OCT. OCT Properties is a connected person of the Company within the meaning of the Listing Rules. Therefore, the arrangements under the above transaction constitute connected transactions under the Listing Rules. Details of the relevant transaction are set out in the paragraph under "ACQUISITION AND DISPOSAL" in the section headed "Management Discussion and Analysis", and disclosed in the announcement and circular of the Company dated 7 December 2009 and 22 December 2009 in compliance with the requirements under Chapter 14A of the Listing Rules.

Directors' Report

On 7 December 2009, Bantix also entered into the Wuhan Capital Increase Agreement with OCT Holding and OCT Properties, being the only original shareholders of OCT Wuhan, whereby OCT Holding, OCT Properties and Bantix conditionally agreed to contribute RMB50,000,000, RMB100,000,000 and RMB250,000,000, respectively, in cash in 武漢華僑城實業發展有限公司 (Wuhan OCT Industrial Development Ltd.) ("OCT Wuhan"). After completion of the said capital injection, the registered capital of OCT Wuhan would increase from RMB600,000,000 to RMB1,000,000,000, whereby the equity interest of OCT Wuhan would be owned as to 50%, 25% and 25% respectively by OCT Holding, OCT Properties and Bantix. As a result of the completion of the said capital injection, OCT Wuhan would be converted from a PRC domestic company into a Sino-foreign equity joint venture enterprise. In relation to the said capital injection, OCT Holding, OCT Properties and Bantix also entered into a joint venture agreement on the same date. OCT Properties and OCT Holding are connected persons of the Company under the Listing Rules. Therefore, the arrangements under the above transaction constitute connected transactions under the Listing Rules. The above transaction was terminated on 14 December 2009. Details of the above transaction are disclosed in the announcements of the Company dated 7 December 2009 and 14 December 2009 in compliance with the requirements under Chapter 14A of the Listing Rules.

The related party transactions are set out in note 29 to the financial statements of the Company. Apart from the 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.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2009 are set out in note 22 and 29 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 107 to 108 of the 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.

AUDITORS

KPMG were first appointed as the auditors of the Company in 2005.

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

Directors' Report

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

The Company has a share option scheme which was adopted on 12 October 2005 whereby the Directors are authorized, 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 the 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 at general meeting.

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 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 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 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 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 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 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 options available for issue under the share option scheme as at the date of this report was 700,000 options, which, if granted and shares were issued upon exercise of such options, will represent 0.20% of the issued share capital of the Company as at the date of this report. In addition, the total number of shares to be issued upon exercise of options already granted under the share option scheme was 11,240,000 Shares, representing approximately 3.24% 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 total number of shares then in issue.

Directors' Report

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 31 December 2009 are as follows:

	Number of unlisted share options (physically settled equity derivatives)									
Name and Category of participants	As at 1 January 2009	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 31 December 2009	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										
Ni Zheng	1,400,000	–	–	–	1,400,000	7 February 2006	7 February 2006 to 6 February 2016	1.41	1.41	–
Zhou Guangneng	1,190,000	–	–	–	1,190,000	7 February 2006	7 February 2006 to 6 February 2016	1.41	1.41	–
	2,590,000	–	–	–	2,590,000					
Other employees	10,920,000	–	1,380,000	–		7 February 2006	7 February 2006 to 6 February 2016	1.41	1.41	1.85[1]
			330,000	–	8,650,000	7 February 2006	7 February 2006 to 6 February 2016	1.41	1.41	2.48[2]
Total	13,510,000	–	1,710,000	560,000	11,240,000					

* 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 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.

Directors' Report

Note 1: The share options were exercised on 20 July 2009, and the closing price of the shares of the Company on the date was HK$1.85.

Note 2: The share options were exercised on 4 September 2009, and the closing price of the shares of the Company at the date was HK$2.48.

POST BALANCE SHEET EVENT

Bantix, the Company's wholly owned subsidiary, intended to increase its investment in Chengdu OCT by solely contributing, in cash, RMB588,000,000 into Chengdu OCT. After completion of the capital injection, Bantix's interest in Chengdu OCT will increase from 25% to 51%, and Chengdu OCT will become a non-wholly owned subsidiary of the Company. As the capital injection is a very substantial acquisition and a connected transaction, it is subject to approval procedures (including but not limited to independent Shareholders') as set out in the Listing Rules as well as the approval procedures as required under the PRC laws and regulations.

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 10.

By order of the Board
Hou Songrong
Chairman

Hong Kong, 30 March 2010

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 (collectively referred to as the "Group") set out on pages 39 to 106, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these 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 the report.

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

Independent Auditor's Report

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
30 March 2010

Consolidated Income Statement

for the year ended 31 December 2009

(Expressed in Renminbi)

	Note	**2009** **RMB'000**	2008 RMB'000
Turnover	3	**622,063**	762,769
Cost of sales		**(536,237)**	(673,194)
Gross profit		**85,826**	89,575
Other revenue	4(a)	**2,662**	3,121
Other net income	4(b)	**1,454**	36,680
Distribution costs		**(31,625)**	(33,920)
Administrative expenses		**(42,913)**	(50,701)
Other operating expenses		**(1,392)**	(6,423)
Profit from operations		**14,012**	38,332
Finance costs	5(a)	**(3,202)**	(3,304)
Share of profit/(loss) from an associate	17	**20,728**	(10,648)
Profit before taxation	5	**31,538**	24,380
Income tax	6	**(7,728)**	(7,790)
Profit for the year		**23,810**	16,590
Attributable to:			
Equity shareholders of the Company		**23,810**	16,590
Profit for the year		**23,810**	16,590
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	10	**7,205**	5,079
Earnings per share (RMB)	11		
Basic		**0.08**	0.07
Diluted		**0.08**	0.07

The notes on pages 47 to 106 form part of these financial statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

(Expressed in Renminbi)

	Note	**2009**	2008
		RMB'000	*RMB'000*
Profit for the year		**23,810**	16,590
Other comprehensive income for the year (after tax and reclassification adjustments):			
Exchange differences on translation of:			
– financial statements of overseas subsidiaries		**(35)**	(3,844)
Total comprehensive income for the year		**23,775**	12,746
Attributable to:			
Equity shareholders of the Company		**23,775**	12,746
Total comprehensive income for the year		**23,775**	12,746

