



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

Interim report
2010

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CORPORATE INFORMATION

Registered Office

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

Head Office and Principal Place of Business

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

Board of Directors

Executive Directors

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

Non-Executive Director

Mr. He Haibin

Independent Non-executive Directors

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

Audit Committee/Remuneration Committee

Ms. Wong Wai Ling (*Chairman*)
Mr. Xu Jian
Mr. Lam Sing Kwong Simon

Qualified Accountant and Company Secretary

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

Auditors

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

Hong Kong Legal Adviser

Loong & Yeung
Suites 2001-2005,
20/F, Jardine House, 1 Connaught Place
Central, Hong Kong

Principal Share Registrar and Transfer Office

Appleby Corporate Services (Cayman) Limited
Clifton House
PO Box 1350 GT, 75 Fort Street
Grand Cayman, Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Shops 1712-16, 17/F, Hopewell Centre
183 Queen's Road East, Hong Kong

Principal Bankers

China Merchants Bank Hong Kong Branch
Standard Chartered Bank (HK) Ltd.
Nanyang Commercial Bank
Hang Seng Bank Limited

Stock Information

Listing Date: 2 November 2005
Stock Code: 03366
Stock Short Name: OCT (ASIA)
Company's Website:
<http://www.oct-asia.com>

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results and Business Review

During the period under review, Overseas Chinese Town (Asia) Holdings Limited (the “Company”), together with its subsidiaries (the “Group”) achieved satisfactory operating results leveraging on its extensive experience and quality products under improved economic environment and gradual recovery of market demand. For the six months ended 30 June 2010, the Group recorded a turnover of RMB381 million, representing an increase of 50.6% over the same period last year; gross profit margin was approximately 12.5%, representing a decrease of 2.5 percentage points over the same period of 2009; profits attributable to shareholders were approximately RMB11.30 million, representing an increase of approximately 9.3% over the same period of 2009.

The growth momentum of the PRC economy remained strong in the first half of the year. The overall sales volume marked visible increase, which was driven by the high demand from the paper packaging market under improving overall economic environment. During the period under review, the sales volume of the Group’s paper packaging and printing business recorded significant growth over the same period last year by implementing various measures such as seeking new customers, consolidating the close relationship with its existing customers and enhancing production efficiency. However, due to higher raw material prices, the Group also faced challenges such as the bargaining of selling price and cost control. During the period under review, Huizhou Huali Packaging Co., Ltd. commenced full-scale production. Shanghai Huali Packaging Co., Ltd. proposed a one-stop packaging services supply solution for the purpose of providing a wider range of products and services to the customers. The implementation of the one-stop packaging solution not only expanded the marketing channel, but its ancillary value-added services also enhanced the business relationship with its customers. Zhongshan Huali Packaging Co., Ltd. continued its expansion of domestic business, and its domestic sales amount for the first half of the year recorded a substantial growth.

In June 2010, the Company issued and allotted a total of 91,800,000 shares of the Company ("Shares") to Pacific Climax Limited ("Pacific Climax"), a controlling shareholder of the Company, at the subscription price of HK\$5.00 per share and successfully placed a total of 60,000,000 Shares to third-party investors at the price of HK\$5.00 per Share. The net proceeds from the aforesaid subscription and placing amounted to approximately HK\$747 million and will be used for the increase of the share capital for Chengdu Tianfu OCT Industry Development Company Limited ("Chengdu OCT") and for future working capital purpose and other future investments of the Group. Upon completion of capital increase in Chengdu OCT, the Company's shareholding interest in Chengdu OCT will increase from 25% to approximately 51%. Details of the subscription and placing are set out in the paragraph headed "Placing and Subscription" below.

In the first half of the year, Chengdu Happy Valley, a theme park of Chengdu OCT invested by the Company accommodated over one million visitors. It is a popular travel destination in Sichuan province or even in the southwestern part of China. Phase II of Chengdu OCT real estate project maintained satisfactory sales performance leveraging on its own project advantages and comprehensive ancillary services. Phase III commenced construction at the end of 2009 with a total saleable gross floor area of approximately 230,000 sq.m. At present, its construction progress is well underway. Xi'an Overseas Chinese Town Industry Company Limited ("Xi'an OCT"), which is invested by the Company, commenced construction in May this year. The project development is expected to take three years and it will be mainly developed for low-density residential housing.

