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

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03366

ANNUAL REPORT 2010

Contents

Corporate Information

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

Corporate Information

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

Financial Highlights

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010
(Expressed in Renminbi)

	2010 **RMB'000**	2009 *RMB'000*
Turnover	**1,905,792**	622,063
Cost of sales	**(1,646,418)**	(536,237)
Gross profit	**259,374**	85,826
Other revenue	**7,212**	2,662
Other net income	**5,851**	1,454
Distribution costs	**(84,336)**	(31,625)
Administrative expenses	**(59,325)**	(42,913)
Other operating expenses	**(2,056)**	(1,392)
Profit from operations	**126,720**	14,012
Finance costs	**(26,259)**	(3,202)
Share of profit less loss of associates	**(1,040)**	20,728
Gain on remeasurement of the previously held interest in an associate	**38,890**	–
Profit before taxation	**138,311**	31,538
Income tax	**(52,428)**	(7,728)
Profit for the year	**85,883**	23,810
Attributable to:		
Equity shareholders of the company	**66,713**	23,810
Non-controlling interests	**19,170**	–
Profit for the year	**85,883**	23,810
Earnings per share (RMB)		
Basic	**0.15**	0.08
Diluted	**0.15**	0.08

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 2010, and would like to express my sincere gratitude to all shareholders and all the staff.

BUSINESS REVIEW

On 21 September 2010, the capital increase in Chengdu Tianfu OCT Industry Development Company Limited ("Chengdu OCT") to 51% equity interests by the Group was completed. During the period under review, the Group's results included the results after the completion of capital increase in Chengdu OCT.

For the year ended 31 December 2010, the Group's turnover was RMB1,906 million, representing an increase of approximately 206.4% over 2009. Profit for the year was approximately RMB85.88 million, representing an increase of approximately 260.7% over 2009. Total assets and total equity amounted to RMB6,028 million and RMB2,044 million, representing an increase of approximately 412.1% and approximately 194.1% over 2009 respectively.

Steady operation of paper packaging business

During the period under review, the economy of China maintained steady and yet fast growth in 2010. Gross domestic product increased by approximately 10.3% over last year. The domestic economy showed a sound growth momentum. Benefiting from the increase in demand for packaging business in China and the rising selling price of products, revenue of the Group's paper packaging business grew steadily. Revenue reached approximately RMB777 million, representing an increase of approximately 24.9% over last year. Net profits amounted to approximately RMB12.73 million, representing an increase of approximately 294.1% over last year. In face of the opportunities arising from economy recovery as well as the challenges brought by rising costs and market competition, the Huali companies have made tailored adjustments to cope with the local conditions and adopted a number of measures which are proved to be effective: Huizhou Huali Packaging Co., Ltd. ("Huizhou Huali"), upon commencement of full production, specializes in the development of corrugated extended products and endeavours to integrate with creative culture sector. Shanghai Huali Packaging Co., Ltd. ("Shanghai Huali") has been actively exploring the integrated packaging solution to develop the new marketing model. Zhongshan Huali Packaging Co., Ltd. ("Zhongshan Huali") has continued to accelerate the reform of production process to execute refined management in the sampling plant. Anhui Huali Packaging Co., Ltd. ("Anhui Huali") has stepped up its efforts to expand customer base to drive sales volume and revenue.

Chairman's Statement

Breakthrough in travel, property and its related businesses

During the period under review, the capital increase in Chengdu OCT and Overseas Chinese Town (Xi'an) Industry Company Limited ("Xi'an OCT") by the Group was completed. As at 31 December 2010, the equity interests of Chengdu OCT and Xi'an OCT were held as to 51% and 25% respectively by the Group. During the period under review, the Group's share of revenue and realized gain from travel, property and its related businesses were approximately RMB1,128 million and RMB54 million respectively.

Chengdu OCT owns parcels of land located at both sides of Shaxi line of Outer Sanhuan Road, Jinniu District, Chengdu, Sichuan Province, the PRC which are proposed to be developed into a metropolitan composite area comprising a theme park, residential and commercial properties, and called "Chengdu OCT Project", occupying a gross floor area of approximately 2,250,000 sq.m. The percentage interest of the Group in the parcels of land is 51%.

The theme park "Chengdu Happy Valley", which opened in January 2009, has a gross floor area of approximately 50,000 sq.m. It has accommodated approximately 2.22 million visitors throughout 2010.

The residential property project of Chengdu OCT has a gross saleable floor area of approximately 1,260,000 sq.m. and comprises 8 phases. As at 31 December 2010, Phases I and II of the residential property project were completed and a total area of approximately 354,000 sq.m. was sold; whereas Phase III, occupying a gross floor area of approximately 233,000 sq.m., was under construction. The project comprises high-level portion, multi-level portion and low-density residentials. Of which, construction of the multi-level portion and low-density residentials is expected to complete by 2012 and the high-level portion of Phase III launched has been almost sold out. Construction of Phases IV to VIII of the residential property project is yet to commence but is expected to kick off in 2012 and complete by the end of 2016. Throughout the year of 2010, sales of residential housing remained satisfactory in spite of the austerity measures promulgated in the domestic property industry. In 2010, the total area transacted was approximately 176,000 sq.m. and a revenue of approximately RMB1,457 million arising therefrom was recorded.

The commercial property project of Chengdu OCT occupies a gross floor area of approximately 550,000 sq.m. and comprises 5 phases, providing, inter alia, retail shops, cinemas, five-star hotels and offices. Phase I of the commercial property project was completed in 2009; whereas Phase II was completed at the end of 2010. At present, the occupancy rate of the commercial properties launched has exceeded 95%. Phases III to V occupy a gross floor area of approximately 437,000 sq.m. and comprise mainly shopping malls, offices and hotels. Construction is scheduled to kick off in phases and is expected to be completed by the end of 2015.

Xi'an OCT owns a parcel of land located in Qujiang New District, Xi'an City and comprises mainly residential properties. Currenty, it has a gross saleable area of approximately 85,000 sq.m. The construction of which started in May 2010. By the end of 2010, its pre-sale began and the market reaction was satisfatory.

Chairman's Statement

PROSPECTS

Looking forward to 2011, we expect that the global economy will continue to recover at a steady pace, alongside with growing demand for packaging products amid certain uncertainties in the global economic landscape. The Group will continue to strengthen the market share and competitiveness of the Group in the paper packaging industry through enhancing internal control, stepping up the development of high-value products and sales strategies as well as actively expanding customer base.

In 2011, Chengdu OCT, a non-wholly owned subsidiary of the Company, will continue to advance various business segments. For residential property projects, the low-density residentials of Phase III will be launched successively; whereas Phase II of Chengdu Happy Valley, which is under active preparation, is expected to be opened for sale in 2012. In view of rising disposable income and increasing consumption, the Group is also considering to raise the entrance fee for the tickets of the theme park, Chengdu Happy Valley. The Company is very positive about the long-term prospects of the Chengdu OCT Project, and believes that such project is able to generate promising returns to the Company. Meanwhile, Xi'an OCT will also commence construction on the parcel of land as scheduled and completion is expected to be in 2011, therefore generating investment gain to the Group.

The Company will endeavour to seek for other projects that are in line with the strategic planning of the Company while maintaining steady growth of its paper packaging business. The management believes that, leveraging on the extensive experience of the Company, brand image of "OCT" and its abundant resources, the Group can effectively strengthen its market competitiveness, which in turn can steadily increase the Company's value and bring long-term and stable returns to its Shareholders.

APPRECIATION

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

Wang Xiaowen
Chairman

Hong Kong, 1 March 2011

Management Discussion and Analysis

OPERATING RESULTS

As at 31 December 2010, the Group's total assets amounted to RMB6,028 million. Total equity amounted to RMB2,044 million, representing an increase of approximately 194.1% over that as at 31 December 2009. The Group realized sales of RMB1,906 million in 2010, representing an increase of approximately 206.4% over 2009. Profits attributable to equity holders of the Company were RMB66.71 million, representing an increase of approximately 180.2% over 2009. The basic earnings per share for the year were RMB0.15, as compared to RMB0.08 for 2009.

During the period under review, gross profit margin of the Group was approximately 13.6% (2009: approximately 13.8%), representing a decrease of 0.2% over the same period in 2009. Of which Chengdu OCT's gross profit margin was approximately 14.2%. Excluding such factor, the gross profit margin of the paper packaging business was approximately 12.7%, representing a decrease of 1.1% over the same period in 2009. The decrease was mainly attributable to the increase in the average price of raw materials compared to that in the same period in 2009, resulting in an increase in the cost of sales. Net profit margin attributable to equity holders of the Company was approximately 3.5% (2009: approximately 3.8%). Net profit margin attributable to equity holders of the Company decreased by 0.3% over 2009.

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

Distribution costs of the Group for the year ended 31 December 2010 were approximately RMB84.34 million (2009: approximately RMB31.63 million), representing an increase of approximately 166.6% over the same period in 2009. Of which, the selling expenses of Chengdu OCT amounted to RMB43.92 million. Excluding such expenses, the selling expenses of paper packaging business increased by approximately RMB8.79 million, primarily as a result of the increase in commission of sales staff and transportation expenses due to the increase in sales revenue during the period.

The Group's administrative expenses for the year ended 31 December 2010 were approximately RMB59.33 million (2009: approximately RMB42.91 million), representing an increase of approximately 38.3% over the same period in 2009. Of which, the management expenses of Chengdu OCT amounted to approximately RMB20.37 million. Excluding such expenses, the management expenses of paper packaging business decreased by approximately RMB3.95 million, mainly due to the increase in the management expenses of Huizhou Huali during its initial operating period in 2009 of approximately RMB870,000 over the current period, and the relocation expenses of Shenzhen Huali Packing & Trading Co. Ltd. ("Shenzhen Huali") of approximately RMB3.06 million in 2009.

INTEREST EXPENSES

The interest expenses of the Group were approximately RMB26.26 million for the year ended 31 December 2010, as compared to RMB3.20 million for the year ended 31 December 2009. Of which, the interest expenses of Chengdu OCT amounted to approximately RMB24.48 million. Excluding such expenses, the interest expenses of the paper packaging business decreased by approximately RMB1.42 million, mainly due to the decrease in the balance of average loan during the period.

Management Discussion and Analysis

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK$3 cents per share for the year ended 31 December 2010 (2009: HK$2.36 cents per share).

INVENTORIES, DEBTORS' AND CREDITORS' TURNOVER

For the year ended 31 December 2010, the Group's inventory turnover days were 373 days, longer as compared to 56 days for the year ended 31 December 2009. Of which Chengdu OCT's inventory turnover days were 588 days. Excluding such factor, the inventory turnover days of the paper packaging business were 66 days. The increase in inventory turnover days was mainly due to the increase in procurement in response to the rising prices of raw materials. The inventory turnover days were longer as a result. The Group's debtors' turnover days were 38 days for the year ended 31 December 2010, representing a substantial decrease as compared to 81 days for the year ended 31 December 2009. Of which Chengdu OCT's debtors' turnover days were less than 1 day. Excluding such factor, the debtors' turnover days of the paper packaging business were 92 days, which was mainly due to the grant of longer credit period to customers in order to expand sales. The Group's creditors' turnover days were 168 days for the year ended 31 December 2010, as compared to 146 days for the year ended 31 December 2009. Of which Chengdu OCT's creditors' turnover days were 198 days. Excluding such factor, the creditors' turnover days of the paper packaging business were 126 days. The shortening of payment terms was mainly due to the intention of some suppliers to avoid RMB appreciation.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total equity of the Group as at 31 December 2010 was RMB2,044 million (31 December 2009: RMB695 million). As at 31 December 2010, the Group had current assets of RMB2,953 million (31 December 2009: RMB546 million) and current liabilities of RMB2,799 million (31 December 2009: RMB349 million). The current ratio was 1.06 as at 31 December 2010 as compared to 1.56 as at 31 December 2009. Of which Chengdu OCT's current ratio was 1.07. Excluding such factor, the current ratio of the paper packaging business was 1.46. The decrease in current ratio was mainly due to the increase in investing activities during the period. The Group generally finances its operations with internally generated funds and credit facilities provided by banks.

As at 31 December 2010, the Group had outstanding bank loans of RMB72.67 million, without any fixed-rate loans (31 December 2009: outstanding bank loans of RMB127 million; of which fixed-rate loan amounted to RMB6.40 million). As at 31 December 2010, the bank loan interest rates of the Group ranged from 0.95% to 1.52% per annum (while for the year ended 31 December 2009, the bank loan interest rates of the Group ranged from 0.95% to 5.4% per annum). Some of those bank loans were secured by corporate guarantees provided by certain subsidiaries of the Company. The Group's gearing ratio (being the total borrowings including bills payable and loans divided by total assets) was approximately 27% as at 31 December 2010, which was basically the same as approximately 27% as at 31 December 2009.

As at 31 December 2010, 100% of the total amount of outstanding bank loans of the Group was in Hong Kong Dollars (31 December 2009: approximately 95% in Hong Kong Dollars and approximately 5% in Renminbi). As at 31 December 2010, approximately 98% of the total amount of cash and cash equivalents of the Group was in Renminbi (31 December 2009: 40%), approximately 2% of its cash and cash equivalents was in Hong Kong Dollars (31 December 2009: 56%) and approximately 0% of its cash and cash equivalents was in United States Dollars (31 December 2009: 4%).

