



Overseas ChineseTown (Asia) Holdings Limited

華僑城（亞洲）控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03366



INTERIM REPORT **2011**

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## CORPORATE INFORMATION

### Registered Office

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

### Head Office and Principal Place of Business

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

### Board of Directors

#### Executive Directors

Ms. Wang Xiaowen (*Chairman*)  
Ms. Xie Mei (*CEO*)  
Mr. Zhou Guangneng

#### Non-Executive Director

Mr. He Haibin

#### Independent Non-executive Directors

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

### Audit Committee/Remuneration Committee

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

### Qualified Accountant and Company Secretary

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

### Auditors

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

### Hong Kong Legal Adviser

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

### Principal Share Registrar and Transfer Office

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

### Hong Kong Branch Share Registrar and Transfer Office

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

### Principal Bankers

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

### Stock Information

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operating Results and Business Review

During the period under review, Overseas Chinese Town (Asia) Holdings Limited (the “Company”), together with its subsidiaries (the “Group”), achieved satisfactory operating results leveraging on its extensive experience and quality products under improved economic environment and gradual recovery of market demand. For the six months ended 30 June 2011, the Group recorded a turnover of RMB645 million, representing an increase of 69.3% over the same period last year; gross profit margin was approximately 19.6%, representing an increase of 7.1 percentage points over the same period of 2010; profits attributable to shareholders were approximately RMB13.91 million, representing an increase of 23.1% over the same period of 2010.

### Paper Packaging Business

The Group has over 20 years of experience in packaging and printing industry. It has set up four manufacturing bases and several branches in Pearl River Delta and Yangtze River Delta, the most developed areas in China, and has created the brand of “Huali” with solid customer base and good market reputation.

In the first half of 2011, the overall economy of China maintained an upwards momentum, and market demand for packaging and printing industry recovered gradually. However, the Japan earthquake and the fluctuation in the economy of Europe and the U.S., as well as the persistently high raw material prices, still have some negative effects on the industry. During the period under review, the Group adopted new strategies in response to the market changes, pursuant to which, our sale efforts were directed to the emerging manufacturing centre where its important clients relocated, and set up branches in Wuhan City, Hubei Province and Kunshan City, Jiangsu Province to expand its business reach. The Group launches new products, as well as enhances integrating with creative culture sector, and its paper culture creative products were rated as one of the key projects under the “12th Five Year Plan” for the culture sector of Guangdong Province. In addition, the Group pilots VMI (Vendor Managed Inventory) management model in some plants to improve its customer services and enhance its competitiveness.

## Travel, Property and Its Related Businesses

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

Chengdu OCT owns parcels of land located at both sides of Shaxi line of Outer Sanhuan Road, Jinniu District, Chengdu City, Sichuan Province, the PRC which are to be developed into a composite project for travel and property purpose, comprising a theme park, residential and commercial properties, occupying a gross floor area of approximately 2,250,000 sq.m.. Chengdu Happy Valley, a theme park of Chengdu OCT, is a popular travel destination in the southwestern part of China. It has attracted approximately one million visitors throughout the period under review. With the raise in the entrance fee of Chengdu Happy Valley from May this year, sales revenue is expected to further increase in the second half of the year. In addition, the large-scale show performance Paradise Ethos was launched in the first half of the year and was well-received, which should attract more visitors to the theme park. The residential property project of Chengdu OCT has a gross saleable floor area of approximately 1,260,000 sq.m.. As at 30 June 2011, the pre-sale area of Phase III (which is currently on sale and has a gross floor area of approximately 230,000 sq.m.) reached approximately 114,000 sq.m.. At the mid of February this year, the government of Chengdu Municipality promulgated a series of house purchase limit policies. In response to the new market condition, Chengdu OCT had expanded promotion network and adjusted its sales policy in a timely manner. Thanks to these efforts, the sales volume had steadily climbed up during the recent months. The commercial properties of Chengdu OCT currently have an area of approximately 47,000 sq.m. available for rent, with an occupancy rate of 99%.