The notes on pages 47 to 106 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2009

(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	12	**265,223**	165,753
Construction in progress	13	**29,141**	59,386
Goodwill	14	**24,937**	24,937
Lease prepayments	15	**68,983**	70,671
Interest in an associate	17	**234,401**	213,673
Deferred tax assets	25(b)	**8,810**	10,579
		631,495	544,999
Current assets			
Inventories	18	**82,628**	84,853
Trade and other receivables	19	**149,031**	167,371
Cash and cash equivalents	20	**314,006**	127,307
		545,665	379,531
Current liabilities			
Trade and other payables	21	**278,391**	204,907
Bank loans	22	**65,947**	42,199
Current taxation	25(a)	**4,304**	7,948
		348,642	255,054
Net current assets		**197,023**	124,477
Total assets less current liabilities		**828,518**	669,476
Non-current liabilities			
Other payable to intermediate holding company	29(b)	**73,082**	73,198
Bank loans	22	**60,723**	57,279
Deferred tax liabilities	25(b)	**152**	2,183
		133,957	132,660
NET ASSETS		**694,561**	536,816

The notes on pages 47 to 106 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2009 *(continued)*
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
CAPITAL AND RESERVES			
Share capital	*26(a)*	**34,148**	28,976
Reserves		**660,413**	507,840
Total equity attributable to equity shareholders of the Company	*26*	**694,561**	536,816
TOTAL EQUITY		**694,561**	536,816

Approved and authorised for issue by the board of directors on 30 March 2010.

Ni Zheng	)	
	)	*Directors*
Hou Songrong	)	

The notes on pages 47 to 106 form part of these financial statements.

Balance Sheet

at 31 December 2009

(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Investments in subsidiaries	16	**389,452**	389,452
Property, plant and equipment	12	**–**	9
		389,452	389,461
Current assets			
Trade and other receivables	19	**580,077**	388,662
Cash and cash equivalents	20	**120,264**	12,564
		700,341	401,226
Current liabilities			
Trade and other payables	21	**226,536**	104,211
Bank loans	22	**35,924**	32,277
		262,460	136,488
Net current assets		**437,881**	264,738
Total assets less current liabilities		**827,333**	654,199
Non-current liabilities			
Other payable to intermediate holding company	29(b)	**73,082**	73,198
Bank loans	22	**33,811**	40,744
NET ASSETS		**720,440**	540,257
CAPITAL AND RESERVES			
Share capital	26(a)	**34,148**	28,976
Reserves	26(g)	**686,292**	511,281
TOTAL EQUITY		**720,440**	540,257

Approved and authorised for issue by the board of directors on 30 March 2010.

Ni Zheng)
) *Directors*
Hou Songrong)

The notes on pages 47 to 106 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

(Expressed in Renminbi)

	Note	Registered/ issued capital RMB'000 (note 26(a))	Share premium RMB'000 (note 26(b))	Contributed surplus RMB'000 (note 26(b))	Merger reserve RMB'000 (note 26(c))	Capital reserve RMB'000 (note 26(d))	Exchange reserve RMB'000	General reserve fund RMB'000 (note 26(e))	Enterprise expansion fund RMB'000 (note 26(f))	Retained profits RMB'000	Total RMB'000
		Attributable to equity shareholders of the Company									
At 1 January 2008		25,260	174,960	147,711	24,757	25,386	(1,776)	33,697	5,366	75,457	510,818
Issuance of shares	26(a)	3,716	23,521	–	–	(1,367)	–	–	–	–	25,870
Transfer between reserves		–	–	–	–	–	–	2,494	–	(2,494)	–
Dividend approved in respect of previous year	10(b)	–	–	–	–	–	–	–	–	(12,618)	(12,618)
Total comprehensive income for the year		–	–	–	–	–	(3,844)	–	–	16,590	12,746
At 31 December 2008		28,976	198,481	147,711	24,757	24,019	(5,620)	36,191	5,366	76,935	536,816
At 1 January 2009		**28,976**	**198,481**	**147,711**	**24,757**	**24,019**	**(5,620)**	**36,191**	**5,366**	**76,935**	**536,816**
Issuance of shares	26(a)	**5,172**	**134,281**	**-**	**-**	**(404)**	**-**	**-**	**-**	**-**	**139,049**
Transfer between reserves		**-**	**-**	**-**	**-**	**-**	**-**	**1,630**	**-**	**(1,630)**	**-**
Dividend approved in respect of previous year	10(b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,079)**	**(5,079)**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**(35)**	**-**	**-**	**23,810**	**23,775**
At 31 December 2009		**34,148**	**332,762**	**147,711**	**24,757**	**23,615**	**(5,655)**	**37,821**	**5,366**	**94,036**	**694,561**

The notes on pages 47 to 106 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2009

(Expressed in Renminbi)

	2009 **RMB'000**	2008 RMB'000
Operating activities		
Profit before taxation	**31,538**	24,380
Adjustments for:		
– Depreciation and amortisation	**33,285**	30,051
– Interest income	**(1,371)**	(1,333)
– Gain on disposal of property, plant and equipment	**(266)**	(36,194)
– Impairment on property, plant and equipment	**–**	3,306
– Interest expense	**3,202**	3,304
– Share of (profit)/loss of an associate	**(20,728)**	10,648
Operating profit before changes in working capital	**45,660**	34,162
Decrease in inventories	**2,225**	7,013
Decrease in trade and other receivables	**18,306**	1,686
Increase/(decrease) in trade and other payables	**75,968**	(73,188)
Cash generated/(used in) from operations	**142,159**	(30,327)
PRC tax paid	**(11,601)**	(6,127)
Interest paid	**(3,321)**	(3,109)
Net cash generated/(used in) from operating activities	**127,237**	(39,563)

The notes on pages 47 to 106 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2009 *(continued)*
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Investing activities			
Payment for purchase of property, plant and equipment		**(8,204)**	(5,187)
Payment for acquisition of an associate		**–**	(1,505)
Proceeds from disposal of property, plant and equipment		**270**	49,104
Payment for construction in progress		**(95,063)**	(41,433)
Interest received		**1,450**	1,333
Net cash (used in)/generated from investing activities		**(101,547)**	2,312
Financing activities			
Net proceeds from issuance of shares		**139,049**	7,334
Proceeds from new bank loans		**89,371**	88,190
Dividends paid to the equity shareholders of the Company		**(5,079)**	(12,618)
Repayment of bank loans		**(62,258)**	(33,433)
Net cash generated from financing activities		**161,083**	49,473
Net increase in cash and cash equivalents		**186,773**	12,222
Cash and cash equivalents at 1 January		**127,307**	119,292
Effect of foreign exchange rate changes		**(74)**	(4,207)
Cash and cash equivalents at 31 December	*20*	**314,006**	127,307

The notes on pages 47 to 106 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 (the "Listing Rules"). 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. 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 (see note 2).