Management Discussion and Analysis

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 2010. During the year ended 31 December 2010, except for certain foreign exchange forward contracts to mitigate its foreign exchange risk, the Group did not employ any material financial instrument for hedging purposes.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2010, the Group employed approximately 2,900 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 Annual Report, the Company granted a total of 19,300,000 share options under the scheme, of which 6,810,000 share options had been exercised during 2010.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2010.

Directors and Senior Management

DIRECTORS

Executive Directors

Ms. Wang Xiaowen, aged 41, has been the Chairman of the Company since 27 October 2010. Currently, Ms. Wang is the Chairman of the board of directors of Overseas Chinese Town (HK) Company Limited ("OCT (HK)"), (OCT (HK) is the beneficial owner of all the issued share capital in Pacific Climax Limited ("Pacific Climax"), the controlling shareholder of the Company) and Shenzhen OCT Investment Company Limited (which is a wholly-owned subsidiary of Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd.") (OCT Ltd. is the beneficial owner of all the issued share capital in OCT (HK)). Ms. Wang is also a director of Konka Group Co., Ltd. ("Konka Group"), the supervisor and the vice chairman of the Supervisory Board of China International Travel Service Corporation Limited ("CITS") and the vice president of OCT Ltd. Both Konka Group and OCT Ltd. are listed on the Shenzhen Stock Exchange, while CITS is listed on the Shanghai Stock Exchange. Ms. Wang joined Overseas Chinese Town Enterprises Company (華僑城集團公司) ("OCT Group") (the controlling shareholder of OCT Ltd.) in 1991 and had been the head of Administration Department of the President Office, the head of the Finance Department and the President Assistant of OCT Group. She had also been the supervisor of OCT Ltd. and Konka Group, the director of Chengdu OCT, a non-wholly-owned subsidiary of the Company and the director of Shenzhen Overseas Chinese Town Real Estate Company Limited ("OCT Properties") and the director and the Chairman of OCT Hotel Group Company Limited (深圳市華僑城酒店集團有限公司), both being subsidiaries of OCT Ltd. Save as aforesaid, Ms. Wang has also held and had also held other senior positions with OCT Ltd. and OCT Group (and their respective associated companies). Ms. Wang has obtained a bachelor degree in Economics from Nan Kai University (南開大學) in 1990.

Ms. Xie Mei, aged 43, 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 subsidiaries of the Company. Ms. Xie has been a deputy general manager and general manager of the strategic development department of OCT Group. Ms. Xie is currently a director of three subsidiaries of OCT Group, namely InterContinental Shenzhen ("InterContinental Shenzhen"), Xi'an OCT and Yunnan OCT Industrial Co., Ltd. (雲南華僑城實業有限公司). Ms. Xie has rich management experience in real estate and tourism. Ms. Xie is also the general manager of OCT (HK) and director of Pacific Climax, a direct controlling shareholder of the Company. Ms. Xie graduated from the Department of Electrical Engineering of Xi'an Jiaotong University and obtained a bachelor's degree in Engineering in 1989. She also obtained a master degree in Economics from the Renmin University of China in 1999. Ms. Xie was appointed as a non-executive Director in September 2005 and was re-designated as an executive Director in August 2007.

Mr. Zhou Guangneng, aged 59, has participated in the Group's management since January 2002. Currently, Mr. Zhou is a director of all the BVI and Hong Kong incorporated subsidiaries of the Company and the following PRC incorporated subsidiaries of the Company, namely Shenzhen Huali, Shanghai Huali, 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, 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. He Haibin, aged 36, is a senior accountant and senior financial manager. Mr. He is a director of all the BVI and Hong Kong incorporated subsidiaries of the Company. Mr. He graduated at Sun Yat-Sen University (中山大學) in Guangzhou in the PRC in 1996, majoring in accounting and auditing, and in 2002, he obtained a Master degree in Management from Research Institute for Fiscal Science, Ministry of Finance, China (財政部財政研究所). Mr. He had been the supervisor and deputy director of the finance department of OCT Group, being the ultimate holding company of Pacific Climax, the immediate controlling shareholder of the Company. He has also held the position of the Chief Financial Officer of OCT Seaview Hotel Limited (華僑城海景酒店有限公司) (now known as Shenzhen Seaview O•City Hotel Limited (深圳海景奧思廷酒店有限公司)), InterContinental Shenzhen and OCT (HK), all being subsidiaries of OCT Group. Mr. He is currently a director of Shenzhen OCT Hotel Group Company Limited (深圳市華僑城酒店集團有限公司), Shenzhen OCT International Hotel Management Company Limited (深圳市華僑城國際酒店管理有限公司) and Konka Group. He is also the director of the corporate management division of OCT Group.

Independent Non-Executive Directors

Ms. Wong Wai Ling, aged 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 practising as a Certified Public Accountant. Ms. Wong is also an independent non-executive director of two Hong Kong listed companies – China Ruifeng Galaxy Renewable Energy Holdings Limited and CATIC Shenzhen Holdings Limited. Ms. Wong is the Chairman of the Audit Committee and Remuneration Committee of the Company.

Mr. Xu Jian, aged 58, joined the Group in May 2009. Mr. Xu graduated from the School of Law of Renmin University of China (中國人民大學法律系), and is a practising PRC lawyer. Mr. Xu has been appointed as an arbitrator of China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) and the Fourth Session of the Shenzhen Arbitration Commission (第四屆深圳仲裁委員會). He is currently a partner of the Guangdong Rong Guan Law Office (廣東融關律師事務所) and has been appointed as council member and Dean of Lawyer School of Renmin University of China (中國人民大學校董及律師學院院長). Mr. Xu is also a part-time Researcher of Commercial Law Research Centre of the Chinese Academy of Social Sciences (中國社會科學院商法研究中心兼職研究員). Mr. Xu has gained extensive legal experience in litigation and arbitration in company laws of the PRC. Mr. Xu is the member of the Audit Committee and Remuneration Committee of the Company.

Mr. Lam Sing Kwong Simon, aged 52, joined the Group in May 2009. Mr. Lam is Professor of Management and Associate Dean at the Faculty of Business and Economics, the University of Hong Kong. Mr. Lam holds a doctorate degree from the Faculty of Economics and Commerce at the Australian National University. Mr. Lam is well known for his studies and researches in corporate strategy, organization development and operations management. He has published a number of academic papers and case analysis in the said topics. Before joining the University of Hong Kong, Mr. Lam had worked as a management consultant and as the Asia regional manager for a bank and a finance company. He has gained extensive experience in the area of corporate governance, strategy development and corporate finance. Mr. Lam is a member of the Audit Committee and Remuneration Committee of the Company.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Ning Jun, aged 43, is the vice president of the Company and is also the director of many subsidiaries of the Company. Mr. Ning joined the Group in June 2007. Mr. Ning was the deputy executive chairman of the president office of OCT Group and chief representative of Beijing Office of OCT Group. Mr. Ning graduated from University of Wales in 2006 with a master degree in business management.

Mr. Huang Zhiqiang, aged 44, is the vice president of the Company and is also the director of many subsidiaries of the Company. Mr. Huang joined the Group in 2004 and successively served as the director of the finance division of the Company and the general manager of Zhongshan Huali, a subsidiary. Mr. Huang has many years of experience in finance and enterprise management. Mr. Huang graduated from Xidan University (西安電子科技大學) in 1988 with a bachelor degree in information engineering.

Mr. Chen Gang, aged 36, is the vice president of the Company and is also the director of Anhui Huali, a subsidiary of the Company. Mr. Chen joined the Group in 2004 and served as president of the secretariat of the Company. Mr. Chen graduated from the Faculty of English of Sun Yat-Sen University in 1996 and obtained a master degree in business administration from Huazhong University of Science and Technology in 2005.

Mr. Zhang Xiaojun, aged 40, is the deputy general manager of the Company and has been with the Group since 1993. Mr. Zhang supervised the daily operation of Shenzhen Huali from 2002 to June 2007. He is currently a director of various subsidiaries of the Company. Mr. Zhang graduated from Zhuzhou Institute of Technology of Hunan (now known as Hunan University of Technology) majoring in Printing Technology where he obtained his bachelor's degree in Engineering.

Mr. Fong Fuk Wai, aged 47, 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, Mr. Fong worked with an international CPA firm and members of companies listed in Hong Kong. He had held the positions of senior accountant, manager and financial controller. He has many years of experience in auditing, accounting and finance. Mr. Fong is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants and is also an associate member of the Institute of Chartered Accountants in England and Wales.

Mr. Zhang Dafan, aged 44, is the director and general manager of Chengdu OCT and is also the general manager of commercial business division of Chengdu OCT. Mr. Zhang joined Chengdu OCT since its establishment in October 2005. Mr. Zhang was successively served as the deputy general manager of import and export department of OCT Group, director of Shenzhen Bay Hotel (深圳灣大酒店) and deputy general manager of OCT (HK). Mr. Zhang graduated from the management engineering department of Nanjing University of Aeronautics and Astronautics (南京航空學院管理工程系) and obtained a master degree of business administration from People's University of China (中國人民大學).

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 of the Company comprises seven members, including three executive Directors, one non-executive Director and three Independent non-executive Directors.

The Company has a separate Chairman and Chief Executive Officer. The two positions are assumed by different persons, in order to ensure that their independence, accountability and power are clear. Mr. Ni Zheng resigned and Ms. Xie Mei has been appointed as the Chief Executive Officer of the Company with effect from 30 March 2010. Mr. Hou Songrong resigned and Mr. Ni Zheng had been appointed as the Chairman of the Company on 31 May 2010. Mr. Ni Zheng resigned as the executive director of the Company and the Chairman of the Company with effect from 27 October 2010 and Ms. Wang Xiaowen has been appointed as the executive director of the Company and the Chairman of the Company with effect from 27 October 2010. Ms. Wang Xiaowen, the Chairman, is responsible for the operation of the Board and the formulation of the Company's strategies and policies. Ms. Xie Mei, the Chief Executive Officer, with the assistance of other members of the Board and senior management, is responsible for the management of the Group's business, the implementation of significant policies, the daily operational decisions as well as the coordination of the overall operation.

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

Corporate Governance Report

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.

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

Executive Directors

Ms. Wang Xiaowen *(Chairman of Board)*

Ms. Xie Mei *(Chief Executive Officer)*

Mr. Zhou Guangneng

Ms. Wang Xiaowen has been appointed as executive Director of the Company on 27 October 2010 and has entered into the service agreement with the Company for a term commencing from 27 October 2010 to the conclusion of the forthcoming annual general meeting of the Company.

Ms. Xie Mei and Mr. Zhou Guangneng have been 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 the service agreement with the Company for a term of three years commencing from 25 April 2008, subject to termination provisions therein.

Non-Executive Director

Mr. He Haibin

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

Independent Non-Executive Directors

Ms. Wong Wai Ling

Mr. Xu Jian

Mr. Lam Sing Kwong Simon

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

Corporate Governance Report

The biographies of all Directors are set out in the Annual Report on pages 11 to 12.

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.

CHANGE OF DIRECTORSHIP

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.

Ms. Wang Xiaowen has been appointed as executive Director of the Company on 27 October 2010, and has entered into the service agreement with the Company for a term commencing from 27 October 2010 to the conclusion of the forthcoming annual general meeting of the Company. Pursuant to the articles of association of the Company, Ms. Wang, being eligible, will offer herself for re-election at the forthcoming annual general meeting.

At the annual general meeting of the Company held on 25 April 2008, Ms. Xie Mei and Mr. Zhou Guangneng have been re-elected as executive Directors of the Company. Pursuant to the articles of association of the Company, Directors should be subject to retirement by rotation at least once every three years. Ms. Xie Mei and Mr. Zhou Guangneng, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

At the annual general meeting held on 31 May 2010, Mr. Hou Songrong and Mr. Zheng Fan retired from office as an executive Director and a non-executive Director, respectively. Mr. He Haibin was appointed as a non-executive Director and Ms. Wong Wai Ling, Mr. Xu Jian and Mr. Lam Sing Kwong Simon were re-elected as an independent non-executive Director.

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 sixteen meetings in the year ended 31 December 2010. The attendances of the meetings of the Board, the Audit Committee and the Remuneration Committee are as follows:

	Number of meetings attended		
Name of Directors	**The Board**	**Audit Committee**	**Remuneration Committee**
Wang Xiaowen	1/16 *(Note 1)*	N/A	N/A
Zheng Fan	7/16 *(Note 2)*	N/A	N/A
Hou Songrong	7/16 *(Note 3)*	N/A	N/A
Ni Zheng	13/16 *(Note 4)*	N/A	N/A
Xie Mei	16/16	N/A	N/A
Zhou Guangneng	15/16	N/A	N/A
He Haibin	6/16 *(Note 5)*	N/A	N/A
Wong Wai Ling	13/16	2/2	2/2
Xu Jian	13/16	1/2	1/2
Lam Sing Kwong Simon	13/16	2/2	2/2

Note 1: Ms. Wang Xiaowen has been appointed as an executive Director and Chairman of the Board, with effect from 27 October 2010. Thereafter, one Board meeting had been held for the year ended 31 December 2010 and Ms. Wang had attended one Board meeting.