Outlook

The Group expects that the rise in raw material prices will slow down in the second half of the year; whilst customer demand will increase as compared with the same period last year. In adherence to its market expansion strategies, through the various distribution network of the Group's subsidiaries and complementary advantage of resources utilization, the Group will jointly pursue market expansion so as to provide higher quality products and services to the customers. In addition, the Group will continue to strengthen internal control and workflow management. In expanding new markets and maintaining its existing customers, the Group will endeavor to control the costs of production to ensure that the operating profits will not be diluted.

The management of the Company have strong confidence in the future prospects of the projects of Chengdu OCT and Xi'an OCT. The procedures for the change in registration for industry and commerce in relation to the capital increase in Chengdu OCT are expected to complete by the end of September this year. Round one of Phase III of Chengdu OCT real estate project was launched on 15 August with impressive sales response. Other rounds of the project will be subsequently launched in the second half of the year and next year. The project of Xi'an OCT will commence pre-sales at the end of the year and it is expected that the project will generate profitable returns to the Group. The management believes that, leveraging on the Group's extensive experience in the paper packaging industry over the years, coupled with its participation in premium tourism and real estate projects, the Group will be able to capture the sustainable growth opportunities in times of economic recovery. In fostering its existing businesses, the Group will continue to explore appropriate investment opportunities to maximize the returns for the shareholders and investors for their support to the Group.

Appointment, Resignation and Re-designation of Directors

On 31 May 2010, Mr. Ni Zheng was appointed as chairman of the Board of the Company. Mr. Hou Songrong resigned as executive Director and chairman of the Board of the Company and Mr. Zheng Fan resigned as a non-executive Director of the Company.

At the 2009 annual general meeting (the "AGM") of the Company held on 31 May 2010, resolutions were passed by the shareholders pursuant to which Mr. He Haibin was appointed as a non-executive Director for a term of three years from the date of the AGM at which his appointment was approved. At the meeting, resolutions were also passed to re-elect Ms. Wong Wai Ling, Mr. Xu Jian and Mr. Lam Sing Kwong Simon as independent non-executive Directors. As at the date of this report, the Audit Committee and Remuneration Committee of the Company comprise Ms. Wong Wai Ling, Mr. Xu Jian and Mr. Lam Sing Kwong Simon, and both committees are chaired by Ms. Wong Wai Ling.

Employees and Remuneration Policy

As at 30 June 2010, the Group employed approximately 1,800 full-time staff members. The basic remunerations of the employees are mainly determined with reference to the industry remuneration benchmark, the employees' experience and their performance. Salaries of employees are maintained at a competitive level and are reviewed annually. Apart from the basic remunerations and statutory benefits, the Group also provides discretionary bonuses taking into account of the Group's results and individual staff's performance. The Group has adopted a share option scheme with a view to attract and retain high calibre personnel.

Financial Review

As at 30 June 2010, the Group's total assets were approximately RMB1,726 million. Total equity amounted to approximately RMB1,355 million. The Group's turnover was approximately RMB381 million for the six months ended 30 June 2010, representing an increase of approximately 50.6% over the same period of 2009, which was mainly attributable to the recovery of the paper packaging industry and increase in production orders from the largest customer of the Group; gross profit margin was approximately 12.5% (same period in 2009: 15.0%), representing a decrease of 2.5 percentage points over the same period of 2009, which was mainly due to the increase in the cost of sales as a result of the rise in the price of raw materials over the same period last year; profits attributable to shareholders were approximately RMB11.30 million, representing an increase of approximately 9.3% over the same period of 2009, mainly thanks to the overall recovery of the packaging industry.

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

Distribution costs for the six months ended 30 June 2010 were approximately RMB20.29 million (same period in 2009: approximately RMB13.94 million), representing an increase of approximately 45.6% over the corresponding period in 2009. The increase in distribution costs was mainly attributable to the corresponding increase in sales commission and transportation costs due to the increase in sales revenue of the Group for the period.

The Group's administrative expenses for the six months ended 30 June 2010 were approximately RMB15.48 million (same period in 2009: approximately RMB15.75 million), representing a decrease of approximately 1.7% over the corresponding period in 2009. The decrease in administrative expenses was mainly attributable to the recognition of relocation expense of Shenzhen Huali of RMB1.23 million as an expense over the same period last year. Excluding the factor of relocation expense, the administrative expenses grew by approximately RMB960,000 over the same period of 2009, which was primarily due to the rising labor costs.