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in an associate. The Group is primarily involved in the manufacture and sale of paper cartons and products.

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.

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)*

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.

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 32.

(c) Subsidiaries

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.

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.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)).

(d) Associates

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

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 and adjusted thereafter for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Associates *(continued)*

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 in the associate 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.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

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(i)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 1(i)).

Any excess of the Group's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised immediately in profit or loss.

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

(f) Property, plant and equipment

(i) Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(i)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to working condition and location for its intended use, the cost of borrowed funds used during the year of construction and, when relevant, the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Property, plant and equipment *(continued)*

(ii) The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation is calculated to write off the cost 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

(iv) 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.

(v) Construction in progress represents items of property, plant and equipment under construction and pending installation and is stated at cost less impairment losses (see note 1(i)). Cost comprises direct costs of construction, borrowing costs and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the period of construction.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Operating lease

Assets that are held by the Group under leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets 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.

(h) Lease prepayments

Lease prepayments represent land use rights paid to the PRC's government authorities. Land use rights are carried at cost less impairment losses (see note 1(i)) and amortised on a straight-line basis over the respective periods of the rights which range from 18 to 45 years.

(i) Impairment of assets

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

Investments in debt and equity securities (other than investments in subsidiaries: see note 1(i)(ii)) 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 each balance sheet date 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Impairment of assets *(continued)*

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

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

– For investments in associates recognised using the equity method (see note 1(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(i)(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(i)(ii).

– 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 financial assets carried at amortised cost 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Impairment of assets *(continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date 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;

– construction in progress;

– lease prepayments;

– investments in subsidiaries; 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 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 (group of units) and then, to reduce the carrying amount of the other assets in the unit (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)*

(i) 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 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.

(j) Inventories

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.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment loss for bad and doubtful debts (see note 1(i)), 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(i)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) 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.

(m) 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.

(n) 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.

(o) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Employee benefits *(continued)*

(ii) Share based payments (continued)

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.

(p) 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 balance sheet date, 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Income tax *(continued)*

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 balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Income tax *(continued)*

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.

(q) 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)*

(r) 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) Interest income

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

(iii) Government grants

Government grants are recognised in the balance sheet 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.

(s) 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 balance sheet date. 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. Balance sheet items are translated into Renminbi at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) 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.

(u) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venture;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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)*

(v) Segment reporting

The directors consider the Group operates within a single business and geographical segment. Accordingly, no segment information is provided.

2 CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate
- HKAS 23, Borrowing costs

HKFRS 8 and the amendment to HKAS 23 have had no material impact on the Group's financial statements as HKFRS 8 and the amendment were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

- The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following amendment have resulted in changes to the Group's accounting policies:

  – As a result of amendments to HKAS 28, Investments in associates, impairment losses recognised in respect of an associate carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 33).

3 TURNOVER

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 OTHER REVENUE AND NET INCOME

(a) Other revenue

	2009 *RMB'000*	2008 *RMB'000*
Interest income	**1,371**	1,333
Sale of materials	**472**	61
Government grants	**819**	20
Tax refund for dividend re-investment	**–**	1,707
	2,662	3,121

(b) Other net income

	2009 *RMB'000*	2008 *RMB'000*
Net gain on disposal of property, plant and equipment *(Note)*	**266**	36,194
Exchange gain/(loss)	**670**	(624)
Others	**518**	1,110
	1,454	36,680

Note: Included in the net gain on disposal of property, plant and equipment in 2008 was gain on disposal of non-current assets held for sale of RMB35,592,000.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2009	2008
	RMB'000	*RMB'000*
(a) Finance costs:		
Interest on bank loans	**1,493**	3,304
Other interest expense	**1,709**	–
	3,202	3,304
(b) Staff costs:		
Salaries, wages and other benefits#	**65,336**	66,345
Contributions to defined contribution retirement schemes *(note 23)*#	**4,206**	3,781
	69,542	70,126
(c) Other items:		
Amortisation of lease prepayments#	**1,688**	1,498
Depreciation of property, plant and equipment#	**31,597**	28,553
Impairment losses on trade and other receivables	**1,491**	2,055
Impairment losses on property, plant and equipment	**–**	3,306
Auditors' remuneration		
– audit services	**1,419**	1,658
Operating lease charges in respect of land and properties#	**12,141**	10,176
Exchange (gain)/loss	**(670)**	624
Cost of inventories *(note 18(b))*#	**536,077**	674,574

Cost of inventories included RMB76,787,000 (2008: RMB76,760,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, amount of which is also included in the respective total amounts disclosed separately 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:

	2009	2008
	RMB'000	*RMB'000*
Current tax – Provision for PRC income tax		
Provision for the year	**7,990**	9,742
Deferred tax		
Origination and reversal of temporary differences *(note 25(b))*	**(262)**	(1,952)
	(262)	(1,952)
	7,728	7,790

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 (2008: 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 (2008: 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 20% – 25% (2008: 18% – 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)*

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.