Note 2: Mr. Zheng Fan retired from office as a non-executive Director on 31 May 2010. Prior to that date, 7 Board meetings had been held and Mr. Zheng had attended all Board meetings.

Note 3: Mr. Hou retired from office as an executive Director on 31 May 2010. Prior to that date, 7 Board meetings had been held and Mr. Hou had attended all Board meetings.

Note 4: Mr. Ni resigned from office as an executive Director of the Company on 27 October 2010. Prior to that date, 15 Board meetings had been held and Mr. Ni had attended 13 Board meetings.

Note 5: Mr. He was appointed as a non-executive Director on 31 May 2010. Thereafter, 6 Board meetings had been held and Mr. He had attended all Board meetings.

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

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

The Audit Committee held two meetings during the year ended 31 December 2010, 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.

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;

Corporate Governance Report

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 2010, 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 internal audit 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 internal audit department also regularly reviews all the businesses, the supporting teams and matters relating to work approach, procedures, expenses and internal control measures of the Company's subsidiaries. The department will also conduct ad hoc reviews and investigations when necessary. The internal audit department reports directly to the Audit Committee.

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

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 2010, the Directors have:

- selected appropriate accounting policies and applied them consistently; and

- made judgments and estimates that are prudent and reasonable.

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

Corporate Governance Report

The auditors' responsibilities are set out in the Auditor's Report on page 40.

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 RMB286,000, RMB500,000, RMB390,000, RMB104,000, RMB104,000 and RMB104,000 to Mr. Ni Zheng, Ms. Xie Mei, Mr. Zhou Guangneng, Ms. Wong Wai Ling, Mr. Xu Jian and Mr. Lam Sing Kwong Simon respectively for the year ended 31 December 2010. Mr. Zheng Fan, Mr. Hou Songrong, Ms. Wang Xiaowen and Mr. He Haibin did not receive any basic remuneration from the Group for the year ended 31 December 2010.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2010, 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.

FINANCIAL OFFICER

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

Corporate Governance Report

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

EXTERNAL AUDITORS

The Group's external auditors are KPMG. The remuneration paid to the external auditors in 2010 comprised fees for audit services of approximately RMB1.80 million and fees for tax compliance and advisory work of approximately RMB30,000. The responsibilities of the auditors to the shareholders are set out on page 40 in this annual report.

INVESTORS' RELATIONS

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

COMMUNICATION WITH SHAREHOLDERS

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

Directors' Report

The Board has pleasure in submitting the Annual Report together with the audited financial statements for the year ended 31 December 2010.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the manufacture and sale of cartons and paper products; and travel, property and its related businesses.

RESULTS AND DISTRIBUTIONS

The results of the Group for the year are set out in the consolidated income statement on page 42.

The Directors consider that dividends declared during the year or to be declared in future by the Group will be decided by the Board in its discretion. The factors that the Board will take into consideration include (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 of the Group propose distribution of a dividend of HK$3 cents per share for the year ended 31 December 2010 (2009: HK$2.36 cents per share).

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2010 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 42 to 122.

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER

The Board has resolved to recommend the payment of a final dividend of HK$3 cents per share for shareholders whose names appear on the Register of Members of the Company on 1 April 2011. The Register of Members will be closed from 1 April 2011 to 6 April 2011, both days inclusive, and the proposed final dividend is expected to be paid on 23 June 2011. The payment of dividends shall be subject to the approval of the shareholders at the annual general meeting of the Company to be held on 6 April 2011. 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 31 March 2011.

Directors' Report

TRANSFERS TO RESERVES

Profits attributable to shareholders before dividends of RMB66.71 million (2009: RMB23.81 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 RMB60.53 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 note 13 to the financial statements.

SHARE CAPITAL

For the year ended 31 December 2010, an additional 6,810,000 Shares were issued as a result of the exercise of certain share options granted under the Share Option Scheme of the Company.

In June 2010, the Company issued 151,800,000 Shares at the placing price of HK$5.0 per share. The net proceeds amounted to approximately HK$747,000,000 and were used as payment of consideration of capital increase in Chengdu OCT and general working capital of the Company.

As a result of the above, the Company's total issued share capital increased to 505,360,000 Shares as of 31 December 2010, representing an increase of 158,610,000 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 2010 amounted to RMB1,371 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.

PLACING AND SUBSCRIPTION

On 9 April 2010, the Board announced that, on 1 April 2010, the Group entered into a placing agreement with the placing agent for the placing of 60,000,000 Shares at the placing price of HK$5.0 per share on a fully underwritten basis; and the Group entered into a subscription agreement with Pacific Climax Limited, pursuant to which Pacific Climax Limited agreed to subscribe for 91,800,000 Shares at the subscription price of HK$5.0 per Share. The Subscription and the Placing were completed on 2 June 2010.

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 505,360,000 Shares as at 31 December 2010.

ACQUISITION AND DISPOSAL

On 7 December 2009, Bantix International Limited ("Bantix"), a wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with 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 23 December 2009. The capital increase agreement was approved by the independent Shareholders at an extraordinary shareholders' meeting held on 12 January 2010 by the Company.

On 9 April 2010, the Board announced that, on 1 April 2010, Bantix, a wholly-owned subsidiary of the Company, entered into a capital increase agreement with OCT Properties and OCT Ltd. 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 would solely contribute, in cash, RMB588 million (approximately HK$672 million) into Chengdu OCT and in return, Bantix's interest in Chengdu OCT would 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) would be booked as capital reserve of Chengdu OCT. The said capital increase was approved by the independent shareholders at the extraordinary general meeting of the Company held on 31 May 2010. The capital increase agreement was completed on 21 September 2010.

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' Report

DIRECTORS

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

Executive Directors:

Ms. Wang Xiaowen *(Chairman)*
Ms. Xie Mei *(Chief Executive Officer)*
Mr. Zhou Guangneng
Mr. Hou Songrong (retired on 31 May 2010)
Mr. Ni Zheng (resigned on 27 October 2010)

Non-Executive Director:

Mr. He Haibin
Mr. Zheng Fan (retired on 31 May 2010)

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 2010 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 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 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
Zhou Guangneng	510,000	Beneficial owner	Personal	0.10%

Long positions in underlying shares of the Company

Name of Directors	Number of ordinary shares held	Capacity	Nature of interest	Approximate % of issued share capital of the Company
Zhou Guangneng *(Note)*	1,190,000	Beneficial owner	Personal	0.24%

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

Save as disclosed above, as at 31 December 2010, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Report

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

As at 31 December 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 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	288,420,000	57.07%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)") *(Note 2)*	Interest of a controlled corporation	288,420,000	57.07%
Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd.") *(Note 3)*	Interest of a controlled corporation	288,420,000	57.07%
Overseas Chinese Town Enterprises Company ("OCT Group") *(Note 4)*	Interest of a controlled corporation	288,420,000	57.07%
Others			
UBS AG	Interest of a controlled corporation *(Note 5)*	35,592,000	7.04%

Notes:

(1) Mr. Zhou Guangneng (Director) is also director of Pacific Climax.

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

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

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

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

Directors' Report

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	5%	
Five largest customers in aggregate	13%	
The largest supplier		22%
Five largest suppliers in aggregate		40%

Other than OCT Group, the ultimate controlling company of the Company, which owns a 19% stake in Konka Group Co., Ltd., the largest customer of the Group in 2010, 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.

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.

Directors' Report

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

4. The Group, in particular Shenzhen Huali, sells cartons to OCT Group and a number of its associated companies (being such companies in the share 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 a holding company of OCT Ltd., holding approximately 56.36% interests in OCT Ltd. as at the date of this Annual Report. OCT Ltd. owns 100% equity interests in OCT (HK), which owns 100% equity interests in Pacific Climax, a controlling shareholder of the Company, and hence each of OCT Group and its associates is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the above sale and purchase agreement constitutes a continuing connected transaction under the Listing Rules.

5. On 23 December 2009, Shenzhen Huali and OCT Properties entered into a tenancy agreement for a term of 1 year, commencing from 1 January 2010 to 31 December 2010.

   OCT Properties is a wholly-owned subsidiary of OCT Ltd. and also owns 24.8% interests in Chengdu OCT, a non-wholly-owned subsidiary of the Company, and hence a connected person of the Company within the meaning of the Listing Rules. Accordingly, the tenancy agreement constitutes a continuing connected transaction.

Directors' Report

6. Chengdu OCT and OCT Property Management Chengdu Branch entered into a number of property management service contracts. The aggregate annual caps for the four months ended 31 December 2010 and the year ending 31 December 2011 will be approximately RMB4,062,000 and approximately RMB1,480,000.

   OCT Property Management is an indirect wholly-owned subsidiary of OCT Ltd. (which indirectly wholly-owned 100% interest in Pacific Climax, a controlling shareholder of the Company), and hence a connected person of the Company within the meaning of the Listing Rules. Accordingly, the above management service agreement constitutes a continuing connected transaction.

7. Chengdu OCT Happy Valley Branch and OCT International Media entered into two service contracts. The aggregate annual caps under the continuing connected transactions in respect of the cooperation contract and theme show contract for the four months ended 31 December 2010 and for the year ending December 2011 will be approximately RMB4,224,000 and 1,492,000 respectively.

   OCT International Media is beneficially owned as to 70% by OCT Ltd. and as to 10% each by Chengdu OCT, 上海華僑城投資發展有限公司 (Shanghai OCT Investment and Development Company Limited) and 深圳世界之窗有限公司 (Shenzhen Window of the World Company Limited) respectively, and hence a connected person of the Company. Accordingly, the above service agreement constitutes a continuing connected transaction.

8. Chengdu OCT and Shenzhen Overseas Chinese Town International Hotel Management Company Limited ("OCT International Hotel Management") entered into a consultancy service agreement, pursuant to which OCT International Hotel Management will provide consultancy services to Chengdu OCT for the building and renovation of a five-star hotel to be constructed at the consideration of RMB1,000,000.

   OCT International Hotel Management is indirectly wholly-owned by OCT Ltd., and hence a connected person of the Company. Accordingly, the above consultancy service agreement constitutes a continuing connected transaction.

9. Chengdu OCT and Shenzhen Overseas Chinese Town City Inn Company Limited ("OCT City Inn") entered into a tenancy agreement. The aggregate annual cap under such continuing connected transaction for the four months ended 31 December 2010 will be approximately RMB205,000.

   OCT City Inn is indirectly wholly-owned by OCT Ltd., and hence a connected person of the Company. Accordingly, the above tenancy agreement constitutes a continuing connected transaction.

Directors' Report

Details of items (1) to (4) of the Connected Transactions are set out in the announcement of the Company dated 28 December 2007, and details of item (5) of the Connected Transactions are set out in the announcements of the Company dated 13 July 2007 and 24 December 2009. Details of items (6) to (9) of the Connected Transaction are set out in the announcement of the Company dated 21 September 2010. The transaction amount and cap amount of the Connected Transactions for the year ended 31 December 2010 are as follows:

	Particulars of the continuing connected transactions	**Transaction amount for the year ended 31 December 2010** *RMB'000*	**Cap amount for the year ended 31 December 2010** *RMB'000*
(1)	Tenancy agreement between OCT Properties (as lessor) and Shenzhen Huali (as lessee)	557	1,716
(2)	Purchase of booklets by Shenzhen Huali from Panyu Huali	575	3,000
(3)	Electricity supply arrangement between OCT Electricity and Shenzhen Huali	1,903	5,500
(4)	Sales of cartons by the Group to OCT Group and its associated companies	270	3,140
(5)	The lease back of properties between OCT Properties (as lessor) and Shenzhen Huali (as lessee)	1,020	2,428
(6)	Property management service contracts between Chengdu OCT and OCT Property Management Chengdu Branch *(Note)*	2,627	4,062
(7)	Service contracts between Chengdu OCT Happy Valley Branch and OCT International Media *(Note)*	1,000	4,224
(8)	Consultancy service agreement between Chengdu OCT and Shenzhen OCT International Hotel Management Company Limited *(Note)*	1,000	1,000
(9)	Tenancy agreement between Chengdu OCT and Shenzhen Overseas Chinese Town City Inn Company Limited *(Note)*	–	205

Note: From 21 September 2010, being the date of completion of the capital increase in Chengdu OCT by the Group, onwards.

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

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

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

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

Directors' Report

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

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

(1) have received the approval of the Board;

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

- the Connected Transactions had not been entered into in accordance with the relevant agreements governing the transactions;

- the Connected Transactions had not been entered into in accordance with the pricing policies of the Group if the transactions involve provision of goods by the Group; and

- the transaction amount occurred in 2010 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 1 April 2010, Bantix (a wholly-owned subsidiary of the Company) entered into a capital increase agreement with OCT Properties and OCT Ltd. 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. As the applicable percentage ratios for the Capital Injection under the Listing Rules are more than 100%, the said capital injection constitutes a very substantial acquisition for the Company under the Listing Rules. OCT Ltd. holds 100% equity interests in OCT (HK). OCT (HK) holds 100% equity interests in Pacific Climax, which is the controlling shareholder of the Company. OCT Properties is a wholly-owned subsidiary of OCT Ltd.. Hence, OCT Properties and OCT Ltd. are connected persons of the Company under the Listing Rules. Accordingly, the transaction contemplated under the said capital increase agreement constitutes a connected transaction of the Company. Details of the transaction are set out in the paragraph headed "ACQUISITION AND DISPOSAL" under the section headed "Management Discussion and Analysis" and are disclosed in the announcements of the Company dated 9 April 2010 and 21 September 2010 and the circular of the Company dated 13 May 2010. The transaction has complied with the requirements under Chapter 14A of the Listing Rules.