INTEREST EXPENSES

The interest expenses of the Group were approximately RMB1.15 million for the six months ended 30 June 2010, representing a decrease of approximately RMB690,000 over the same period of 2009. The decrease in interest expenses was mainly due to the decrease in average outstanding loan balance and the decrease in interest rates during the period.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010.

INVENTORIES, DEBTORS' AND CREDITORS' TURNOVER

The inventory turnover days of the Group was 57 days for the six months ended 30 June 2010 as compared with 56 days for the year ended 31 December 2009. The inventory turnover days of the Group was substantially the same as in 2009. The Group's debtors' turnover days was 96 days for the six months ended 30 June 2010 as compared with 81 days for the year ended 31 December 2009. The increase in the debtors' turnover days was mainly attributable to the more relaxed credit period granted to the customers in order to increase the sales volume for the period. The Group's creditors' turnover days was 125 days for the six months ended 30 June 2010 as compared with 146 days for the year ended 31 December 2009. The decrease in the creditors' turnover days was mainly due to purchase concessions obtained from suppliers which resulted to a shorter payment term.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total equity of the Group as at 30 June 2010 was approximately RMB1,355 million (31 December 2009: approximately RMB695 million). As at 30 June 2010, the Group had current assets of approximately RMB1,054 million (31 December 2009: approximately RMB546 million) and current liabilities of approximately RMB356 million (31 December 2009: approximately RMB349 million). The liquidity ratio was 2.96 as at 30 June 2010 as compared with 1.56 as at 31 December 2009. The increase in liquidity ratio was mainly due to the increase in the proceeds from the placing of shares during the period. As at 30 June 2010, the Group had outstanding bank loans of approximately RMB89.26 million, of which fixed rate loans amounted to nil (as at 31 December 2009: outstanding bank loans of approximately RMB127 million, of which fixed rate loans amounted to nil). The interest rates of bank loans of the Group were 0.95% to 5.40% per annum for the six months ended 30 June 2010 (from 0.93% to 5.40% per annum for the year ended 31 December 2009). Part of these bank loans were secured by guarantees provided by certain subsidiaries of the Company. The Group's gearing ratio (being the total borrowings including bills payable and bank loans divided by total assets) decreased from approximately 27% as at 31 December 2009 to approximately 12% as at 30 June 2010.

As at 30 June 2010, out of the total outstanding bank loans, approximately 97% and approximately 3% were in Hong Kong Dollars and US Dollars respectively (31 December 2009: approximately 95% in Hong Kong Dollars and 5% in Renminbi). As at 30 June 2010, approximately 10% of the total amount of cash and cash equivalents of the Group was in Renminbi (31 December 2009: 40%), approximately 89% of its cash and cash equivalents was in Hong Kong Dollars (31 December 2009: 56%) and approximately 1% of its cash and cash equivalents was in US Dollars (31 December 2009: 4%).

The Group's liquidity position remains stable and the Group possesses sufficient cash and banking facilities to meet its commitments, working capital requirements and future investments for expansion. The Group's transactions and monetary assets are principally denominated in Renminbi, Hong Kong Dollars or US Dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates for the period ended to 30 June 2010. As at 30 June 2010, the Group did not employ any financial instrument for hedging purposes.

PLACING AND SUBSCRIPTION

On 1 April 2010, the Company entered into a placing agreement with China Merchants Securities (HK) Co. Limited as placing agent (the "Placing Agent") pursuant to which the Placing Agent had conditionally agreed to act as agent for the Company to procure placee(s) for 60,000,000 Shares at the placing price of HK\$5.0 per share on a fully underwritten basis to no fewer than six placees. On the same date, the Company entered into a subscription agreement with Pacific Climax pursuant to which Pacific Climax agreed to subscribe for 91,800,000 Shares at the subscription price of HK\$5.0 per Share.

The aforesaid placing and subscription were completed in June 2010.

The net proceeds of the aforesaid placing and subscription amounted to approximately HK\$747 million, out of which approximately HK\$672 million is intended to be injected into Chengdu OCT (details of which are set out in the paragraph headed "Acquisition and Disposal" below) with the remaining balance for future working capital and other future investments of the Group.