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

	2009	2008
	RMB'000	*RMB'000*
Profit before taxation	**31,538**	24,380
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**7,374**	6,635
Tax effect of non-deductible expenses	**578**	3,072
Tax effect of non-taxable income	**(3,420)**	(652)
Tax effect of prior year's unrecognised tax losses utilised	**–**	(256)
Tax effect of unused tax losses not recognised	**4,968**	1,645
Effect of tax concessions	**(1,772)**	(2,654)
Actual tax expense	**7,728**	7,790

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*	**2009 Total** *RMB'000*
Executive directors:					
– Hou Songrong	**–**	**–**	**–**	**–**	**–**
– Ni Zheng	**–**	**391**	**208**	**13**	**612**
– Zhou Guangneng	**–**	**254**	**120**	**10**	**384**
– Xie Mei	**–**	**235**	**120**	**13**	**368**
Independent non-executive directors:					
– Zheng Fan	**–**	**–**	**–**	**–**	**–**
– Wong Wai Ling	**106**	**–**	**–**	**–**	**106**
– Chen Xiangdong	**–**	**–**	**–**	**–**	**–**
– Xiao Yongping	**40**	**–**	**–**	**–**	**40**
– Lam Sing Kwong	**66**	**–**	**–**	**–**	**66**
– Xu Jian	**66**	**–**	**–**	**–**	**66**
	278	**880**	**448**	**36**	**1,642**

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement Discretionary bonuses *RMB'000*	schemes contributions *RMB'000*	2008 Total *RMB'000*
Executive directors:					
– Zheng Fan	–	–	–	–	–
– Ni Zheng	–	391	202	12	605
– Zhou Guangneng	–	256	104	11	371
– Xie Mei	–	236	58	12	306
Independent non-executive directors:					
– Wong Wai Ling	107	–	–	–	107
– Chen Xiangdong	–	–	–	–	–
– Xiao Yongping	107	–	–	–	107
	214	883	364	35	1,496

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2008: two) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other two (2008: three) individuals are as follows:

	2009	2008
	RMB'000	*RMB'000*
Salaries and other emoluments	**858**	1,039
Discretionary bonuses	**291**	308
Retirement schemes contributions	**23**	23
	1,172	1,370

The emoluments of the two (2008: three) individuals with the highest emoluments are within the band from HK$Nil to HK$1,000,000.

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of RMB5,834,000 (2008: RMB15,014,000) 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:

	2009	2008
	RMB'000	*RMB'000*
Amount of loss attributable to equity shareholders dealt with in the Company's financial statements	**(5,834)**	(15,014)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	**52,047**	28,844
Company's profit for the year *(note 26(g))*	**46,213**	13,830

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10 DIVIDENDS

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

	2009	2008
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of HK$2.36 cents per share (equivalent RMB2.08 cents per share) (2008: HK$2.00 cents per share (equivalent RMB1.76 cents per share))	**7,205**	5,079

Final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2009	2008
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$2.00 cents per share (equivalent RMB1.76 cents per share) (2008: HK$5.70 cents per share (equivalent RMB5.207 cents per share))	**5,079**	12,618

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB23,810,000 (2008: RMB16,590,000) and the weighted average of 294,552,219 (2008: 252,874,645) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2009 **No. of shares**	2008 *No. of shares*
Issued ordinary shares at 1 January *(note 26(a))*	**288,040,000**	246,000,000
Issuance of new shares *(note 26(a))*	**6,512,219**	6,874,645
Weighted average number of ordinary shares at 31 December	**294,552,219**	252,874,645

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB23,810,000 (2008: RMB16,590,000) and the weighted average of 299,037,447 (2008: 256,412,944) ordinary shares (diluted), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2009 **No. of shares**	2008 *No. of shares*
Weighted average number of ordinary shares at 31 December	**294,552,219**	252,874,645
Effect of deemed issue of shares under the Company's share option scheme for nil consideration *(note 24)*	**4,485,228**	3,538,299
Weighted average number of ordinary shares (diluted) at 31 December	**299,037,447**	256,412,944

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Motor vehicles	Other property, plant and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2008	66,325	304,592	21,270	20,936	413,123
Exchange adjustment	–	–	–	(3)	(3)
Additions	499	969	1,047	2,468	4,983
Transfer from construction in progress *(note 13)*	–	451	–	1,261	1,712
Disposals	(1,955)	(8,596)	(746)	(90)	(11,387)
At 31 December 2008	64,869	297,416	21,571	24,572	408,428
At 1 January 2009	64,869	297,416	21,571	24,572	408,428
Additions	3,234	4,429	2,223	1,685	11,571
Transfer from construction in progress *(note 13)*	77,237	38,480	350	3,433	119,500
Disposals	–	(2,650)	(5,333)	(216)	(8,199)
At 31 December 2009	145,340	337,675	18,811	29,474	531,300

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group *(continued)*

	Buildings	Plant and machinery	Motor vehicles	Other property, plant and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation and impairment loss:					
At 1 January 2008	16,272	173,892	16,991	14,500	221,655
Exchange adjustments	–	–	–	(1)	(1)
Charge for the year	3,806	19,989	1,794	2,964	28,553
Impairment loss	–	3,306	–	–	3,306
Written back on disposal	(1,616)	(8,395)	(746)	(81)	(10,838)
At 31 December 2008	18,462	188,792	18,039	17,382	242,675
At 1 January 2009	18,462	188,792	18,039	17,382	242,675
Charge for the year	6,004	21,186	1,666	2,741	31,597
Written back on disposal	–	(2,650)	(5,333)	(212)	(8,195)
At 31 December 2009	24,466	207,328	14,372	19,911	266,077
Net book value:					
At 31 December 2009	120,874	130,347	4,439	9,563	265,223
At 31 December 2008	46,407	108,624	3,532	7,190	165,753

All of the Group's buildings are located in the PRC.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Company

	Other property, plant and equipment *RMB'000*
Cost:	
As at 1 January 2008	39
Exchange adjustment	(2)
As at 31 December 2008	37
As at 1 January and 31 December 2009	37
Accumulated depreciation:	
As at 1 January 2008	17
Exchange adjustment	(1)
Charge for the year	12
As at 31 December 2008	28
As at 1 January 2009	28
Charge for the year	9
As at 31 December 2009	37
Net book value:	
As at 31 December 2009	–
As at 31 December 2008	9

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 CONSTRUCTION IN PROGRESS

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Cost:		
At 1 January	**59,386**	921
Additions	**89,255**	60,177
Transfer to property, plant and equipment *(note 12)*	**(119,500)**	(1,712)
At 31 December	**29,141**	59,386

14 GOODWILL

	The Group
	RMB'000
Cost:	
At 1 January 2008, 31 December 2008 and 31 December 2009	24,937

Impairment test for cash-generating units containing goodwill

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

	2009	2008
	RMB'000	*RMB'000*
Shanghai	**1,012**	1,012
Shenzhen	**23,925**	23,925
	24,937	24,937

The recoverable amount of the CGU is 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 five-year period are extrapolated using an estimated weighted average growth rate of 8% (2008: 7-9%) which is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates. The cash flows are discounted using a discount rate of 6% (2008: 6%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

15 LEASE PREPAYMENTS

Leasehold land of the Group is held in the PRC. At 31 December 2009, the remaining lease terms of these pieces of land range from 18 to 45 years.