The Group entered into (and announced) the following continuing connected transactions in December 2010 and has complied with the requirements under Chapter 14A of the Listing Rules.

Directors' Report

1. On 31 December 2010, the Group entered into the New Sale and Purchase Agreement with Panyu Huali for a term of three years commencing from 1 January 2011 and ending on 31 December 2013. Pursuant to the New Sale and Purchase Agreement, the Group agreed to purchase printed instruction manuals, brochures or similar publications from Panyu Huali. Accordingly, the arrangements under the above New Sale and Purchase Agreement constitute continuing connected transactions under the Listing Rules.

   Panyu Huali is an indirect wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. Accordingly, the arrangements under the above New Sale and Purchase Agreement constitute continuing connected transactions under the Listing Rules.

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

   OCT Group is a holding company of OCT Ltd., holding approximately 56.36% interests in OCT Ltd. as at the date of this Annual Report. OCT Ltd. owns 100% equity interests in OCT (HK), which owns 100% equity interests in Pacific Climax, a controlling shareholder of the Company, and hence each of OCT Group and its associates is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the arrangements under the above New Cartons Sale and Purchase Agreement constitute continuing connected transactions under the Listing Rules.

3. On 31 December 2010, Chengdu OCT Happy Valley Branch entered into the New Cooperation Agreement with OCT City Inn Chengdu Branch for a term of three years commencing from 1 January 2011 and ending on 31 December 2013. Pursuant to the New Cooperation Agreement, Chengdu OCT Happy Valley Branch agrees to sell tickets of the Theme Park to OCT City Inn Chengdu Branch at a fixed discounted price per ticket. OCT City Inn Chengdu Branch shall settle the ticket sales on a monthly basis by cash for the actual transaction amount.

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

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

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

Directors' Report

5. On 31 December 2010, Chengdu OCT Happy Valley Branch entered into the New Theme Show Framework Agreement with OCT International Media for a term of three years commencing from 1 January 2011 and ending on 31 December 2013.

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

6. On 31 December 2010, Chengdu OCT entered into the New Design Contract with OCT Tourism for a term of two years from 1 January 2011 and ending on 31 December 2012. Pursuant to the New Design Contract, OCT Tourism will provide design and general planning services to Chengdu OCT for phase II of the Theme Park. The charge for the services will be determined by the parties by way of negotiation with reference to the prevailing market prices at the time of provision of such services and shall be comparable to that could be obtained by Chengdu OCT from independent third parties of similar scale.

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

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

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

8. On 31 December 2010, Chengdu OCT entered into the New Chengdu Tenancy II with OCT Hake for a term of three years commencing from 1 January 2011 and ending on 31 December 2013. Pursuant to the New Chengdu Tenancy II, Chengdu OCT agrees to lease to OCT Hake certain premises located at Jinniu District, Chengdu, Sichuan Province, the PRC for the operation of an entertainment centre for children.

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

Directors' Report

9. On 31 December 2010, Chengdu OCT and OCT Property Management Chengdu Branch agreed to terminate the Existing Property Management Contracts and entered into the New Property Management Framework Agreement for a term of three years commencing from 1 January 2011 and ending on 31 December 2013. Pursuant to the New Property Management Framework Agreement, OCT Property Management Chengdu Branch will provide property management services to the whole project of Chengdu OCT in Chengdu. The management fees payable under New Property Management Framework Agreement will be calculated based on the actual areas that are managed, and the manpower that have been employed by OCT Property Management Chengdu Branch and the parties shall enter into separate management contract for the precise property that would be managed by OCT Property Management Chengdu Branch which shall specify the payment arrangement for the management fees.

   OCT Property Management is a wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Company within the meaning of the Listing Rules. OCT Property Management Chengdu Branch is the branch company of OCT Property Management. Accordingly, the arrangements of the above New Property Management Framework Agreement constitute continuing connected transactions under the Listing Rules.

10. On 31 December 2010, Chengdu OCT entered into the New Electricity Consultation Services Agreement with OCT Electricity for a term of three years commencing from 1 January 2011 and ending on 31 December 2013. Pursuant to the New Electricity Consultation Services Agreement, OCT Electricity will provide consultation services in relation to electricity facilities in the development projects in Chengdu to Chengdu OCT.

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

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

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

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

    OCT Group is a holding company of OCT Ltd., holding approximately 56.36% interests in OCT Ltd. as at the date of this Annual Report. OCT Ltd. owns 100% equity interests in OCT (HK), which owns 100% equity interests in Pacific Climax, a controlling shareholder of the Company, and hence each of OCT Group and its associates is a connected person of the Company within the meaning of the Listing Rules. Accordingly, the arrangements under the above New Tenancy Agreement II constitute continuing connected transactions under the Listing Rules.

Directors' Report

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

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

The related party transactions are set out in note 31 to the financial statements of the Company. Apart from the connected transactions and continuing connected transactions disclosed above, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2010 are set out in note 24 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 123 to 124 of this Annual Report.

RETIREMENT SCHEMES

The Group participates in two defined contribution retirement schemes which cover the Group's full-time employees. Particulars of these retirement schemes are set out in note 25 to the financial statements.

CONFIRMATION OF INDEPENDENCE

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

AUDITOR

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

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

PUBLIC FLOAT

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

Directors' Report

SHARE OPTION SCHEME

The Company has a share option scheme ("Existing 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 Existing 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 existing 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 Existing 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 Existing Share Option Scheme does not exceed 10% of the shares in issue at the date of approval of the Existing 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 Existing 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 Existing 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 0.14% 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 4,430,000 Shares, representing approximately 0.88% 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 Existing Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the total number of shares of the Company then in issue.

An option may be exercised in accordance with the terms of the Existing 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.

Directors' Report

The status of the share options granted up to 31 December 2010 is as follows:

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 31 December 2010	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$*
	Number of unlisted share options (physically settled equity derivatives)									
Directors										
Zhou Guangneng	1,190,000	–	–	–	1,190,000	7 February 2006	7 February 2006 to 6 February 2016	1.41	1.41	–
	1,190,000	–	–	–	1,190,000					
Other employees	10,050,000	–	6,810,000	–	3,240,000	7 February 2006	7 February 2006 to 6 February 2016	1.41	1.41	4.25
Total	11,240,000	–	6,810,000	–	4,430,000					

* 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.

Note 1: The share options were exercised on 1 September and 17 September 2010.

Directors' Report

SUBSEQUENT EVENTS

Reference is made to the circular of the Company dated 24 January 2011 relating to the termination of the Existing Share Option Scheme and adoption of the New Share Option Scheme. The Company passed an ordinary resolution regarding the termination of the Existing Share Option Scheme on 15 February 2011 (the purpose of which is not to grant further share options under the Existing Share Option Scheme, provided that the provisions under the Existing Share Option Scheme shall remain in force in all other aspects to exercise any share options previously granted or implement other matters that may be required by the provisions under the Existing Share Option Scheme. The share options granted prior to such termination shall continue to be valid and exercisable under the Existing Share Option Scheme). The New Share Option Scheme has taken effect on 15 February 2011 and its terms shall comply with the requirements under Chapter 17 of the Listing Rules. The Company proposed to adopt the New Share Option Scheme for the purpose of providing incentives or rewards as appropriate to eligible persons to repay their contributions or potential contributions to the Group. The New Share Option Scheme is intended to recruit and retain quality personnel and grants additional incentives to employees (full-time and part-time), directors, consultants and advisers of the Group to drive business achievements of the Group.

Reference is made to the announcement of the Company dated 27 January 2011. As stated in the announcement of the Company dated 31 December 2010, on 31 December 2010, the Group entered into, among others, the Existing Cartons Sale and Purchase Agreement. At the time of signing of the Existing Cartons Sale and Purchase Agreement, Konka Group was directly owned by OCT Group as to approximately 19% of its then total issued share capital and was not an associate of OCT Group. As from 18 January 2011, OCT Group has gained control of majority of the board of Konka Group after the appointment of its fourth director in the board of Konka Group, hence Konka Group has become an associate of OCT Group and the transactions between Konka Group and the Group contemplated under the New Cartons Framework Agreement constitute continuing connected transactions under the Listing Rules. Having considered the potential demand of cartons by Konka Group, the Board has resolved to increase the annual caps for the supply of cartons to OCT Group and its associates including but not limited to Konka Group. The annual caps under the New Cartons Framework Agreement for each of three years ending 31 December 2013 will not exceed RMB120 million, RMB133 million and RMB143 million respectively. Each of OCT Group and its associates is a connected person of the Company within the meaning of the Listing Rules, and hence the transactions contemplated under the New Cartons Framework Agreement constitute continuing connected transactions of the Company. Given that each of the applicable percentage ratios of the transactions contemplated under the New Cartons Framework Agreement, on a stand-alone and annual basis, is more than 5% and the annual consideration is over HK$10,000,000, the New Cartons Framework Agreement and the annual caps set out thereunder are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

After the end of the reporting period, the Directors proposed a final dividend. Further details are disclosed in note 28(b).

By order of the Board
Wang Xiaowen
Chairman

Hong Kong, 1 March 2011

Independent Auditor's Report

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 42 to 122, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, 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 2010, 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 Hong Kong Companies Ordinance.

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

1 March 2011

Consolidated Income Statement

for the year ended 31 December 2010

(Expressed in Renminbi)

	Note	**2010** **RMB'000**	2009 RMB'000
Turnover	4&12	**1,905,792**	622,063
Cost of sales		**(1,646,418)**	(536,237)
Gross profit		**259,374**	85,826
Other revenue	5(a)	**7,212**	2,662
Other net income	5(b)	**5,851**	1,454
Distribution costs		**(84,336)**	(31,625)
Administrative expenses		**(59,325)**	(42,913)
Other operating expenses		**(2,056)**	(1,392)
Profit from operations		**126,720**	14,012
Finance costs	6(a)	**(26,259)**	(3,202)
Share of profit less loss of associates	17	**(1,040)**	20,728
Gain on remeasurement of the previously held interest in an associate	3	**38,890**	–
Profit before taxation	6	**138,311**	31,538
Income tax	7	**(52,428)**	(7,728)
Profit for the year		**85,883**	23,810
Attributable to:			
Equity shareholders of the company		**66,713**	23,810
Non-controlling interests		**19,170**	–
Profit for the year		**85,883**	23,810
Earnings per share (RMB)	11		
Basic		**0.15**	0.08
Diluted		**0.15**	0.08

The notes on pages 49 to 122 form part of these financial statements. Details of dividends payable to equity shareholders of the company attributable to the profit for the year are set out in note 28(b).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

(Expressed in Renminbi)

	Note	**2010** **RMB'000**	2009 RMB'000
Profit for the year		**85,883**	23,810
Other comprehensive income for the year (after tax and reclassification adjustments):			
Exchange differences on translation of:			
– financial statements of overseas subsidiaries		**2,042**	(35)
Total comprehensive income for the year		**87,925**	23,775
Attributable to:			
Equity shareholders of the company		**68,755**	23,775
Non-controlling interests		**19,170**	–
Total comprehensive income for the year		**87,925**	23,775

The notes on pages 49 to 122 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2010

(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Fixed assets	13		
– Investment properties		513,647	–
– Other property, plant and equipment		1,414,971	294,364
– Interests in leasehold land held for own use under operating lease		776,481	68,983
		2,705,099	363,347
Intangible assets	14	182	–
Goodwill	15	266,625	24,937
Interest in an associate	17	44,568	234,401
Other financial assets	18	4,320	–
Deferred tax assets	27(b)	53,439	8,810
		3,074,233	631,495
Current assets			
Inventories	19	1,681,962	82,628
Trade and other receivables	20	266,171	149,031
Cash and cash equivalents	21	1,005,358	314,006
		2,953,491	545,665
Current liabilities			
Trade and other payables	22	1,638,310	278,391
Receipts in advance	23	667,473	–
Bank loans	24	44,105	65,947
Related party loans	24	361,632	–
Current taxation	27(a)	87,869	4,304
		2,799,389	348,642
Net current assets		154,102	197,023
Total assets less current liabilities		3,228,335	828,518
Non-current liabilities			
Other payable to intermediate holding company	31(b)	–	73,082
Bank loans	24	28,562	60,723
Related party loans	24	1,100,000	–
Deferred tax liabilities	27(b)	56,267	152
		1,184,829	133,957
NET ASSETS		2,043,506	694,561

The notes on pages 49 to 122 form part of these financial statements.