Based on the foregoing, as at 30 June 2010, the total issued share capital of the Company increased to 498,550,000 Shares.

ACQUISITION AND DISPOSAL

Chengdu OCT Capital Increase – On 1 April 2010, Bantix International Limited (“Bantix”) entered into a capital increase agreement with Overseas Chinese Town Real Estate Company Limited and Shenzhen Overseas Chinese Town Co., Ltd. (formerly known as Shenzhen Overseas Chinese Town Holding Company) to increase the registered capital of Chengdu OCT from RMB400 million (approximately HK\$457.10 million) to RMB612 million (approximately HK\$699.40 million) and Bantix will solely contribute, in cash, RMB588 million (approximately HK\$672 million) into Chengdu OCT and in return, Bantix’s interest in Chengdu OCT will increase from 25% to approximately 51% with the additional registered capital contribution of RMB212 million (approximately HK\$242.3 million) and the remaining RMB376 million (approximately HK\$429.70 million) will be booked as capital reserve of Chengdu OCT. The Chengdu OCT Capital Increase was approved by the independent shareholders of the Company on 31 May 2010.

After the said capital increase, Chengdu OCT will become a subsidiary of the Company. As at 30 June 2010, the capital increase had not been completed. Details of the Chengdu OCT Capital Increase are set out in the announcement of the Company dated 9 April 2010 and the circular of the Company dated 13 May 2010.

CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 30 June 2010.

DIRECTORS’ INTERESTS

As at 30 June 2010, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) held by the Directors and chief executives of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) are as follows:

Long Positions in Ordinary Shares of the Company

Name of Directors	Number of ordinary shares held	Capacity	Nature of interest	Approximate % of issued share capital of the Company
Ni Zheng	600,000	Beneficial owner	Personal	0.12%
Zhou Guangneng	510,000	Beneficial owner	Personal	0.10%

Long Positions in Underlying Shares of the Company

Name of Directors	Number of underlying shares	Capacity	Nature of interest	Approximate % of issued share capital of the Company
Ni Zheng (Note 1)	1,400,000	Beneficial owner	Personal	0.28%
Zhou Guangneng (Note 2)	1,190,000	Beneficial owner	Personal	0.24%

Notes:

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

Save as disclosed above, as at 30 June 2010, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2010, 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 which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long Position in the Ordinary Shares of the Company

Name	Capacity/ Nature	No. of shares held	Approximate shareholding percentage
Substantial Shareholders			
Pacific Climax Limited ("Pacific Climax") (Note 1)	Beneficial owner	288,420,000	57.85%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)")	Interest of a controlled corporation (Note 2)	288,420,000	57.85%
Shenzhen Overseas Chinese Town Co. Ltd. (formerly known as Shenzhen Overseas Chinese Town Holding Company) ("OCT Ltd.")	Interest of a controlled corporation (Note 3)	288,420,000	57.85%
Overseas Chinese Town Enterprises Company ("OCT Group")	Interest of a controlled corporation (Note 4)	288,420,000	57.85%
Others			
China Merchants Securities (HK) Co., Limited	Person having a security interest in Shares	60,000,000	17.30%
UBS AG	Interest of a controlled corporation (Note 5)	35,592,000	7.14%

Notes:

- (1) Mr. Ni Zheng and Mr. Zhou Guangneng, both of them are Directors, are also directors of Pacific Climax.
- (2) OCT (HK) is the beneficial owner of all the issued share capital in Pacific Climax. Therefore OCT (HK) is deemed, or taken to be interested in those shares for the purpose of the SFO. Mr. Ni Zheng, a Director, is also a director of OCT (HK).
- (3) OCT Ltd. is the beneficial owner of all the issued share capital in OCT (HK). For the purposes of the SFO, OCT Ltd. is deemed, or taken to be, interested in all the Shares which are beneficially owned by Pacific Climax. OCT Ltd. is a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange. OCT Ltd. is a subsidiary of OCT Group.
- (4) OCT Group is the beneficial owner of 56.36% of the issued shares in OCT Ltd., which is the beneficial owner of all the issued share capital in OCT (HK), and which is in turn the beneficial owner of all the issued share capital in Pacific Climax and therefore OCT Group is deemed, or taken to be, interested in all the Shares which are beneficially owned by Pacific Climax for the purposes of the SFO.
- (5) The interest of UBS AG is derived from the interests in 27,916,000 Shares, 3,892,000 Shares and 3,534,000 Shares (total: 35,592,000 Shares) held by UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Hong Kong) Ltd and UBS Global Asset Management (Singapore) Ltd respectively, which are directly wholly owned by UBS AG. Therefore, UBS AG is deemed, or taken to be interested in the total of 35,592,000 Shares for the purpose of the SFO.