16 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009	2008
	RMB'000	*RMB'000*
Unlisted shares, at cost	**389,452**	389,452

Details of subsidiaries at 31 December 2009 are as follows. The class of shares held is ordinary.

			Proportion of ownership interest			
Name of company	**Place of incorporation/ establishment**	**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 RMB 55,000,000	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) and note (iii))*	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)

16 INVESTMENTS IN SUBSIDIARIES *(continued)*

			Proportion of ownership interest			
Name of company	**Place of incorporation/ establishment**	**Particular of registered/ issued capital**	**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 (ii))*	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

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES *(continued)*

			Proportion of ownership interest			
Name of company	**Place of incorporation/ establishment**	**Particular of registered/ issued capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
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
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

Notes:

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

(ii) The company is a limited company established in the PRC.

(iii) During the year, the Group established a wholly owned subsidiary, Zhongshan Huali Packing Co., Ltd.

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

17 INTEREST IN AN ASSOCIATE

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Share of net assets	**130,866**	110,138
Goodwill	**103,535**	103,535
	234,401	213,673

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

Name of associate	Form of business structure	Registered	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Chengdu Tianfu OCT Industry Development ("Chengdu OCT")	Incorporated	PRC	RMB 400,000,000	25%	–	25%	Travel and real estate development

Summary financial information on the associate

	Assets	Liabilities	Equity	Revenues	Profit/(Loss)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2009					
100 per cent	**4,099,992**	**(3,576,528)**	**523,464**	**1,521,962**	**82,915**
Group's effective interest	**1,024,998**	**(894,132)**	**130,866**	**380,491**	**20,728**
2008					
100 per cent	4,125,320	(3,684,767)	440,553	–	(73,350)
Group's effective interest	1,031,330	(921,192)	110,138	–	(10,648)

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

18 INVENTORIES

(a) Inventories in the balance sheet comprise:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Raw materials	**73,035**	72,601
Work-in-progress	**2,108**	2,031
Finished goods	**7,485**	10,211
Spare parts	**–**	10
	82,628	84,853

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

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**536,237**	673,194
Write down of inventories	**–**	1,380
Reversal of write-down of inventories	**(160)**	–
	536,077	674,574

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

19 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables and bills receivable:				
Amounts due from fellow subsidiaries *(note 29(b))*	**22**	90	**–**	–
Amounts due from other related companies *(note 29(b))*	**8,706**	702	**–**	–
Amounts due from third parties	**135,671**	167,095	**–**	–
Less: allowance for doubtful debts *(note 19(b))*	**(6,331)**	(5,023)	**–**	–
	138,068	162,864	**–**	–
Prepayment, deposits and other receivables:				
Amounts due from immediate subsidiaries	**–**	–	**579,209**	388,481
Amounts due from fellow subsidiaries *(note 29(b))*	**796**	820	**–**	–
Amounts due from third parties	**10,167**	3,687	**868**	181
	149,031	167,371	**580,077**	388,662

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

Apart from rental deposits of RMB1,109,000 (2008: RMB1,117,000) 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)

19 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 balance sheet date:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Current	**124,400**	150,802
Less than three months past due	**13,643**	11,883
Three to six months past due	**25**	179
Amount past due	**13,668**	12,062
	138,068	162,864

The Group's credit policy is 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(i)).

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

	The Group	
	2009	2008
	RMB'000	*RMB'000*
At 1 January	**5,023**	3,146
Impairment loss recognised	**1,429**	2,052
Amount of reversal	**(121)**	(175)
At 31 December	**6,331**	5,023

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

19 TRADE AND OTHER RECEIVABLES *(continued)*

(b) Impairment of trade receivables *(continued)*

At 31 December 2009, the Group's trade receivables of nil (2008: RMB2,397,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that it is highly unlikely that the receivables can be recovered. Consequently, specific allowances for doubtful debts of nil (2008: RMB2,397,000) were recognised. The Group does not hold any collateral over these balances.

(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.

20 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and in hand	**314,006**	127,307	**120,264**	12,564

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

21 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables and bills payable:				
Amounts due to fellow subsidiaries *(note 29(b))*	**195**	2	**–**	–
Amounts due to third parties	**214,589**	136,350	**–**	–
	214,784	136,352	**–**	–
Other payables:				
Amounts due to subsidiaries	**–**	–	**221,439**	99,883
Amounts due to other related companies *(note 29(b))*	**76**	493	**76**	195
Amounts due to third parties	**63,531**	68,062	**5,021**	4,133
	278,391	204,907	**226,536**	104,211

All of the trade and other payables (including amount due to related parties) are expected to be settled within one year.

The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 27.