Consolidated Statement of Financial Position

at 31 December 2010 *(continued)*

(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
CAPITAL AND RESERVES			
Share capital	28(c)	**47,964**	34,148
Reserves	28(d)	**1,371,032**	660,413
Total equity attributable to equity shareholders of the company	28	**1,418,996**	694,561
Non-controlling interests		**624,510**	–
TOTAL EQUITY		**2,043,506**	694,561

Approved and authorised for issue by the board of directors on 1 March 2011.

Wang Xiaowen)
) *Directors*
Xie Mei)

The notes on pages 49 to 122 form part of these financial statements.

Statements of Financial Position

at 31 December 2010

(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Fixed assets	13	**18**	–
Investments in subsidiaries	16	**389,452**	389,452
		389,470	389,452
Current assets			
Other receivables	20	**1,241,000**	580,077
Cash and cash equivalents	21	**5,738**	120,264
		1,246,738	700,341
Current liabilities			
Trade and other payables	22	**215,322**	226,536
Bank loans	24	**39,567**	35,924
		254,889	262,460
Net current assets		**991,849**	437,881
Total assets less current liabilities		**1,381,319**	827,333
Non-current liabilities			
Other payable to intermediate holding company	31(b)	**–**	73,082
Bank loans	24	**16,082**	33,811
NET ASSETS		**1,365,237**	720,440
CAPITAL AND RESERVES			
Share capital	28(c)	**47,964**	34,148
Reserves	28(d)	**1,317,273**	686,292
TOTAL EQUITY		**1,365,237**	720,440

Approved and authorised for issue by the board of directors on 1 March 2011.

Wang Xiaowen)
) *Directors*
Xie Mei)

The notes on pages 49 to 122 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

(Expressed in Renminbi)

		Attributable to equity shareholders of the company											
	Note	Issued capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Merger reserve RMB'000	Capital reserve RMB'000	Exchange reserve RMB'000	General reserve fund RMB'000	Enterprise expansion fund RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		(note 28(c))	(note 28(d)(i))	(note 28(d)(i))	(note 28(d)(ii))	(note 28(d)(iii))		(note 28(d)(iv))	(note 28(d)(v))				
At 1 January 2009		28,976	198,481	147,711	24,757	24,019	(5,620)	36,191	5,366	76,935	536,816	–	536,816
Issuance of shares	28(c)	5,172	134,281	–	–	(404)	–	–	–	–	139,049	–	139,049
Transfer between reserves		–	–	–	–	–	–	1,630	–	(1,630)	–	–	–
Dividend approved in respect of previous year	28(b)	–	–	–	–	–	–	–	–	(5,079)	(5,079)	–	(5,079)
Total comprehensive income for the year		–	–	–	–	–	(35)	–	–	23,810	23,775	–	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	–	694,561
At 1 January 2010		**34,148**	**332,762**	**147,711**	**24,757**	**23,615**	**(5,655)**	**37,821**	**5,366**	**94,036**	**694,561**	**-**	**694,561**
Issuance of shares	28(c)	**13,816**	**650,677**	**-**	**-**	**(1,608)**	**-**	**-**	**-**	**-**	**662,885**	**-**	**662,885**
Acquisition of a subsidiary		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**605,340**	**605,340**
Transfer between reserves		**-**	**-**	**-**	**-**	**-**	**-**	**10,497**	**-**	**(10,497)**	**-**	**-**	**-**
Dividend approved in respect of previous year	28(b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(7,205)**	**(7,205)**	**-**	**(7,205)**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**2,042**	**-**	**-**	**66,713**	**68,755**	**19,170**	**87,925**
At 31 December 2010		**47,964**	**983,439**	**147,711**	**24,757**	**22,007**	**(3,613)**	**48,318**	**5,366**	**143,047**	**1,418,996**	**624,510**	**2,043,506**

The notes on pages 49 to 122 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2010

(Expressed in Renminbi)

	Note	2010 RMB'000	2009 RMB'000
Operating activities			
Cash generated from operations	21	**489,177**	142,159
Tax paid:			
– PRC tax paid		**(45,647)**	(11,601)
– Interest paid		**(25,783)**	(3,321)
Net cash generated from operating activities		**417,747**	127,237
Investing activities			
Payment for purchase of property, plant and equipment		**(18,926)**	(8,204)
Investment in an associate		**(50,000)**	–
Cash acquired from acquisition of a subsidiary		**133,764**	–
Proceeds from disposal of property, plant and equipment		**12,753**	270
Payment for construction in progress		**(64,389)**	(95,063)
Interest received		**5,123**	1,450
Net cash generated from/(used in) investing activities		**18,325**	(101,547)
Financing activities			
Net proceeds from issuance of shares		**662,885**	139,049
Proceeds from new borrowings		**63,378**	89,371
Dividends paid to the equity shareholders of the company		**(7,205)**	(5,079)
Repayment of borrowings		**(465,820)**	(62,258)
Net cash generated from financing activities		**253,238**	161,083
Net increase in cash and cash equivalents		**689,310**	186,773
Cash and cash equivalents at 1 January		**314,006**	127,307
Effect of foreign exchange rate changes		**2,042**	(74)
Cash and cash equivalents at 31 December	21	**1,005,358**	314,006

The notes on pages 49 to 122 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 and the company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the company and its subsidiaries (collectively referred to as the "group") and the group's interest in an associate.

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

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 34.

(c) Subsidiaries and non-controlling interests

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

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

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

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

Changes in the group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)).

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

(d) Associates

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

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

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

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

When the group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(f) Other investment in equity securities

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

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

(g) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investment property *(continued)*

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

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

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

(h) Other property, plant and equipment

Property, plant and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment losses (see note 1(k)). 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.

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.

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

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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(k)). 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.

(i) Intangible assets (other the goodwill)

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

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

– Software	5 years
– Copyright	2 years

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Leased assets *(continued)*

(i) Classification of assets leased to the group

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

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

(ii) Operating lease charges

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

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

(k) 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(k)(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 the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets *(continued)*

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

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

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

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

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

- For investments in 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(k)(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(k)(ii).

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

- 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets *(continued)*

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

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– investment properties;

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

– intangible assets;

– construction in progress;

– 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– 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.

– 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.

(l) Inventories

(i) Manufacturing

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Inventories *(continued)*

(i) Manufacturing (continued)

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.

(ii) Property development

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

– Property under development for sale

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

– Completed property held for resale

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

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

(m) 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(k)), 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(k)).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) 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.

(o) 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.

(p) 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.

(q) Employee benefits

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

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

(ii) Share based payments

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Employee benefits *(continued)*

(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.

(r) Income tax

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

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

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

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Income tax *(continued)*

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

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

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

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

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

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

  – the same taxable entity; or

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

(s) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Provisions and contingent liabilities *(continued)*

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.

(t) Revenue recognition

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

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

(i) Sales of goods

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

(ii) Sale of properties

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

(iii) Sale of tickets

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

(iv) Rental income from operating leases

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Revenue recognition *(continued)*

(v) Interest income

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

(vi) Government grants

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

(u) Translation of foreign currencies

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

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

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

(v) Borrowing costs

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) 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.

(x) Segment reporting

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and two new Interpretations 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
- Improvements to HKFRSs (2009)
- HK (Int) 5, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause

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

The issuance of HK (Int) 5 have had no material impact on the group's financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the group. The other 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 reasons:

- 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 (for example, a business combination) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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 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.

  – 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. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were 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.

  – 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies are 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 end of the reporting period 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.

  In accordance with the transitional provisions in HKAS 27, these new accounting policies are 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 are 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 reacquired 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 CHANGES IN ACCOUNTING POLICIES *(continued)*

Other changes in accounting policies which are relevant to the group's financial statements are 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 are 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 ACQUISITION OF A SUBSIDIARY

On 9 April 2010, Bantix International Limited ("Bantix"), a wholly owned subsidiary of the company, entered into the Chengdu Tianfu OCT Industry Development Company Limited ("Chengdu OCT") Capital Increase Agreement with Overseas Chinese Town Real Estate Company Limited ("OCT Properties") and Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd.") to increase Bantix's interest in Chengdu OCT from 25% to 51% for a total consideration of RMB588,000,000. This acquisition was completed on 21 September 2010.

Consideration transferred	*RMB'000*
Cash	588,000

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3 ACQUISITION OF A SUBSIDIARY *(continued)*

Identifiable assets acquired and liabilities assumed

The acquisition has the following effect on the group's assets and liabilities:

	Pre-acquisition carrying amounts	**Fair value adjustments**	**Recognised values on acquisition**
	RMB'000	*RMB'000*	*RMB'000*
Fixed assets	2,346,481	–	2,346,481
Other financial assets	4,320	–	4,320
Intangible assets	203	–	203
Inventories	1,963,407	314,156	2,277,563
Trade receivables and other receivables	91,642	–	91,642
Cash and cash equivalents	721,764	–	721,764
Trade payables and other payables	(1,303,031)	–	(1,303,031)
Current taxation	(44,636)	–	(44,636)
Deferred tax liabilities	–	(106,813)	(106,813)
Receipts in advance	(1,084,348)	–	(1,084,348)
Loans and borrowings	(1,736,988)	–	(1,736,988)
Deferred tax assets	63,179	–	63,179
Net identifiable assets and liabilities of Chengdu OCT	1,021,993	207,343	1,229,336

Goodwill

Total consideration transferred	588,000
Fair value of previously held 25% interest in Chengdu OCT	277,683
Net identifiable assets and liabilities attributable to the group	(623,995)
Goodwill on the acquisition *(note 15)*	241,688

Pre-acquisition carrying amounts were determined based on applicable HKFRS immediately before the acquisition. The value of assets and liabilities recognised on acquisition are their fair values measured as follows: for the identifiable assets with an active market, the fair value was measured according to its market price; for the identifiable assets without an active market, the fair value was measured based on the market price of the same or similar kind of assets; if no active market exists for the same or similar assets, the fair value was measured by appraisal technique.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3 ACQUISITION OF A SUBSIDIARY *(continued)*

Identifiable assets acquired and liabilities assumed *(continued)*

Goodwill is generated as a result of difference between the fair value of the net assets acquired and consideration.

As a result of remeasuring fair value of the 25% equity interest in Chengdu OCT held by the group before the acquisition, a gain of RMB38,890,000 was recognised in the consolidated income statement.

Included in turnover and profit of the group for the year is approximately turnover of RMB1,128,377,000 and gain of RMB19,952,000 attributable to the additional business generated by Chengdu OCT since it was acquired by the group in September 2010.

Had this business combination been effected at the beginning of the year, the turnover of the group would have been increased by RMB526,526,000, and the profit for the year would have been increased by RMB4,568,000.

4 TURNOVER

The principal activities of the group are manufacturing and sale of paper carton and products, development and management of properties, and the development and operation of tourism theme park.

Turnover represents the sales value of goods supplied to customers (net of value-added tax) and travel, property and its related business, including the sales of properties, rental income from investment properties, ticket sales from theme park and others as follows:

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Sales of paper cartons and products	**777,415**	622,063
Travel, property and its related business	**1,128,377**	–
	1,905,792	622,063

The group's customer base is diversified and there was no customer with whom transactions exceeded 10% of the group's revenues in 2010.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE AND NET INCOME

(a) Other revenue

	2010 RMB'000	2009 RMB'000
Interest income	5,123	1,371
Sale of materials	355	472
Government grants	1,734	819
	7,212	2,662

(b) Other net income

	2010 RMB'000	2009 RMB'000
Net (loss)/gain on disposal of property, plant and equipment	(804)	266
Exchange gain	6,670	670
Others	(15)	518
	5,851	1,454

6 PROFIT BEFORE TAXATION

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

	2010 RMB'000	2009 RMB'000
(a) Finance costs:		
Interest on bank loans	2,333	1,493
Interest on related party loans	26,801	1,709
Total interest expense on financial liabilities not at fair value through profit or loss	29,134	3,202
Less: interest expense capitalised into properties under development*	(2,875)	–
	26,259	3,202

* The borrowing costs have been capitalised at a rate of 2.88%-4.86% per annum (2009: nil).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION *(continued)*

(b) Staff costs:

	2010 RMB'000	2009 RMB'000
Contributions to defined contribution retirement schemes	**5,107**	4,206
Salaries, wages and other benefits	**78,789**	65,336
	83,896	69,542

(c) Other items:

	2010 RMB'000	2009 RMB'000
Amortisation of intangible assets#	**21**	–
Depreciation#		
– investment property	**4,837**	–
– pre-paid interest in leasehold land classified as being under an operating leases	**6,660**	1,688
– other assets	**58,228**	31,597
Impairment losses#		
– trade and other receivables	**424**	1,491
Operating lease charges in respect of properties#	**12,272**	12,141
Net exchange gain	**(6,670)**	(670)
Auditors' remuneration		
– audit services	**1,800**	1,419
– other services	**30**	–
Rentals receivable from investment properties less direct outgoings of RMB4,930,000	**1,778**	–
Cost of inventories#	**1,415,712**	536,077