Xi’an OCT owns a parcel of land located in Qujiang New District, Xi’an City, Shaanxi Province and comprises mainly residential properties. Xi’an OCT has attracted great interest in the local market due to its premier location and superior quality. During the period under review, part of the Phase I project has been launched and the market reaction to the pre-sale was very positive. At the end of June this year, Xi’an OCT acquired two more parcels of land neighbouring the original land, with a site area of over 52,000 sq.m., adding the total site area to 137,000 sq.m..

## Outlook

Looking into the second half of 2011, we expect that the global economy will recover gradually amid certain uncertainties in the global economic landscape. The reconstruction of Japan after earthquake has boosted the demand of lots of commodities, which should benefit packaging products. With the operating concept of "quality oriented and credibility based", the Group will continue to strengthen its leading position in the paper packaging industry through constantly innovating and actively exploring markets.

In the second half of 2011, Chengdu OCT will continue to push ahead various business segments. The Sports Park, a new project of Chengdu Happy Valley, is expected to be completed by the end of this year. Meanwhile, the design of Phase II of Chengdu Happy Valley comprising major hi-tech indoor entertainment projects will be launched in the second half of this year, and the project is expected to put into operation in 2013. For residential property projects, the Group will strengthen the market promotion efforts and speed up the sales of units in the second half of the year. High-level portion of Phase III is expected to be delivered for occupation by the end of this year, while multi-level portion and low-density residential of Phase III and some portion of Phase IV are planned to be launched in the traditional peak season in the second half of the year. It is expected that most of the revenue from real estate of Chengdu OCT will be recognized in the second half of the year. The Company is confident about the future prospect of Chengdu OCT, believing that this year's sales revenue of travel and property businesses will exceed that of last year. Xi'an OCT will launch the sale of the second phase of buildings within this year, which are to be delivered for occupation in the mid of 2012. Xi'an OCT will begin to generate investment gain to the Group within this year. The Group expects that the PRC government will continue to implement the control measures on real estate industry for some time, which, however, we consider as helpful to the healthy development of the industry in the long run, especially benefiting the tourism and real estate development projects in which the Group participates. Leveraging on their unique overall planning and market positioning, those projects are still attractive as the domestic household consumption keeps increasing and the government actively expands the domestic demand.

In steadily developing paper packaging business, the Company will seize the opportunities and challenges from macro-environment changes and make best use of OCT Group's supports and external resources, so as to actively obtain project reserves, expand our company's size and enhance our growth potential.

## Employees and Remuneration Policy

As at 30 June 2011, the Group employed approximately 2,800 full-time staff members. The basic remunerations of the employees are mainly determined with reference to the industry remuneration benchmark, the employees' experience and their performance. Salaries of employees are maintained at a competitive level and are reviewed annually. Apart from the basic remunerations and statutory benefits, the Group also provides discretionary bonuses taking into account of the Group's results and individual staff's performance. During the period under review, the Group has adopted a new share option scheme with a view to attract and retain high calibre personnel.

## Financial Review

As at 30 June 2011, the Group's total assets were approximately RMB6,113 million. Total equity amounted to approximately RMB2,053 million. The Group's turnover was approximately RMB645 million for the six months ended 30 June 2011, representing an increase of approximately 69.3% over the same period of 2010, which was mainly attributable to the new income stream from travel and property business of approximately RMB249 million and the revenue from paper packaging business of approximately RMB396 million (representing an increase of approximately 3.9% over the same period of 2010); gross profit margin was approximately 19.6% (same period in 2010: 12.5%), representing an increase of 7.1 percentage points over the same period of 2010, among which the gross profit margin of travel and property business was approximately 31.5%. Excluding the above-mentioned factor, the gross profit margin of paper packaging business was approximately 12.0%, representing a decrease of 0.5 percentage point over the same period of 2010, which was mainly due to an increase in the cost of sales as a result of the rise in the price of raw materials over the same period last year affected by inflation; profits attributable to shareholders were approximately RMB13.91 million, representing an increase of approximately 23.1% over the same period of 2010, among which profits attributable to shareholders arising from paper packaging business were approximately RMB14.15 million, representing an increase of approximately 25.2% over the same period of 2010; losses attributable to shareholders arising from travel and property business were approximately RMB0.24 million, mainly due to the share of preliminary expenses in an associate (Xi'an OCT) of approximately RMB1.77 million.