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

21 TRADE AND OTHER PAYABLES *(continued)*

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

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Due within 3 months or on demand	**171,394**	114,051
Due after 3 months but less than 1 year	**43,390**	22,267
Due after 1 year	**–**	34
	214,784	136,352

22 BANK LOANS

At 31 December 2009, the bank loans were repayable as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year or on demand	**65,947**	42,199	**35,924**	32,277
After 1 year but within 2 years	**41,815**	34,218	**33,811**	20,989
After 2 years but within 5 years	**18,908**	23,061	**–**	19,755
	60,723	57,279	**33,811**	40,744
	126,670	99,478	**69,735**	73,021

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

22 BANK LOANS *(continued)*

The Group's short-term bank loans comprise:

		The Group		The Company	
		2009	2008	**2009**	2008
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Short-term					
HK Dollars denominated	Interest rates at HIBOR*+1% – HIBOR*+1.35% per annum with maturities through 2 November 2010 – 27 December 2010	**13,293**	–	**–**	–
Current portion of long-term bank loan					
HK Dollars denominated	Interest rates at HIBOR*+0.88% – HIBOR*+1.2% per annum with maturities through 15 February 2010 – 27 December 2010	**52,654**	42,199	**35,924**	32,277
		65,947	42,199	**35,924**	32,277

* Hong Kong Interbank Offer Rate

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

22 BANK LOANS *(continued)*

The Group's long-term bank loans comprise:

		The Group		The Company	
		2009	2008	**2009**	2008
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB denominated	Interest rates at 5.4% per annum with maturity through 28 October 2012	**6,000**	–	**–**	–
HK Dollars denominated	Interest rates at HIBOR*+0.88% – HIBOR*+1.2% per annum with maturities through 15 February 2010 – 15 September 2014	**107,377**	99,478	**69,735**	73,021
Less: Current portion of long-term bank loan		**(52,654)**	(42,199)	**(35,924)**	(32,277)
		60,723	57,279	**33,811**	40,744

* Hong Kong Interbank Offer Rate

The bank loans of the Group at 31 December 2009 were guaranteed by its subsidiaries, namely 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 2009.

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet 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). As at 31 December 2009, none of the covenants relating to drawn down facilities had been breached (2008: Nil).

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

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 and Anhui whereby the Group is required to make contributions to the Schemes at a rate ranging from 10% to 22% (2008: 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.

24 EQUITY SETTLED SHARE-BASED TRANSACTION

The Company has a share option scheme which was adopted on 12 October 2005 whereby the directors are authorised, at its absolute discretion and on such terms as it 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 share of the Company. 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.

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, 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 of the closing prices of the shares on the Stock Exchange for the five business days immediately preceding 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, 20 July 2009 and 4 September 2009, 5,790,000, 1,380,000 and 330,000 share options of the Company at par value of HK$0.1 were exercised at exercise price of HK$1.41 per share respectively. In 2009, 560,000 share options were forfeited. The remaining 11,240,000 options granted above were outstanding and exercisable at 31 December 2009 with a remaining contractual life of 6 years and 1 month.

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

25 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Provision for PRC income tax	**4,304**	7,948

(b) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Accounting depreciation in excess of depreciation allowances	Provisions	Accrued expenses	Unrealised profit	Pre-operating expenses	Undistributed profits of subsidiaries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:							
At 1 January 2008	4,299	1,487	136	–	522	–	6,444
Credited to profit or loss	9	1,335	3,003	208	(420)	(2,183)	1,952
At 31 December 2008	4,308	2,822	3,139	208	102	(2,183)	8,396
At 1 January 2009	4,308	2,822	3,139	208	102	(2,183)	8,396
Credited to profit or loss	(513)	289	(1,453)	(34)	(58)	2,031	262
At 31 December 2009	3,795	3,111	1,686	174	44	(152)	8,658

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

25 INCOME TAX IN THE BALANCE SHEET *(continued)*

(b) Deferred tax assets and liabilities recognised: *(continued)*

	2009	2008
	RMB'000	*RMB'000*
Net deferred tax asset recognised on the balance sheet	**8,810**	10,579
Net deferred tax liability recognised on the balance sheet date	**(152)**	(2,183)
	8,658	8,396

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB9,242,000 (2008: RMB4,274,000) 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 RMB9,242,000, RMB2,945,000 will expire in five years. The remaining tax losses do not expire under current tax regulations.

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

26 EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

(a) Share capital

Authorised and issued share capital

	2009		2008	
	No. of shares '000	***HK$'000***	*No. of shares '000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000**	**200,000**	2,000,000	200,000

Ordinary shares, issued and fully paid:

	No. of shares '000	***RMB'000***	*No. of shares '000*	*RMB'000*
At 1 January	**288,040**	**28,976**	246,000	25,260
Issuance of new shares	**58,710**	**5,172**	42,040	3,716
At 31 December	**346,750**	**34,148**	288,040	28,976

On 21 April 2008, 20 July 2009 and 4 September 2009, 5,790,000, 1,380,000 and 330,000 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.

On 2 December 2008, the Company issued and allotted 36,250,000 shares at par value of HK$0.1 to its holding Company, OCT (HK) or its nominee(s), as part of the consideration for acquiring 51% shareholding of OCT Investments.

On 24 November 2009, the Company issued and allotted 57,000,000 shares at par value of HK$0.1 to its immediate holding company, Pacific Climax Limited, at a price of HK$2.8 per share.

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

26 EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

(continued)

(b) 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.

(c) 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.

(d) 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 fair value of the unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share based payments in note 1(o)(ii).

(e) 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.

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

26 EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

(continued)

(f) 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.

(g) Reserves of the Company

	Note	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2008		174,960	248,970	4,558	59,427	487,915
Issuance of shares		23,521	–	(1,367)	–	22,154
Profit for the year		–	–	–	13,830	13,830
Dividend approved in respect of the previous year	10(b)	–	–	–	(12,618)	(12,618)
At 31 December 2008		198,481	248,970	3,191	60,639	511,281
At 1 January 2009		198,481	248,970	3,191	60,639	511,281
Issuance of shares		134,281	–	(404)	–	133,877
Profit for the year		–	–	–	46,213	46,213
Dividend approved in respect of the previous year	10(b)	–	–	–	(5,079)	(5,079)
At 31 December 2009		332,762	248,970	2,787	101,773	686,292

(h) Distributability of reserves

At 31 December 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company is RMB686,292,000 (2008: RMB511,281,000).

After the balance sheet date, the directors proposed a final dividend of HK$2.36 cents per ordinary share (2008: HK$2.00 cents per share), amounting to RMB7,205,000 (2008: RMB5,079,000). This dividend has not been recognised as a liability at the balance sheet date.

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

26 EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY *(continued)*

(i) 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.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt 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 2009, the Group's strategy, which was unchanged from 2008, was to maintain the net debt-to-adjusted capital ratio at a level of lower than 100%. 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.

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

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. These risks are limited by the Group's financial management policies and practices 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.