Cost of inventories included RMB137,269,000 (2009: RMB76,787,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in notes 6(b) and 6(c) for each of these types of expenses.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2010	2009
	RMB'000	*RMB'000*
Current tax		
– PRC Corporate Income Tax	**50,393**	7,990
– PRC Land Appreciation Tax	**34,183**	–
	84,576	7,990
Deferred tax		
Origination and reversal of temporary differences	**(32,148)**	(262)
	(32,148)	(262)
	52,428	7,728

(i) PRC Corporate Income Tax

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 (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 year (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 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)

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

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

(i) PRC Corporate Income Tax (continued)

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

(ii) PRC Land Appreciation Tax

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

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

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation	**138,311**	31,538
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**25,973**	7,374
Tax effect of non-deductible expenses	**2,647**	578
Tax effect of non-taxable income	**(6,767)**	(3,420)
Tax effect of prior year's unrecognised tax losses utilised	**(2,062)**	–
Tax effect of unused tax losses not recognised	**2,761**	4,968
Timing difference not included in deferred tax assets	**276**	–
LAT	**39,164**	–
Tax effect of LAT	**(9,791)**	–
Effect of tax concessions	**(34)**	(1,772)
Effect of unrealized intra-group profits	**261**	–
Actual tax expense	**52,428**	7,728

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 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	2010 Total RMB'000
Chairman:					
– Wang Xiaowen (appointed on 27 October 2010)	–	–	–	–	–
– Ni Zheng (appointed as chairman on 31 May 2010, and resigned on 27 October 2010)	–	65	218	3	286
– Hou Songrong (retired on 31 May 2010)	–	–	–	–	–
Executive directors:					
– Xie Mei	–	359	126	15	500
– Zhou Guangneng	–	251	128	11	390
Non-executive director:					
– He Haibin (appointed on 31 May 2010)	–	–	–	–	–
Independent non-executive directors:					
– Zheng Fan (retired on 31 May 2010)	–	–	–	–	–
– Wong Wai Ling	104	–	–	–	104
– Lam Sing Kwong	104	–	–	–	104
– Xu Jian	104	–	–	–	104
	312	675	472	29	1,488

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 DIRECTORS' REMUNERATION *(continued)*

	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*
Chairman:					
– Hou Songrong	–	–	–	–	–
Executive directors:					
– Ni Zheng	–	391	208	13	612
– Zhou Guangneng	–	254	120	10	384
– Xie Mei	–	235	120	13	368
Non-executive director:					
– Zheng Fan	–	–	–	–	–
Independent non-executive directors:					
– Wong Wai Ling	106	–	–	–	106
– Chen Xiangdong (resigned on 14 May 2009)	–	–	–	–	–
– Xiao Yongping (resigned on 14 May 2009)	40	–	–	–	40
– Lam Sing Kwong (appointed on 14 May 2009)	66	–	–	–	66
– Xu Jian (appointed on 14 May 2009)	66	–	–	–	66
	278	880	448	36	1,642

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, Nil (2009: three) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other five (2009: two) individuals are as follows:

	2010	2009
	RMB'000	*RMB'000*
Salaries and other emoluments	**1,754**	858
Discretionary bonuses	**1,530**	291
Retirement schemes contributions	**104**	23
	3,388	1,172

The emoluments of the five (2009: two) individuals with the highest emoluments are within the band from HK$Nil to HK$1,000,000.

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the company includes a loss of RMB33,317,000 (2009: RMB5,834,000) 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:

	2010	2009
	RMB'000	*RMB'000*
Amount of loss attributable to equity shareholders dealt with in the company's financial statements	**(33,317)**	(5,834)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	**22,434**	52,047
Company's (loss)/profit for the year *(note 28(a))*	**(10,883)**	46,213

Details of dividends paid and payable to equity shareholders of the company are set out in note 28(b).

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 ordinary equity shareholders of the company of RMB66,713,000 (2009: RMB23,810,000) and the weighted average of 437,561,343 (2009: 294,552,219) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2010 **No. of shares**	2009 No. of shares
Issued ordinary shares at 1 January	**346,750,000**	288,040,000
Effect of capitalisation issue	**88,584,658**	5,778,082
Effect of share option exercised	**2,226,685**	734,137
Weighted average number of ordinary shares at 31 December	**437,561,343**	294,552,219

(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 RMB66,713,000 (2009: RMB23,810,000) and the weighted average number ordinary shares of 443,632,995 shares (diluted) (2009: 299,037,447) calculated as follows:

Weighted average number of ordinary shares (diluted)

	2010 **No. of shares**	2009 No. of shares
Weighted average number of ordinary shares at 31 December	**437,561,343**	294,552,219
Effect of deemed issue of shares under the company's share option scheme for nil consideration	**6,071,652**	4,485,228
Weighted average number of ordinary shares (diluted) at 31 December	**443,632,995**	299,037,447

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 SEGMENT REPORTING

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

– Travel, property and its related business: this segment engaged in the development and operation of tourism theme park, developed and sold residential properties, and development and management of properties

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

(a) Segment results, assets and liabilities

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

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

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

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

Information regarding the group's reportable segments as provided to the group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2010 and 2009 is set out below:

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 SEGMENT REPORTING *(continued)*

(a) Segment results, assets and liabilities *(continued)*

	Travel, property and its related business		Manufacture and sale of paper carton and products		Total	
	2010	2009	**2010**	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**1,128,377**	–	**777,415**	622,063	**1,905,792**	622,063
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**1,128,377**	–	**777,415**	622,063	**1,905,792**	622,063
Reportable segment net profit	**53,987**	20,577	**12,726**	3,233	**66,713**	23,810
Interest income from bank deposits	**3,159**	–	**1,964**	1,371	**5,123**	1,371
Interest expense	**24,482**	–	**1,773**	3,202	**26,259**	3,202
Depreciation and amortisation for the year	**31,014**	–	**38,732**	33,285	**69,746**	33,285
Reportable segment assets	**4,306,071**	234,401	**1,721,653**	942,759	**6,027,724**	1,177,160
Additions to non-current segment assets during the year	**54,764**	–	**59,651**	–	**114,415**	–
Reportable segment liabilities	**3,622,023**	–	**362,195**	482,599	**3,984,218**	482,599

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 SEGMENT REPORTING *(continued)*

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

	2010	2009
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**1,905,792**	622,063
Elimination of inter-segment revenue	**–**	–
Consolidated turnover	**1,905,792**	622,063
Profit		
Reportable segment profit	**66,713**	23,810
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from group's external customers	**66,713**	23,810
Consolidated net profit	**66,713**	23,810
Assets		
Reportable segment assets	**6,027,724**	1,177,160
Consolidated total assets	**6,027,724**	1,177,160
Liabilities		
Reportable segment liabilities	**3,984,218**	482,599
Consolidated total liabilities	**3,984,218**	482,599

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 FIXED ASSETS

(a) The group

	Buildings RMB'000	Plant and machinery RMB'000	Construction in process RMB'000	Motor vehicles RMB'000	Other property, plant and equipment RMB'000	Sub-total RMB'000	Investment properties RMB'000	Interest in leasehold land held for own use under operating lease RMB'000	Total fixed assets RMB'000
Cost or valuation:									
At 1 January 2009	64,869	297,416	59,386	21,571	24,572	467,814	–	75,646	543,460
Additions	3,234	4,429	89,255	2,223	1,685	100,826	–	–	100,826
Transfer from construction in progress	77,237	38,480	(119,500)	350	3,433	–	–	–	–
Disposals	–	(2,650)	–	(5,333)	(216)	(8,199)	–	–	(8,199)
At 31 December 2009	145,340	337,675	29,141	18,811	29,474	560,441	–	75,646	636,087
At 1 January 2010	145,340	337,675	29,141	18,811	29,474	560,441	–	75,646	636,087
Exchange adjustment	–	–	–	–	(2)	(2)	–	–	(2)
Arising on business combination *(note 3)*	689,851	345,172	20,944	7,905	88,036	1,151,908	480,415	714,158	2,346,481
Additions	1,128	1,558	55,329	657	1,859	60,531	–	–	60,531
Transfer from inventories	–	–	–	–	–	–	18,023	–	18,023
Transfer from construction in progress	28,282	13,343	(75,810)	649	13,490	(20,046)	20,046	–	–
Disposals	(2,719)	(25,886)	–	(626)	(3,401)	(32,632)	–	–	(32,632)
At 31 December 2010	861,882	671,862	29,604	27,396	129,456	1,720,200	518,484	789,804	3,028,488
Accumulated depreciation and impairment loss:									
At 1 January 2009	18,462	188,792	–	18,039	17,382	242,675	–	4,974	247,649
Charge for the year	6,004	21,186	–	1,666	2,741	31,597	–	1,689	33,286
Written back on disposal	–	(2,650)	–	(5,333)	(212)	(8,195)	–	–	(8,195)
At 31 December 2009	24,466	207,328	–	14,372	19,911	266,077	–	6,663	272,740
At 1 January 2010	24,466	207,328	–	14,372	19,911	266,077	–	6,663	272,740
Exchange adjustment	–	–	–	–	(1)	(1)	–	–	(1)
Charge for the year	15,736	33,526	–	2,169	6,798	58,229	4,837	6,660	69,726
Written back on disposal	–	(16,480)	–	(628)	(1,968)	(19,076)	–	–	(19,076)
At 31 December 2010	40,202	224,374	–	15,913	24,740	305,229	4,837	13,323	323,389
Net book value:									
At 31 December 2010	821,680	447,488	29,604	11,483	104,716	1,414,971	513,647	776,481	2,705,099
At 31 December 2009	120,874	130,347	29,141	4,439	9,563	294,364	–	68,983	363,347

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 FIXED ASSETS *(continued)*

(b) The company

	Other property, plant and equipment *RMB'000*
Cost:	
As at 31 December 2009 and 1 January 2010	37
Addition	19
Exchange adjustment	(1)
As at 31 December 2010	55
Accumulated depreciation:	
As at 1 January 2009	28
Charge for the year	9
As at 31 December 2009	37
As at 1 January 2010	37
Charge for the year	1
Exchange adjustment	(1)
As at 31 December 2010	37
Net book value:	
As at 31 December 2010	18
As at 31 December 2009	–

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 FIXED ASSETS *(continued)*

(c) Revaluation of investment properties

(i) Fair value of investment properties

Investment properties of the group included commercial properties and underground parking garage. Their fair value as at 31 December 2010 was RMB513,647,000.

(ii) Investment properties leased out under operating leases

All the investment properties of the group are located in Chengdu OTC of the PRC and are with medium-term.

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

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

	2010	2009
	RMB'000	*RMB'000*
In PRC		
– medium-term leases	**1,598,161**	189,857
Representing:		
Building carried at cost	**821,680**	120,874
Interest in leasehold land held for own use under operating lease	**776,481**	68,983
At 31 December	**1,598,161**	189,857

(e) According to the State-owned Land Use Right Grant Contract, leasehold land of RMB709,187,000 located in Chengdu OCT of the PRC as at 31 December 2010 is non-transferable.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 INTANGIBLE ASSETS

	2010
	RMB'000
Cost:	
Arising on business combination *(note 3)*	203
Additions	–
At 31 December	203
Accumulated amortisation:	
Charge for the year	21
At 31 December	21
Net book value:	
At 31 December	182

The amortisation charge for the year is included in 6(c) in the consolidated income statement.

15 GOODWILL

	The group
	RMB'000
Cost:	
At 1 January 2009 and 31 December 2009	24,937
Acquisition of a subsidiary	241,688
At 31 December 2010	266,625

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

15 GOODWILL *(continued)*

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:

	2010	2009
	RMB'000	*RMB'000*
Shanghai	**1,012**	1,012
Shenzhen and Huizhou	**23,925**	23,925
Chengdu	**241,688**	–
	266,625	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% (2009: 8%) 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% (2009: 6%). The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

16 INVESTMENTS IN SUBSIDIARIES

	The company	
	2010	2009
	RMB'000	*RMB'000*
Unlisted shares, at cost	**389,452**	389,452

Details of subsidiaries at 31 December 2010 are as follows. The class of shares held is ordinary.