## **DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES**

Distribution costs for the six months ended 30 June 2011 were approximately RMB39.56 million (same period in 2010: approximately RMB20.29 million), representing an increase of approximately 95.0% over the corresponding period in 2010, of which distribution costs of Chengdu OCT were approximately RMB19.31 million. Excluding this expense, distribution costs from paper packaging business were substantially the same as compared with the same period of last year. The Group's administrative expenses for the six months ended 30 June 2011 were approximately RMB41.62 million (same period in 2010: approximately RMB15.48 million), representing an increase of approximately 168.9% over the corresponding period in 2010, of which administrative expenses of Chengdu OCT were approximately RMB27.35 million and the decrease in administrative expenses of paper packaging business was approximately RMB1.21 million.

## **INTEREST EXPENSES**

The interest expenses of the Group were approximately RMB26.03 million for the six months ended 30 June 2011, representing an increase of approximately RMB24.88 million over the same period of 2010, of which interest expense of Chengdu OCT was approximately RMB25.61 million. Excluding this expense, interest expense of paper packaging business decreased by RMB0.73 million, mainly due to the decrease in average outstanding loan balance during the period.

## **DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011, taking into account the long-term development of the Company and its active participation into potential investment opportunities.



## INVENTORIES, DEBTORS' AND CREDITORS' TURNOVER

The inventory turnover days of the Group (excluding Chengdu OCT) was 57 days for the six months ended 30 June 2011, shorter than 66 days for the year ended 31 December 2010. The decrease in inventory turnover days was mainly attributable to the the change of our inventory into debtors as a result of increased sales volume during the period. The debtors' turnover days of the Group (excluding Chengdu OCT) was 113 days for the six months ended 30 June 2011, longer than 92 days for the year ended 31 December 2010. The increase in the debtors' turnover days was mainly attributable to a more relaxed credit period granted to the customers in order to increase the sales volume for the period. The creditors' turnover days of the Group (excluding Chengdu OCT) was 126 days for the six months ended 30 June 2011, which was the same as 126 days for the year ended 31 December 2010.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total equity of the Group as at 30 June 2011 was approximately RMB2,053 million (31 December 2010: approximately RMB2,044 million). As at 30 June 2011, the Group had current assets of approximately RMB3,095 million (31 December 2010: approximately RMB2,953 million) and current liabilities of approximately RMB2,801 million (31 December 2010: approximately RMB2,799 million). The liquidity ratio was 1.10 as at 30 June 2011, a slight increase as compared with 1.06 as at 31 December 2010. As at 30 June 2011, the Group had outstanding bank loans of approximately RMB118 million, without any fixed rate loans (as at 31 December 2010: outstanding bank loans of approximately RMB72.67 million, without any fixed rate loans). The interest rates of bank loans of the Group were from 1.03% to 1.49% per annum for the six months ended 30 June 2011 (from 0.95% to 1.52% per annum for the year ended 31 December 2010). Part of these bank loans were secured by guarantees provided by certain subsidiaries of the Company. The Group's gearing ratio (being the total borrowings including bills payable and bank loans divided by total assets) was approximately 27% as at 30 June 2011, which was the same as approximately 27% as at 31 December 2010.

As at 30 June 2011, out of the total outstanding bank loans, approximately 100% was in Hong Kong Dollars (31 December 2010: 100% in Hong Kong Dollars). As at 30 June 2011, approximately 90% of the total amount of cash and cash equivalents of the Group was in Renminbi (31 December 2010: 98%), approximately 9% of its cash and cash equivalents was in Hong Kong Dollars (31 December 2010: 2%) and approximately 1% of its cash and cash equivalents was in US Dollars (31 December 2010: 0%).

The Group's liquidity position remains stable and the Group possesses sufficient cash and banking facilities to meet its commitments, working capital requirements and future investments for expansion. The Group's transactions and monetary assets are principally denominated in Renminbi, Hong Kong Dollars or US Dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates for the period ended 30 June 2011. As at 30 June 2011, the Group did not employ any financial instrument for hedging purposes.

## CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 30 June 2011.

## IMPORTANT EVENT

Under the ordinary resolution passed at the extraordinary general meeting on 15 February 2011, the Board adopted a new share option scheme (the "New Scheme") and simultaneously terminated the share option scheme adopted on 12 October 2005. On 3 March 2011, 30,100,000 share options of the Company were granted to certain directors and employees of the Group under the New Scheme.