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 balance sheet date, 7% (2008: 10%) and 22% (2008: 20%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

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

(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 current and expected 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, bank loans and other payables to intermediate holding company are set out in notes 19, 21, 22 and 29.

(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 0.96% per annum (2008: 1.1% per annum). The effective interest rate of bank loans is 1.58% per annum (2008: 4.99% per annum). The interest rates and terms of repayment of the Group's bank loans and other payable to intermediate holding company are disclosed in notes 22 and 29.

At 31 December 2009, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would have increased the Group's profit after tax and retained profits by approximately RMB881,000 (2008: increased RMB576,000).

A 100 basis points decrease in interest rates at 31 December 2009 would have had equal but opposite effect on the basis that all other variables remain constant.

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 balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non- derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax and retained 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 2008.

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

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

(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. There was no forward exchange contract at 31 December 2009.

(ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date 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.

The Group

	2009		2008	
	United States Dollars	**Hong Kong Dollars**	United States Dollars	Hong Kong Dollars
	'000	***'000***	*'000*	*'000*
Trade and other receivables	**1,128**	**35,114**	1,832	54,504
Cash and cash equivalents	**1,602**	**172,738**	3,622	36,891
Trade and other payables	**(48)**	**(8,939)**	(2,364)	(18,321)
Other payable to intermediate holding company	**–**	**(83,000)**	–	(83,000)
Bank loans	**–**	**(84,200)**	–	(82,800)
Gross exposure arising from recognised assets and liabilities	**2,682**	**31,713**	3,090	(92,726)

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 Company

	2009	2008
	HK'000	*HK'000*
Trade and other receivable	**569,130**	408,525
Cash and cash equivalents	**136,582**	14,247
Trade and other payables	**(257,280)**	(118,167)
Other payable to intermediate holding company	**(83,000)**	(83,000)
Bank loans	**(79,200)**	(82,800)
Gross exposure arising from recognised assets and liabilities	**286,232**	138,805

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.

(iii) Sensitivity analysis

A 5 per cent weakening of the Hong Kong dollars and United States dollars against the above RMB at 31 December 2009 would have decreased profit by RMB1,907,000 (2008: increased RMB2,428,000). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

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.

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 (continued)

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 balance sheet date, 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 2008.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2009 and 2008 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 2009 not provided for in the financial statements were as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted for	**100,172**	46,337	**–**	–
Authorised but not contracted for	**28,596**	126,718	**–**	–
	128,768	173,055	**–**	–

The capital commitments mainly represented the commitments in connection with the capital injection of RMB50,000,000 into Xi'an OCT Investment Ltd. and the planned capital expenditure for expansion of production facilities.

(b) At 31 December 2009, 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	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**6,047**	8,096	**–**	–
After one year but within five years	**9,846**	2,281	**–**	–
After five years	**10,116**	1,457	**–**	–
	26,009	11,834	**–**	–

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 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 29(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:

	2009	2008
	RMB'000	*RMB'000*
Interest income	**1,042**	1,234
Interest expense	**1,202**	2,458

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

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

	2009 RMB'000	2008 RMB'000
Cash at bank	293,811	120,800
Bank loans	80,138	73,021

(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 Holding Company ("OCT Holding")	Intermediate holding company
Overseas Chinese Town (HK) Company Limited	Intermediate holding company
Shanghai Huiyang Industry Co., Ltd. ("Shanghai Hui Yang") *(note 1)*	An entity majority-owned by an equity shareholder who has significant influence over the Company
Shanghai Mei Ling Central Air Conditioner Company Limited ("Mei Ling Air-Conditioner")	Subsidiary of Shanghai Hui Yang
Shanghai Pudong Xiamei Plastics Co., Ltd. ("Shanghai Xiamei") *(note 1)*	Subsidiary of Shanghai Hui Yang
Shenzhen Overseas Chinese Town Real Estate Company Limited ("OCT Properties")	Subsidiary of OCT Group
Konka Group Company Limited, its subsidiaries and associates ("Konka Group") *(note 2)*	Common director

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

Note 1: Shanghai Huiyang and its two subsidiaries, Meiling Air-Conditioner and Shanghai Xiamei ceased to be related parties of the Group upon Mr. Zhang Zhilin's resignation as a director from Shanghai Huali Packaging Co., Ltd., a subsidiary of the Group.

Note 2: Due to the change in the chairman of the Group, Konka Group became a related party of the Group under HKAS 24, Related Party Disclosures from 26 May 2009. However, the chairman of the Group and his family do not have any equity interest in Konka Group and do not control the composition of a majority of the board of directors of Konka Group. Therefore Konka Group is not considered a connected person under the Listing Rules.

Recurring transactions

	2009	2008
	RMB'000	*RMB'000*
Sales of goods to:		
Konka Group *(note)*	**57,302**	–
OCT Group, its subsidiaries and associates	**202**	655
Mei Ling Air-Conditioner	**–**	8,733
	57,504	9,388
Purchase of goods from:		
OCT Group, its subsidiaries and associates	**974**	544
Interest expense:		
OCT (HK)	**1,709**	–
Rental paid to:		
OCT Group, its subsidiaries and associates	**4,716**	3,563
Shanghai Xia Mei	**–**	180
	4,716	3,743
Utility expenses paid to:		
OCT Group, its subsidiaries and associates	**3,631**	3,899

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

Recurring transactions (continued)

Note: The amount for the year ended 31 December 2009 represents transactions occurred after 26 May 2009 when Konka Group was regarded as a related party of the Group.

Non recurring transactions

	2009 **RMB'000**	2008 RMB'000
Acquisition of OCT Investments:		
OCT (HK)	**–**	91,708

On 2 December 2008, the Company acquired 51% equity interests in OCT Investments from OCT (HK).

	2009 **RMB'000**	2008 RMB'000
Sales of land use right and factory buildings to:		
OCT Properties	**–**	50,600

Balances with related parties

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

	Notes	**2009** **RMB'000**	2008 RMB'000
Trade receivable from fellow subsidiaries *(note 19)*	*(i)*	**22**	90
Trade receivable from other related companies *(note 19)*	*(i)*	**8,706**	702
Trade payable to fellow subsidiaries *(note 21)*	*(ii)*	**(195)**	(2)
Other receivable from fellow subsidiaries *(note 19)*	*(iii)*	**796**	820
Other payable to other related companies *(note 21)*	(iii)	**(76)**	(493)
Other payable to intermediate holding company	(iv)	**(73,082)**	(73,198)

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

29 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

Balances with related parties (continued)

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) Other payable to intermediate holding company of HK$83,000,000 is unsecured, bearing an interest at HIBOR+1%.