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16 INVESTMENTS IN SUBSIDIARIES *(continued)*

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

Name of company	Place of incorporation/ establishment	Particular of registered/ issued capital	Proportion of ownership interest: 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
Chengdu Tianfu OCT Wanhui Management Co., Ltd. ("成都天府華僑城萬匯商城管理有限公司") *(note (ii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
Chengdu Tianfu OCT Park Plaza Management Co., Ltd. ("成都天府華僑城公園廣場管理有限公司") *(note (ii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
Chengdu Tianfu OCT Chuangzhan Business District Management Co., Ltd. ("成都天府華僑城創展商業區管理有限公司") *(note (ii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
Chengdu Tianfu OCT Commercial Plaza Management Co., Ltd. ("成都天府華僑城商業廣場區管理有限公司") *(note (ii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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**
Chengdu Tianfu OCT Theater Management Co., Ltd. ("成都天府華僑城大劇院管理有限公司") *(note (ii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Venue rental, management of entertainment project
Chengdu Tianfu OCT Lakeside Business Management Co., Ltd. ("成都天府華僑城湖濱商業管理有限公司") *(note (ii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
Chengdu Tianfu OCT Riverside Business Management Co., Ltd. ("成都天府華僑城純水岸商業管理有限公司") *(note (ii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
Chengdu Tianfu OCT Urban Entertainment Co., Ltd. ("成都天府華僑城都市娛樂有限公司") *(note (iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
Chengdu Tianfu OCT Hotel Management Co., Ltd. ("成都天府華僑城酒店管理有限公司") *(note (iii))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Hotel management of entertainment project
Chengdu OCT	PRC	Paid-up capital of RMB612,000,000	51%	–	51%	Tourism and real estate development

Notes:

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

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

Notes to the Financial Statements

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17 INTEREST IN AN ASSOCIATE

	The group	
	2010	2009
	RMB'000	*RMB'000*
Chengdu OCT *(note 3)*	**–**	234,401
Xi'an OCT Investment Ltd. ("Xi'an OCT")	**44,568**	–
	44,568	234,401

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
Xi'an OCT	Incorporated	PRC	RMB200,000,000	25%	–	25%	Property investment and property development for sale or lease

Summary financial information on the associate

	Assets	Liabilities	Equity	Revenues	Profit/(Loss)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2010					
Xi'an OCT					
100 per cent	**857,781**	**(679,727)**	**178,054**	**–**	**(21,927)**
Group's effective interest	**214,445**	**(169,932)**	**44,513**	**–**	**(5,432)**
2009					
Chengdu OCT					
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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

18 OTHER FINANCIAL ASSETS

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

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

	Percentage of equity attributable to the group at 31 December 2010
Shenzhen OCT International Media Co., Ltd.	10%

19 INVENTORIES

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

	The group	
	2010	2009
	RMB'000	*RMB'000*
Manufacturing		
Raw materials	**96,006**	73,035
Work-in-progress	**1,545**	2,108
Finished goods	**25,803**	7,485
	123,354	82,628
Property development and tourism		
Properties held for future development and under development for sale	**1,457,431**	–
Completed properties held for sale	**96,518**	–
Others	**4,659**	–
	1,558,608	–
	1,681,962	82,628

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

19 INVENTORIES *(continued)*

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

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

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

	The group	
	2010	2009
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**1,414,249**	536,237
Write down of inventories	**1,463**	–
Reversal of write-down of inventories	**–**	(160)
	1,415,712	536,077

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES

	The group		The company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables and bills receivable:				
Amounts due from fellow subsidiaries	**76**	22	**–**	–
Amounts due from other related companies	**55,055**	8,706	**–**	–
Amounts due from third parties	**147,345**	135,671	**–**	–
Less: allowance for doubtful debts	**(6,387)**	(6,331)	**–**	–
	196,089	138,068	**–**	–
Prepayment, deposits and other receivables:				
Amounts due from subsidiaries	**–**	–	**1,240,877**	579,209
Amounts due from fellow subsidiaries	**1,135**	796	**–**	–
Amounts due from third parties	**68,947**	10,167	**123**	868
	266,171	149,031	**1,241,000**	580,077

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 RMB10,502,000 (2009: RMB1,109,000) 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)

20 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis

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

	The group	
	2010	2009
	RMB'000	*RMB'000*
Current	**162,406**	124,400
Less than 3 months past due	**27,923**	13,643
More than 3 months but less than 12 months pass due	**5,760**	25
Amount past due	**33,683**	13,668
	196,089	138,068

Further details on the group's credit policy are set out in note 29(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(k)).

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

	The group	
	2010	2009
	RMB'000	*RMB'000*
At 1 January	**6,331**	5,023
Impairment loss recognised	**2,254**	1,429
Amount of reversal	**(2,198)**	(121)
At 31 December	**6,387**	6,331

At 31 December 2010, none (2009: Nil) of the group's trade receivables were individually determined to be impaired. Consequently, no (2009: Nil) specific allowances for doubtful debts was recognised.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES *(continued)*

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

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

21 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The group		The company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and in hand	**1,005,358**	314,006	**5,738**	120,264
Cash and cash equivalents in the statement of financial position	**1,005,358**	314,006	**5,738**	120,264
Less: pledged deposits	**–**	–	**–**	–
Cash and cash equivalents in the consolidated cash flow statement	**1,005,358**	314,006	**5,738**	120,264

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

21 CASH AND CASH EQUIVALENTS *(continued)*

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

	2010	2009
	RMB'000	*RMB'000*
Profit before taxation	**138,311**	31,538
Adjustments for:		
Depreciation and amortisation	**69,746**	33,285
Interest income	**(5,123)**	(1,371)
Loss/(gain) on disposal of property, plant and equipment	**804**	(266)
Interest expense	**26,259**	3,202
Share of profit less loss of associates	**1,040**	(20,728)
Gain on remeasurement of the previously held interest in an associate	**(38,890)**	–
Changes in working capital:	**192,147**	45,660
Decrease in inventories	**658,016**	2,225
(Increase)/Decrease in trade and other receivables	**(23,500)**	18,306
Decrease in receipts in advance	**(416,876)**	–
Increase in trade and other payables	**79,390**	75,968
Cash generated from operation	**489,177**	142,159

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

22 TRADE AND OTHER PAYABLES

	The group		The company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables and bills payable:				
Amounts due to fellow subsidiaries	**1,564**	195	**–**	–
Amounts due to third parties	**757,809**	214,589	**–**	–
	759,373	214,784	**–**	–
Other payables and accruals				
Amounts due to subsidiaries	**–**	–	**210,365**	221,439
Amounts due to other related companies	**15,916**	76	**–**	76
Amounts due to third parties	**863,021**	63,531	**4,957**	5,021
	1,638,310	278,391	**215,322**	226,536

(a) The group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 29.

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

	The group	
	2010	2009
	RMB'000	*RMB'000*
Due within 3 months or on demand	**722,419**	171,394
Due after 3 months but less than 1 year	**36,954**	43,390
	759,373	214,784

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

23 RECEIPTS IN ADVANCE

Receipts in advance mainly included amounts received from buyers in connection with pre-sale of properties amounting to RMB666,006,000 for the year ended 31 December 2010.

24 BORROWINGS

	The group		The company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans	**72,667**	126,670	**55,649**	69,735
Related party loans	**1,461,632**	–	**–**	–
	1,534,299	126,670	**55,649**	69,735

At 31 December, the borrowings were repayable as follows:

	The group		The company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year or on demand	**405,737**	65,947	**39,567**	35,924
After 1 year but within 2 years	**813,728**	41,815	**9,190**	33,811
After 2 years but within 5 years	**314,834**	18,908	**6,892**	–
	1,128,562	60,723	**16,082**	33,811
	1,534,299	126,670	**55,649**	69,735

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 BORROWINGS *(continued)*

The group's short-term borrowings comprise:

		The group		The company	
		2010	2009	**2010**	2009
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Short-term					
HK Dollars denominated	Interest rates at HIBOR+0.8% per annum with maturity on 22 Nov 2011	**361,632**	–	**–**	–
HK Dollars denominated	Interest rates at HIBOR+1% – HIBOR+1.35% per annum with maturity on 2 November 2010	**–**	13,293	**–**	–
Current portion of long-term bank loan					
HK Dollars denominated	Interest rates at HIBOR*+0.88% – HIBOR*+1.29% per annum with maturities on 27 June 2011– 15 December 2011	**44,105**	52,654	**39,567**	35,924
		405,737	65,947	**39,567**	35,924

* Hong Kong Interbank Offer Rate

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 BORROWINGS *(continued)*

The group's long-term borrowings comprise:

		The group		The company	
		2010	2009	**2010**	2009
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB denominated	Interest rates at 4.37% per annum with maturity on 31 July 2013	**300,000**	–	**–**	–
RMB denominated	Interest rates at 5.4% per annum with maturity on 28 October 2012	**–**	6,000	**–**	–
RMB denominated	Interest rates at 4.44% per annum with maturity on 30 April 2012	**800,000**	–	**–**	–
HK Dollars denominated	Interest rates at HIBOR*+1.2% – 1.29% per annum with maturities through 15 September 2013 and 15 September 2014	**72,667**	107,377	**55,649**	69,735
Less: Current portion of long-term borrowings		**(44,105)**	(52,654)	**(39,567)**	(35,924)
		1,128,562	60,723	**16,082**	33,811

* Hong Kong Interbank Offer Rate

The bank loans of the group at 31 December 2010 were guaranteed by its subsidiaries, namely Huali Holdings Company Limited, Wantex Investment Limited, Excel Founder Limited, Hanmax Investment Limited, Barwin Development Limited, Forever Galaxies Limited, Fortune Crown International Limited and Miracle Stone Development Limited. Except for the above, the group and the company did not have secured or guaranteed bank loans at 31 December 2010.

All of the group's banking facilities are subject to the fulfilment of covenants relating to certain of the group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the group were to breach the covenants, the drawn down facilities would become payable on demand. The group regularly monitors its compliance with these covenants. Further details of the group's management of liquidity risk are set out in note 29(b).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

25 EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Shenzhen, Zhongshan, Huizhou, Shanghai, Anhui and Chengdu whereby the group is required to make contributions to the Schemes at a rate ranging from 10% to 22% (2009: 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.

26 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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

The number of share options is as follows:

	2010	2009
	'000	*'000*
Outstanding at the beginning of the year	**11,240**	13,510
Exercised during the year	**(6,810)**	(1,710)
Forfeited during the year	**–**	(560)
Outstanding at the end of the year	**4,430**	11,240

The remaining 4,430,000 options granted above were outstanding and exercisable at 31 December 2010.

27 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	The group	
	2010	2009
	RMB'000	*RMB'000*
PRC Corporate Income Tax		
At 1 January	**4,304**	7,948
Arising on business combination	**40,301**	–
Charged to the statement of comprehensive income *(note 7(a))*	**50,393**	7,990
Provisional profits tax paid	**(19,819)**	(11,634)
At 31 December	**75,179**	4,304
Land Appreciation Tax		
Arising on business combination	**4,335**	–
Charged to the statement of comprehensive income *(note 7(a))*	**34,183**	–
Tax paid	**(25,828)**	–
At 31 December	**12,690**	–
Total	**87,869**	4,304

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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

(b) Deferred tax assets and liabilities recognised:

The group

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

	Accounting depreciation in excess of depreciation allowances	Provisions	Accrued expenses	Unrealised profit	Pre-operating expenses	Tax losses	Unrealised gain on pre-sale of properties	Undistributed profits of subsidiaries	Fair value adjustment of inventories	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:										
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
At 1 January 2010	3,795	3,111	1,686	174	44	–	–	(152)	–	8,658
Arising on business combination	–	–	–	–	–	75	63,104	–	(106,813)	(43,634)
Credited to profit or loss	(745)	(174)	29,038	(20)	(44)	–	(46,605)	(3,815)	54,513	32,148
At 31 December 2010	3,050	2,937	30,724	154	–	75	16,499	(3,967)	(52,300)	(2,828)

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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

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

	2010 **RMB'000**	2009 RMB'000
Net deferred tax asset recognised in the statement of financial position	**53,439**	8,810
Net deferred tax liability recognised in the statement of financial position	**(56,267)**	(152)
	(2,828)	8,658

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(r), the group has not recognised deferred tax assets in respect of cumulative tax losses of RMB9,941,000 (2009: RMB9,242,000) 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 RMB9,941,000, RMB1,858,000 will expire in five years. The remaining tax losses do not expire under current tax regulations.

28 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Note	**Share premium** *RMB'000*	**Contributed surplus** *RMB'000*	**Capital reserve** *RMB'000*	**Retained profits** *RMB'000*	**Total** *RMB'000*
At 1 January 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	*28(b)*	–	–	–	(5,079)	(5,079)
At 31 December 2009		332,762	248,970	2,787	101,773	686,292

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(a) Movements in components of equity *(continued)*

	Note	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2010		332,762	248,970	2,787	101,773	686,292
Issuance of shares		650,677	–	(1,608)	–	649,069
Loss for the year		–	–	–	(10,883)	(10,883)
Dividend approved in respect of the previous year	28(b)	–	–	–	(7,205)	(7,205)
At 31 December 2010		983,439	248,970	1,179	83,685	1,317,273

(b) Dividends

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

	2010 RMB'000	2009 RMB'000
Final dividend proposed after the end of the reporting period of HK$3.00 cents per ordinary share (equivalent RMB2.61 cents per share) (2009: HK$2.36 cents per share (equivalent RMB2.08 cents per share))	**13,190**	7,205

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

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

	2010 RMB'000	2009 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$2.36 cents per share (equivalent RMB2.08 cents per share) (2009: HK$2.00 cents per share (equivalent RMB1.76 cents per share))	**7,205**	5,079

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital

(i) Authorised and issued share capital

	2010		2009	
	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:				
At 1 January	**346,750**	**34,148**	288,040	28,976
Issuance of new shares	**151,800**	**13,228**	57,000	5,021
Shares issued under share option scheme	**6,810**	**588**	1,710	151
At 31 December	**505,360**	**47,964**	346,750	34,148

(ii) Capitalisation issue

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.

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Share capital *(continued)*

(iii) Shares issued under share option scheme

On 20 July 2009, 4 September 2009, 30 August 2010 and 17 September 2010, 1,380,000, 330,000, 5,680,000 and 1,130,000 share options of the company at par value of HK$0.1 were exercised at exercise price of HK$1.41 per share respectively. The excess of the exercise price over the par value of the shares issued has been credited to the share premium account of the company.