Save as disclosed above, as at 30 June 2010, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

SHARE OPTION SCHEME

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

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

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

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

As at 30 June 2010, the total number of outstanding options available for issue under the share option scheme was 700,000 options, which represented approximately 0.14% of the total issued share capital of the Company as at 30 June 2010. As at 30 June 2010, the total number of shares available for issue under the options already granted under the share option scheme was 11,240,000 shares, which represented approximately 2.25% of the issued share capital of the Company as at 30 June 2010. The total number of shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the share option scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Company's shares in issue.

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

The status of the share options granted up to 30 June 2010 is as follows

Number of unlisted share options (physically settled equity derivatives)

Name and category of participants	As at 1 January 2010	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	As at 30 June 2010	Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Share price of the Company at the date of grant 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	8,650,000	-	-	-	8,650,000	7 February 2006	7 February 2006 to 6 February 2016	1.41	1.41
Total	11,240,000	-	-	-	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 details of the model and significant assumptions used to estimate the fair value of the share options granted by the Company to the eligible participants during the period are set out under Note 15 on the interim financial report.

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

CORPORATE GOVERNANCE

For the six months ended 30 June 2010, the Company complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Securities Trading by Directors

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

Audit Committee

The Audit Committee of the Company and the management have reviewed the unaudited interim report of the Group for the six months ended 30 June 2010 and have discussed the internal control, accounting principles and practices adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company or any of its subsidiaries has not redeemed any of its shares during the six months ended 30 June 2010. During the same period, save as disclosed in the paragraph headed "Placing and Subscription" above, neither the Company nor any of its subsidiaries has purchased or sold any of the shares of the Company.

By order of the Board

Ni Zheng

Chairman

Hong Kong, 18 August 2010

INTERIM FINANCIAL REPORT

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2010 (unaudited)

(Expressed in Renminbi)

		Six months ended 30 June	
		2010	2009
		RMB'000	RMB'000
	Note		
Turnover	4	380,628	252,976
Cost of sales		(333,219)	(215,071)
Gross profit		47,409	37,905
Other revenue		1,682	1,027
Other net (loss)/gain	5	(764)	852
Distribution costs		(20,289)	(13,941)
Administrative expenses		(15,476)	(15,753)
Other operating expenses		(2,304)	(1,125)
Profit from operations		10,258	8,965
Finance costs	6	(1,149)	(1,843)
Share of profit or loss from associates		5,351	5,373
Profit before taxation	6	14,460	12,495
Income tax	7	(3,161)	(2,156)
Profit for the period		11,299	10,339
Attributable to:			
Equity shareholders of the Company		11,299	10,339
Profit for the period		11,299	10,339
Earnings per share (RMB)	8		
Basic		0.031	0.036
Diluted		0.030	0.036

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2010 (unaudited)

(Expressed in Renminbi)

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Profit for the period	11,299	10,339
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	1,217	260
Total comprehensive income for the period	12,516	10,599
Attributable to:		
Equity shareholders of the Company	12,516	10,599
Total comprehensive income for the period	12,516	10,599

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

CONSOLIDATED BALANCE SHEET

at 30 June 2010 (unaudited)

(Expressed in Renminbi)

	Note	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Non-current assets			
Property, plant and equipment	9	279,141	265,223
Construction in progress		906	29,141
Goodwill		24,937	24,937
Lease prepayments		68,144	68,983
Interest in associates	10	289,324	234,401
Deferred tax assets		8,813	8,810
		<u>671,265</u>	<u>631,495</u>
Current assets			
Inventories	11	104,773	82,628
Trade and other receivables	12	215,060	149,031
Cash and cash equivalents	13	734,466	314,006
		<u>1,054,299</u>	<u>545,665</u>
Current liabilities			
Trade and other payables	14	275,794	278,391
Bank loans		74,152	65,947
Current taxation		5,582	4,304
		<u>355,528</u>	<u>348,642</u>
Net current assets		<u>698,771</u>	<u>197,023</u>
Total assets less current liabilities		<u>1,370,036</u>	<u>828,518</u>