On 27 January 2011, the Group entered into a cartons sale and purchase framework agreement (the “New Cartons Framework Agreement”) with Overseas Chinese Town Enterprises Company (華僑城集團公司) (“OCT Group”), a connected person of the Company, pursuant to which the Group has conditionally agreed to sell cartons to OCT Group and its associates for a term of three years with effect from 1 January 2011 and ending on 31 December 2013. The annual caps under the New Cartons Framework Agreement for each of three years ending 31 December 2011, 2012 and 2013 will not exceed RMB120 million, RMB133 million and RMB143 million, respectively. It was further agreed between the parties that the cartons sale and purchase agreement dated 31 December 2010 entered into between the Company and OCT Group for the sales of cartons for a term of three years with effect from 1 January 2011 and ending on 31 December 2013 will be automatically terminated upon the New Cartons Framework Agreement has obtained the independent Shareholders’ approval in accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The New Cartons Framework Agreement was approved by the independent Shareholders at an extraordinary general meeting held on 6 April 2011 pursuant to the Listing Rules.

## DIRECTORS’ INTERESTS

As at 30 June 2011, interests and short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) held by the Directors and chief executives of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules (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	1,200,000	Beneficial owner	Personal	0.24%

## Long Positions in Underlying Shares of the Company

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

Notes:

- (1) Zhou Guangneng is taken to be interested as a grantee of options to subscribe for 800,000 shares under the share option scheme of the Company.
- (2) He Haibin is taken to be interested as a grantee of options to subscribe for 400,000 shares under the share option scheme of the Company.

Save as disclosed above, as at 30 June 2011, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2011, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares 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 Positions in the Ordinary Shares of the Company (the "Shares")

Name	Capacity/ Nature	No. of shares held	Approximate shareholding percentage
<b>Substantial Shareholders</b>			
Pacific Climax Limited ("Pacific Climax") (Note 1)	Beneficial owner	288,420,000	56.66%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)")	Interest of a controlled corporation (Note 2)	288,420,000	56.66%
Shenzhen Overseas Chinese Town Co. Ltd. (formerly known as Shenzhen Overseas Chinese Town Holding Company) ("OCT Ltd.")	Interest of a controlled corporation (Note 3)	288,420,000	56.66%
Overseas Chinese Town Enterprises Company ("OCT Group")	Interest of a controlled corporation (Note 4)	288,420,000	56.66%
<b>Others</b>			
UBS AG	Interest of a controlled corporation (Note 5)	35,592,000	6.99%

Notes:

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

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

Save as disclosed above, as at 30 June 2011, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

## SHARE OPTION SCHEME

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

Participants under the New Scheme include any employees (full-time or part-time), directors, advisers and professional consultants of the Group or any of its members.

The Directors are authorised to, at their absolute discretion and on such terms as they may think fit, propose any eligible persons under the New Scheme to accept the options.

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

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

The Company shall be entitled to issue options, provided that the total number of shares which may be issued upon exercise of all options to be granted under all of the New Scheme and other share option schemes of the Company does not exceed 10% of the shares in issue at the date of approval of the New Scheme. The Company may at any time refresh such limit, subject to the shareholders' approval and the issuance 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 of the New Scheme and other share option schemes of the Company does not exceed 30% of the shares in issue at the time.

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

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

Under the terms of the New Scheme, 30,100,000 options were granted to certain eligible participants (including some Directors and employees) on 3 March 2011 with the exercise price of HK\$4.04, and the amount payable for the grant of an option was HK\$1. Details of the options granted under the New Scheme mentioned above are disclosed in the Company's announcement dated 3 March 2011.