(d) Nature and purpose of reserves

(i) Share premium and contributed surplus

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

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

(ii) Merger reserve

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

(iii) Capital reserve

Capital reserve comprises the following:

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

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

(iv) General reserve fund

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

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

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

(v) Enterprise expansion fund

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

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

(e) Distributability of reserves

At 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the company is RMB1,317,273,000 (2009: RMB686,292,000).

After the end of the reporting period, the directors proposed a final dividend of HK$3 cents per ordinary share (2009: HK$2.36 cents per share), amounting to RMB13,190,000 (2009: RMB7,205,000). This dividend has not been recognised as a liability at the end of the reporting period.

(f) Capital management

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(f) Capital management *(continued)*

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

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

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the group has significant exposure to individual customers. At the end of the reporting period, 5% (2009: 7%) and 17% (2009: 22%) 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 20.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29 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, borrowings and other payables to intermediate holding company are set out in notes 20, 22, 24 and 31.

(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 0.61% per annum (2009: 0.96% per annum). The effective interest rate of bank loans and related party loans is 4.34% per annum (2009: 1.58% per annum). The interest rates and terms of repayment of the group's borrowings and other payable to intermediate holding company are disclosed in notes 24 and 31.

At 31 December 2010, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would have decreased the group's profit after tax and retained profits by approximately RMB4,817,000 (2009: increased RMB881,000).

A 100 basis points decrease in interest rates at 31 December 2010 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 end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non– derivative instruments held by the group at the end of the reporting period, the impact on the group's profit after tax and retained 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 2009.

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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

(d) Currency risk *(continued)*

(ii) Exposure to currency risk

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

The group

	2010		2009	
	United States Dollars *'000*	**Hong Kong Dollars *'000***	United States Dollars *'000*	Hong Kong Dollars *'000*
Trade and other receivables	**416**	**25,735**	1,128	35,114
Cash and cash equivalents	**1,692**	**31,376**	1,602	172,738
Trade and other payables	**–**	**(41,366)**	(48)	(8,939)
Other payable to intermediate holding company	**–**	**–**	–	(83,000)
Borrowings	**–**	**(507,700)**	–	(84,200)
Gross exposure arising from recognised assets and liabilities	**2,108**	**(491,955)**	2,682	31,713

The company

	2010 Hong Kong Dollars *'000*	2009 Hong Kong Dollars *'000*
Trade and other receivables	**1,353,109**	569,130
Cash and cash equivalents	**6,741**	136,582
Trade and other payables	**(252,936)**	(257,280)
Other payable to intermediate holding company	**–**	(83,000)
Bank loans	**(65,400)**	(79,200)
Gross exposure arising from recognised assets and liabilities	**1,041,514**	286,232

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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

(d) Currency risk *(continued)*

(iii) Sensitivity analysis

A 5 per cent weakening of the Hong Kong dollars and United States dollars against the above RMB at 31 December 2010 would have increased profit by RMB14,405,000 (2009: decreased RMB1,907,000). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

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

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the group which expose the group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the group's presentation currency. The analysis is performed on the same basis for 2009.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009 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)

30 COMMITMENTS

(a) Capital commitments, outstanding at 31 December 2010 not provided for in the financial statements were as follows:

	The group		The company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted for	**307,177**	100,172	**–**	–
Authorised but not contracted for	**1,979,122**	28,596	**–**	–
	2,286,299	128,768	**–**	–

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

The capital commitments in 2009 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 2010, 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	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**2,634**	6,047	**–**	–
After one year but within five years	**2,028**	9,846	**–**	–
After five years	**1,243**	10,116	**–**	–
	5,905	26,009	**–**	–

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)

31 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 31(b), transactions with other state-controlled entities include but are not limited to the following:

- Purchase of service;
- Utility supplies; and
- Financial services arrangement.

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

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

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

	2010	2009
	RMB'000	*RMB'000*
Interest income	**5,118**	1,042
Interest expense	**1,178**	1,202
Cash at bank	**995,652**	293,811
Bank loans	**32,675**	80,138

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

31 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

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

	2010	2009
	RMB'000	*RMB'000*
Purchase of services	**228,203**	80,138
Trade and other payables	**42,305**	80,138

(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
OCT Holding	Intermediate holding company
Overseas Chinese Town (HK) Company Limited	Intermediate holding company
Konka Group Company Limited, its subsidiaries and associates ("Konka Group")	Fellow subsidiary
Shenzhen Overseas Chinese Town Water and Electricity Co., Ltd.	Subsidiary of OCT Group
Shenzhen Overseas Chinese Town Happy Coast Investment Co., Ltd.	Subsidiary of OCT Group
Shenzhen Overseas Chinese Town Tourism Advisory Co., Ltd.	Subsidiary of OCT Group
Shenzhen Overseas Chinese Town Property Management Co., Ltd.	Subsidiary of OCT Group
Shenzhen Overseas Chinese Town City Inn Co., Ltd.	Subsidiary of OCT Group
Shanghai Overseas Chinese Town Investment Co., Ltd.	Subsidiary of OCT Group
Shenzhen Overseas Chinese Town Happy Valley Tourism Co., Ltd.	Subsidiary of OCT Group

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

31 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

Recurring transactions

	2010	2009
	RMB'000	*RMB'000*
Sales of goods to:		
Konka Group *(note)*	**85,672**	57,302
OCT Group, its subsidiaries and associates	**270**	202
	85,942	57,504
Purchase of goods from:		
OCT Group, its subsidiaries and associates	**575**	974
Interest expense:		
OCT (HK)	**14,863**	1,709
OCT Group	**11,938**	–
	26,801	1,709
Rental paid to:		
OCT Group, its subsidiaries and associates	**1,577**	4,716
Utility expenses paid to:		
OCT Group, its subsidiaries and associates	**1,903**	3,631
Purchase of service from:		
OCT Group, its subsidiaries and associates	**4,627**	–

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

31 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

Balances with related parties

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

	Notes	2010 RMB'000	2009 RMB'000
Trade receivable from fellow subsidiaries *(note 20)*	*(i)*	**76**	22
Trade receivable from other related companies *(note 20)*	*(i)*	**55,055**	8,706
Trade payable to fellow subsidiaries *(note 22)*	*(ii)*	**(1,564)**	(195)
Other receivable from fellow subsidiaries *(note 20)*	*(iii)*	**1,135**	796
Other payable to other related companies *(note 22)*	*(iii)*	**(15,916)**	(76)
Other payable to intermediate holding company	*(iv)*	**–**	(73,082)
Loans from ultimate holding company *(note 24)*	*(v)*	**(1,100,000)**	–
Loan from intermediate holding company *(note 24)*	*(vi)*	**(361,632)**	–

Notes:

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

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

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

(iv) Other payable to intermediate holding company in 2009 of HK$83,000,000 was unsecured, bearing an interest at HIBOR+1%.

(v) Loans from ultimate holding company of RMB300,000,000 and RMB800,000,000 are bearing an interest at 4.37% and 4.44% respectively.

(vi) Loans from intermediate holding company HK$425,000,000 is bearing an interest at HIBOR+0.8%.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

31 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(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 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2010	2009
	RMB'000	*RMB'000*
Short-term employee benefits	**4,743**	2,755
Post employment benefits	**133**	59
	4,876	2,814

Total remuneration is included in "staff costs" (see note 6(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 25.

(e) Capital injection into Chengdu OCT

The Group increased its interests in Chengdu OCT from 25% to 51% in 2010. Further details of the capital injection are disclosed in note 3.

32 NON-ADJUSTING POST STATEMENT OF FINANCIAL POSITION EVENTS

(a) Final dividend

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 28.

(b) New share option scheme

On 15 February 2011, the company held an extraordinary general meeting and the shareholders approved the adoption of a new share option scheme and termination of the existing share option scheme, which is pending for the Stock Exchange granting approval of the listing of, and permission to deal in, the shares which may be issued upon the exercise of the options granted under the new share option scheme.

33 PARENT AND ULTIMATE HOLDING COMPANY

At 31 December 2010, 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 the Shenzhen Stock Exchange. Only OCT Holding produces financial statements available for public use.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

34 ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates used in preparing the Financial Information are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

Note 15 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(k), the group makes impairment loss for trade and other receivables based on the group's estimates of the present value of the estimated future cash flow. Given the uncertainties involved in estimating the future cash flow of individual customer, the actual recoverable amount may be higher or lower than that estimated at the end of the reporting period.

(ii) Provision for inventories

As explained in note 1(l), 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(k), 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.

(iv) Impairment provision for investment properties under development and construction in progress

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

34 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

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

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

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

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

(vi) Recognition of deferred tax assets

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

(vii) PRC CIT and PRC LAT

As explained in note 7(a), the group is subject to PRC CIT and PRC LAT under audited taxation method. Significant judgement is required in determining the level of provision, as the calculations of which depend on the ultimate tax determination and are subject to uncertainty. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

34 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

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

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

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

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

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the group.

	Effective for accounting periods beginning on or after
Revised HKAS 24, Related party disclosures	1 July 2011
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Amendments to HKAS 12, Income taxes	1 January 2012

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

Five-Year Financial Summary

As at 31 December 2010

(Expressed in Renminbi)

CONSOLIDATED INCOME STATEMENT

	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**1,905,792**	622,063	762,769	760,763	713,354
Cost of sales	**(1,646,418)**	(536,237)	(673,194)	(654,846)	(608,381)
Gross profit	**259,374**	85,826	89,575	105,917	104,973
Other revenue	**7,212**	2,662	3,121	7,420	4,693
Other net gain/(loss)	**5,851**	1,454	36,680	(3,836)	(3,394)
Distribution costs	**(84,336)**	(31,625)	(33,920)	(30,799)	(32,562)
Administrative expenses	**(59,325)**	(42,913)	(50,701)	(28,378)	(30,125)
Other operating expenses	**(2,056)**	(1,392)	(6,423)	(4,214)	(756)
Profit from operations	**126,720**	14,012	38,332	46,110	42,829
Finance costs	**(26,259)**	(3,202)	(3,304)	(4,381)	(3,552)
Share of profit less loss of associate	**(1,040)**	20,728	(10,648)	(484)	–
Gain on remeasurement of the previously held interest in an associate	**38,890**	–	–	–	–
Profit before taxation	**138,311**	31,538	24,380	41,245	39,277
Income tax	**(52,428)**	(7,728)	(7,790)	(2,826)	(5,970)
Profit for the year	**85,883**	23,810	16,590	38,419	33,307
Attributable to:					
Equity shareholders of the Company	**66,713**	23,810	16,590	38,361	32,999
Non-controlling interests	**19,170**	–	–	58	308
Profit for the year	**85,883**	23,810	16,590	38,419	33,307
Earnings per share (RMB)					
Basic	**0.15**	0.08	0.07	0.18	0.16
Diluted	**0.15**	0.08	0.07	0.17	0.16

Five-Year Financial Summary

As at 31 December 2010

(Expressed in Renminbi)

CONSOLIDATED BALANCE SHEET

	2010 **RMB'000**	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000
Non-current assets					
Fixed assets	**2,705,099**	363,347	295,810	264,558	220,332
Intangible assets	**182**	–	–	–	–
Goodwill	**266,625**	24,937	24,937	24,937	24,937
Interest in an associate	**44,568**	234,401	213,673	89,907	–
Other financial assets	**4,320**	–	–	–	–
Deferred tax assets	**53,439**	8,810	10,579	6,444	2,878
	3,074,233	631,495	544,999	385,846	248,147
Current assets					
Non-current assets held for sale	**–**	–	–	12,361	–
Inventories	**1,681,962**	82,628	84,853	91,866	63,775
Trade and other receivables	**266,171**	149,031	167,371	210,296	135,858
Cash and cash equivalents	**1,005,358**	314,006	127,307	119,292	172,160
	2,953,491	545,665	379,531	433,815	371,793
Current liabilities					
Trade and other payables	**1,638,310**	278,391	204,907	259,789	207,009
Receipt in advance	**667,473**	–	–	–	–
Bank loans	**44,105**	65,947	42,199	32,735	43,664
Related party loans	**361,632**	–	–	–	–
Current taxation	**87,869**	4,304	7,948	4,333	4,882
	2,799,389	348,642	255,054	296,857	255,555
Net current assets	**154,102**	197,023	124,477	136,958	116,238
Total assets less current liabilities	**3,228,335**	828,518	669,476	522,804	364,385
Non-current liabilities					
Other payable to intermediate holding company	**–**	73,082	73,198	–	–
Bank loans	**28,562**	60,723	57,279	11,986	26,524
Related party loans	**1,100,000**	–	–	–	–
Deferred tax liability	**56,267**	152	2,183	–	–
	1,184,829	133,957	132,660	11,986	26,524
NET ASSETS	**2,043,506**	694,561	536,816	510,818	337,861
Total equity attributable to equity shareholders of the Company	**1,418,996**	694,561	536,816	510,818	336,162
Non-controlling interests	**624,510**	–	–	–	1,699
TOTAL EQUITY	**2,043,506**	694,561	536,816	510,818	337,861