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

CONSOLIDATED BALANCE SHEET (CONTINUED)

at 30 June 2010 (unaudited)

(Expressed in Renminbi)

	Note	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Non-current liabilities			
Other payables to intermediate holding company		–	73,082
Bank loans		15,104	60,723
Deferred tax liability		152	152
		<u>15,256</u>	<u>133,957</u>
NET ASSETS		<u>1,354,780</u>	<u>694,561</u>
CAPITAL AND RESERVES			
Share capital	15	47,376	34,148
Reserves	15	<u>1,307,404</u>	<u>660,413</u>
Total equity attributable to equity shareholders of the Company		<u>1,354,780</u>	<u>694,561</u>
TOTAL EQUITY		<u>1,354,780</u>	<u>694,561</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2010 (unaudited)

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Issued capital	Share premium	Contributed surplus	Merger reserve	Capital reserve	Exchange reserve	General reserve fund	Enterprise expansion fund	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009	28,976	198,481	147,711	24,757	24,019	(5,620)	36,191	5,366	76,935	536,816
Changes in equity for the six months ended 30 June 2009:										
Dividend approved in respect of the previous year (note 15(a))	-	-	-	-	-	-	-	-	(5,079)	(5,079)
Total comprehensive income for the period	-	-	-	-	-	260	-	-	10,339	10,599
Balance at 30 June 2009 and 1 July 2009	28,976	198,481	147,711	24,757	24,019	(5,360)	36,191	5,366	82,195	542,336
Changes in equity for the six months ended 31 December 2009:										
Issue of shares (note 15(b))	5,172	134,281	-	-	(404)	-	-	-	-	139,049
Total comprehensive income for the period	-	-	-	-	-	(295)	-	-	13,471	13,176
Transfer between reserves	-	-	-	-	-	-	1,630	-	(1,630)	-
Balance at 31 December 2009	<u>34,148</u>	<u>332,762</u>	<u>147,711</u>	<u>24,757</u>	<u>23,615</u>	<u>(5,655)</u>	<u>37,821</u>	<u>5,366</u>	<u>94,036</u>	<u>694,561</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2010 (unaudited)

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Issued capital	Share premium	Contributed surplus	Merger reserve	Capital reserve	Exchange reserve	General reserve fund	Enterprise expansion fund	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2010	34,148	332,762	147,711	24,757	23,615	(5,655)	37,821	5,366	94,036	694,561
Changes in equity for the six months ended 30 June 2010:										
Dividend approved in respect of the previous year (note 15(a))	-	-	-	-	-	-	-	-	(7,131)	(7,131)
Issue of shares (note 15(b))	13,228	641,606	-	-	-	-	-	-	-	654,834
Total comprehensive income for the period	-	-	-	-	-	1,217	-	-	11,299	12,516
Balance at 30 June 2010	47,376	974,368	147,711	24,757	23,615	(4,438)	37,821	5,366	98,204	1,354,780

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2010 (unaudited)

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
Cash (used in)/generated from operations		(45,499)	52,766
Tax paid		(5,154)	(9,389)
Net cash (used in)/generated from operating activities		(50,653)	43,377
Net cash used in investing activities		(63,097)	(48,203)
Net cash generated from financing activities		534,751	6,392
Net increase in cash and cash equivalents		421,001	1,566
Cash and cash equivalents at 1 January	13	314,006	127,307
Effect of foreign exchange rate changes		(541)	(181)
Cash and cash equivalents at 30 June	13	734,466	128,692

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

NOTES TO THE INTERIM FINANCIAL REPORT (UNAUDITED)

(Expressed in Renminbi)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 18 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The condensed consolidated financial statements for the period ended 30 June 2010 comprise Overseas Chinese Town (Asia) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and the Group's interest in associates. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

The interim financial report is unaudited and not reviewed by the auditors, but has been reviewed by the Audit Committee of the Company.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2010.