(c) The key management personnel remuneration is as follows:

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:

	2009	2008
	RMB'000	*RMB'000*
Short-term employee benefits	**2,755**	2,808
Post employment benefits	**59**	58
	2,814	2,866

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.

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

30 NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) Final dividend

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 10.

(b) Capital injection into Chengdu OCT

Bantix International Limited ("Bantix"), the Group's wholly owned subsidiary, is in the process to enter into the Chengdu OCT Capital Increase Agreement with OCT Properties and OCT Holding. Bantix will solely contribute, in cash, RMB588,000,000 into Chengdu OCT. After completion of the capital injection, Bantix's interest in Chengdu OCT will increase from 25% to 51%. Consequently, Chengdu OCT will become a non-wholly owned subsidiary of the Group. As the transaction is a very substantial acquisition and a connected transaction, it is subject to approval procedures as set out in the Listing Rules. In addition, it is subject to necessary approvals of the PRC government authorities.

31 PARENT AND ULTIMATE HOLDING COMPANY

At 31 December 2009, 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 Holding, which is listed on Shenzhen Stock Exchange. Only OCT Holding produces financial statements available for public use.

32 ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 14 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(i), 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 balance sheet date.

(ii) Provision for inventories

As explained in note 1(j), the Group's inventories are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the inventories, the Group makes estimates of the selling prices, the costs of completion in case for work in progress, and the costs to be incurred in selling the inventories. Uncertainty exists in these estimations.

(iii) Impairment loss for property, plant and equipment

As explained in note 1(i), the Group's makes impairment loss for property, plant and equipment based on the Group's estimates of the recoverable amount. Uncertainty exists in these estimations.

Notes to the financial statements

(Expressed in Renminbi unless otherwise indicated)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
HKFRS 3 (Revised), Business combinations	1 July 2009
Amendments to HKAS 27, Consolidated and separate financial statements	1 July 2009
Improvements to HKFRSs 2009	1 July 2009 or 1 January 2010

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.

34 COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), Presentation of Financial Statements, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

Five-Year Financial Summary

As at 31 December

(Expressed in Renminbi)

CONSOLIDATED INCOME STATEMENT

	2009	2008	2007	2006	2005 (restated)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**622,063**	762,769	760,763	713,354	680,858
Cost of sales	**(536,237)**	(673,194)	(654,846)	(608,381)	(583,646)
Gross profit	**85,826**	89,575	105,917	104,973	97,212
Other revenue	**2,662**	3,121	7,420	4,693	2,904
Other net gain/(loss)	**1,454**	36,680	(3,836)	(3,394)	(1,424)
Distribution costs	**(31,625)**	(33,920)	(30,799)	(32,562)	(30,340)
Administrative expenses	**(42,913)**	(50,701)	(28,378)	(30,125)	(19,297)
Other operating expenses	**(1,392)**	(6,423)	(4,214)	(756)	(761)
Profit from operations	**14,012**	38,332	46,110	42,829	48,294
Finance costs	**(3,202)**	(3,304)	(4,381)	(3,552)	(2,480)
Share of losses from an associate	**20,728**	(10,648)	(484)	–	–
Profit before taxation	**31,538**	24,380	41,245	39,277	45,814
Income tax	**(7,728)**	(7,790)	(2,826)	(5,970)	(5,440)
Profit for the year	**23,810**	16,590	38,419	33,307	40,374
Attributable to:					
Equity shareholders of the Company	**23,810**	16,590	38,361	32,999	40,089
Minority interests	**–**	–	58	308	285
Profit for the year	**23,810**	16,590	38,419	33,307	40,374
Earnings per share (RMB)					
Basic	**0.08**	0.07	0.18	0.16	0.25
Diluted	**0.08**	0.07	0.17	0.16	0.25

Five-Year Financial Summary

As at 31 December

(Expressed in Renminbi)

CONSOLIDATED BALANCE SHEET

	2009	2008	2007	2006	2005 (restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	**265,223**	165,753	191,468	179,884	183,006
Construction in progress	**29,141**	59,386	921	20,438	9,506
Goodwill	**24,937**	24,937	24,937	24,937	24,937
Lease prepayments	**68,983**	70,671	72,169	20,010	20,589
Interest in an associate	**234,401**	213,673	89,907	–	–
Deferred tax assets	**8,810**	10,579	6,444	2,878	2,360
	631,495	544,999	385,846	248,147	240,398
Current assets					
Non-current assets held for sale	**–**	–	12,361	–	–
Inventories	**82,628**	84,853	91,866	63,775	73,181
Trade and other receivables	**149,031**	167,371	210,296	135,858	143,124
Cash and cash equivalents	**314,006**	127,307	119,292	172,160	97,951
	545,665	379,531	433,815	371,793	314,256
Current liabilities					
Trade and other payables	**278,391**	204,907	259,789	207,009	186,562
Bank loans	**65,947**	42,199	32,735	43,664	38,474
Current taxation	**4,304**	7,948	4,333	4,882	3,970
	348,642	255,054	296,857	255,555	229,006
Net current assets	**197,023**	124,477	136,958	116,238	85,250
Total assets less current liabilities	**828,518**	669,476	522,804	364,385	325,648
Non-current liabilities					
Other payable to intermediate holding company	**73,082**	73,198	–	–	–
Bank loans	**60,723**	57,279	11,986	26,524	–
Deferred tax liability	**152**	2,183	–	–	–
	133,957	132,660	11,986	26,524	–
NET ASSETS	**694,561**	536,816	510,818	337,861	325,648
Total equity attributable to equity shareholders of the Company	**694,561**	536,816	510,818	336,162	323,957
Minority interests	**–**	–	–	1,699	1,691
TOTAL EQUITY	**694,561**	536,816	510,818	337,861	325,648