2 CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 3 (revised 2008), Business combinations
- Amendments to HKAS 27, Consolidated and separate financial statements
- Consequential amendments to HKAS 28, Investments in associates and HKAS 31, Interests in joint ventures
- Amendments to HKFRS 5, Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary
- Improvements to HKFRSs (2009)

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

The developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reason:

- The impact of the majority of the revisions to HKFRS 3 and HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction and there is no requirement to restate the amounts recorded in respect of previous such transactions.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:
 - Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.
 - If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
 - Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.
 - If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.
- In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.
- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:
 - If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.
 - If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, Investments in associates, and HKAS 31, Interests in joint ventures, the following policies will be applied as from 1 January 2010:
 - If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
 - If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other change in accounting policies which is relevant to the Group's financial statements is as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

3 SEGMENT REPORTING

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

4 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.

5 OTHER NET (LOSS)/GAIN

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Net gain on disposal of property, plant and equipment	635	295
Exchange (loss)/gain	(1,428)	246
Others	29	311
	<u>764</u>	<u>852</u>

6 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
(a) Finance costs:		
Interest on bank loans	770	713
Other interest expense	379	1,130
	<u>1,149</u>	<u>1,843</u>
(b) Other items:		
Amortisation of lease prepayments	839	838
Depreciation of property, plant and equipment	18,563	13,987
Impairment losses made on trade and other receivables	1,640	1,794
Inventory write-down/(write back)	392	(695)
Provision for relocation expenses	-	1,230
	<u>-</u>	<u>1,230</u>

7 INCOME TAX

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Current tax – Provision for PRC income tax		
Provision for the period	<u>3,164</u>	<u>2,339</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(3)</u>	<u>(183)</u>
	<u>3,161</u>	<u>2,156</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the period (2009: 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 period (2009: 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 22% – 25% (2009: 20% – 25%). Certain subsidiaries are entitled to a tax concession period in which it is fully exempted from PRC income tax for 2 years starting from its first profit-making year, followed by a 50% reduction in the PRC income tax for the next 3 years (“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.

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.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB11,299,000 (six months ended 30 June 2009: RMB10,339,000) and the weighted average of 370,232,873 ordinary shares (2009: 288,040,000 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB11,299,000 (six months ended 30 June 2009: RMB10,339,000) and the weighted average number of ordinary shares (diluted) of 377,925,251 (2009: 288,040,000 shares).

9 PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 June 2010, the Group acquired items of plant and machinery with a cost of RMB32,729,000 (six months ended 30 June 2009: RMB4,484,000).

Items of property, plant and machinery with RMB248,000 net book value were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: Nil), resulting in a gain on disposal of RMB635,000 (six months ended 30 June 2009: RMB295,000).

10 INTEREST IN ASSOCIATES

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Chengdu Tianfu OCT Industry Development Co., Ltd. ("Chengdu OCT")	239,843	234,401
Xi'an OCT Investment Ltd. (Xi'an OCT)	49,481	—
	<u>289,324</u>	<u>234,401</u>

On 4 May 2010, the Group injected RMB50,000,000 in cash into Xi'an OCT. After the completion of the capital injection, the Group owns 25% of the equity interest of Xi'an OCT. The principal activities of Xi'an OCT are property investment and property development for sale or lease.

11 INVENTORIES

During the six months ended 30 June 2010, there were a write-down of inventories of RMB1,153,000 and reversal of RMB761,000 in profit or loss (six months ended 30 June 2009: Nil was written down and RMB695,000 was reversed). The reversal arose due to changes in the estimated net realisable value of certain paper cartons as a result of changes in customer preferences.

12 TRADE AND OTHER RECEIVABLES

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

	At	At
	30 June	31 December
	2010	2009
	RMB'000	RMB'000
Current	175,269	124,400
Less than 3 months past due	24,783	13,643
3 to 6 months past due	609	25
Trade debtors and bills receivable, net of impairment losses	200,661	138,068
Prepayment, deposits and other receivables	14,399	10,963
	215,060	149,031

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

13 CASH AND CASH EQUIVALENTS

	At	At
	30 June	31 December
	2010	2009
	RMB'000	RMB'000
Cash at bank and in hand	734,466	314,006

14 TRADE AND OTHER PAYABLES

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Due within 3 months or on demand	154,567	171,394
Due after 3 months but less than 1 year	73,264	43,390
Total creditors and bills payable	227,831	214,784
Other creditors and accrued charges	47,963	63,607
	275,794	278,391

15 RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June 2010 RMB'000	2009 RMB'000
Final dividend in respect of the financial year ended 31 December 2009, approved and paid during the interim period, of HK\$2.36 cents per share (equivalent RMB2.08 cents per share) (year ended 31 December 2008: HK\$2 cents per share (equivalent RMB1.76 cents per share))	7,131	5,079

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

15 RESERVES AND DIVIDENDS (CONTINUED)

(b) Issue of shares

On 20 July 2009 and 1 September 2009, 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 24 November 2009, Pacific Climax, the Company's immediate holding company, placed 57,000,000 shares to certain independent investors at the placing price of HK\$2.80 per placing share. On the same date, Pacific Climax subscribed 57,000,000 shares at the subscription price of HK\$2.80 per subscription share, which is equivalent to the placing price.

On 2 June 2010, the Company issued and allotted 91,800,000 shares to its holding Company, Pacific Climax, and 60,000,000 shares to the public at par value of HK\$0.1, at a price of HK\$5 per share.

(c) Transfer to reserve

There was no transfer to reserve for the six months period ended 30 June 2010.

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.

(d) Equity settled share-based transactions

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. No option was forfeited or expired during the period.

15 RESERVES AND DIVIDENDS (CONTINUED)

(d) Equity settled share-based transactions (continued)

On 21 April 2008, 20 July 2009 and 1 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 until February 2016 with a remaining contractual life of 5 years and 7 month at 30 June 2010.

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

16 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Contracted for	588,691	100,172
Authorised but not contracted for	471	28,596
	589,162	128,768

Capital commitments as at 31 December 2009 mainly represented the commitments in connection with the capital injection of RMB50,000,000 into Xi'an OCT and the planned capital expenditure for expansion of production facilities.

Capital commitments as at 30 June 2010 mainly represented the planned capital injection of RMB588,000,000 into Chengdu OCT.

17 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with other state-controlled entities:

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

Other than those disclosed in note 17(b), transactions with other state-controlled entities include but are not limited to the following:

- Utility supplies; and
- Financial services arrangement.

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

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

(i) Transactions with other state-controlled entities in the PRC:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Interest income	613	535
Interest expenses	198	595

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

	At 30 June 2010	At 31 December 2009
	RMB'000	RMB'000
Cash at bank	725,617	293,811
Bank loans	55,595	80,138

17 **MATERIAL RELATED PARTY TRANSACTIONS** (CONTINUED)

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

Name of party	Relationship with the Group
Overseas Chinese Town Enterprises Corporation ("OCT Group")	Ultimate holding company
Shenzhen Overseas Chinese Town Co., Ltd.	Intermediate holding company
Overseas Chinese Town (HK) Company Limited ("OCT (HK)")	Intermediate holding company
Konka Group Company Limited, its subsidiaries and associates ("Konka Group")	Fellow subsidiary

Recurring transactions

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Sales of goods to:		
Konka Group	37,424	4,413
OCT Group, its subsidiaries and associate	193	143
	37,617	4,556
Purchase of goods from:		
OCT Group, its subsidiaries and associate	426	90
Interest expense:		
OCT (HK)	379	1,130
Rental paid to:		
OCT Group, its subsidiaries and associates	1,294	2,441

17 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

(continued)

Recurring transactions *(continued)*

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Utility expenses paid to:		
OCT Group, its subsidiaries and associates	1,084	1,701

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

Balances with related parties

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

		At 30 June 2010	At 31 December 2009
	Notes	RMB'000	RMB'000
Trade receivable from fellow subsidiaries	(i)	22,217	8,728
Trade payable to fellow subsidiaries	(ii)	(24)	(195)
Other receivables from fellow subsidiaries	(iii)	354	796
Other payables to other related companies	(iii)	-	(76)
Other payables to intermediate holding company	(iv)	-	(73,082)

17 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 sales of paper cartons and paper boxes to related parties.
- (ii) The trade payable balances are unsecured, non-interest bearing and are expected to be settled within three months. These refer to payables in respect of purchases of raw materials from related parties.
- (iii) Other receivables and payables are unsecured, non-interest bearing, and repayable on demand.
- (iv) Other payables to intermediate holding company of HK\$83,000,000 is unsecured, bearing an interest at HIBOR+1%.

(c) Key management personnel compensations

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

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Short-term employee benefits	1,461	1,596
Post employment benefits	39	43
	1,500	1,639

17 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Contributions to post-employment benefit plans

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

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

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