The status of the share options granted up to 30 June 2011 is as follows:

Name and category of participants	Granted As at 1 January 2011	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 30 June 2011	Date of grant of share options	Exercise period of share options	Exercise price of share options**	Share price of the Company as at the	Share price of the Company as at the
									date of grant of share options***	date of exercise of share options****
								HK\$	HK\$	HK\$
<b>Directors</b>										
Zhou Guangneng	1,190,000	-	690,000	-	500,000	7 February 2006*	7 February 2006 to 6 February 2016	1.41	1.41	4.60 (Note)
	-	300,000	-	-	300,000	3 March 2011*****	3 March 2011 to 2 March 2016	4.04	4.04	-
He Haibin	-	400,000	-	-	400,000	3 March 2011*****	3 March 2011 to 2 March 2016	4.04	4.04	-
	1,190,000	700,000	690,000	-	1,200,000					
<b>Other Employees</b>										
	3,240,000	-	3,020,000	-	220,000	7 February 2006*	7 February 2006 to 6 February 2016	1.41	1.41	4.60 (Note)
	-	29,400,000	-	-	29,400,000	3 March 2011*****	3 March 2011 to 2 March 2016	4.04	4.04	-
	3,240,000	29,400,000	3,020,000	-	29,620,010					
<b>Total</b>	<b>4,430,000</b>	<b>30,100,000</b>	<b>3,710,000</b>	<b>-</b>	<b>30,820,000</b>					

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

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

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



- \*\*\*\* The share price of the Company as at the date of the exercise of the share options was the weighted average closing price of the shares immediately before the dates on which the share options were exercised during the period.
- \*\*\*\*\* The share options granted under the New Scheme shall be exercisable during the period from the date of acceptance of the offer of the grant (the "Date of Grant") up to 5 years from the Date of Grant subject to the following vesting term:–

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

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

The details of the model and significant assumptions used to estimate the fair value of the share options granted by the Company to the eligible participants during the period are set out in Note 15 of the interim financial report.

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

## CORPORATE GOVERNANCE

For the six months ended 30 June 2011, the Company complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

### Securities Trading by Directors

The Company has adopted the Model Code. The Board confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standards set out in the Model Code and its own code of conduct regarding the Directors' securities transactions.

### **Audit Committee**

The Audit Committee of the Company and the management have reviewed the unaudited interim report of the Group for the six months ended 30 June 2011 and have discussed the internal control, accounting principles and practices adopted by the Group.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company or any of its subsidiaries has not redeemed any of its shares during the six months ended 30 June 2011. During the same period, neither the Company nor any of its subsidiaries has purchased or sold any of the shares of the Company.

By order of the Board  
**Wang Xiaowen**  
*Chairman*

Hong Kong, 16 August 2011

## INTERIM FINANCIAL REPORT CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2011 (unaudited)

(Expressed in Renminbi)

		<b>Six months ended 30 June</b>	
	Note	<b>2011 RMB'000</b>	2010 RMB'000
<b>Turnover</b>	4	<b>644,776</b>	380,628
Cost of sales		<u><b>(518,748)</b></u>	<u>(333,219)</u>
<b>Gross profit</b>		<b>126,028</b>	47,409
Other revenue		<b>5,871</b>	1,682
Other net gain/(loss)	5	<b>12,827</b>	(764)
Distribution costs		<b>(39,560)</b>	(20,289)
Administrative expenses		<b>(41,621)</b>	(15,476)
Other operating expenses		<b>(854)</b>	(2,304)
<b>Profit from operations</b>		<b>62,691</b>	10,258
Finance costs	6	<b>(26,031)</b>	(1,149)
Share of profit or loss from associates		<b>(1,766)</b>	5,351
<b>Profit before taxation</b>	6	<b>34,894</b>	14,460
Income tax	7	<b>(19,524)</b>	(3,161)
<b>Profit for the period</b>		<b><u>15,370</u></b>	<u>11,299</u>
<b>Attributable to:</b>			
Equity shareholders of the company		<b>13,906</b>	11,299
Non-controlling interests		<b>1,464</b>	–
<b>Profit for the period</b>		<b><u>15,370</u></b>	<u>11,299</u>
<b>Earnings per share (RMB)</b>	8		
Basic		<b><u>0.027</u></b>	<u>0.031</u>
Diluted		<b><u>0.027</u></b>	<u>0.030</u>

The notes on pages 25 to 42 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2011 (unaudited)

(Expressed in Renminbi)

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
<b>Profit for the period</b>	<b>15,370</b>	11,299
<b>Other comprehensive income for the period (after tax and reclassification adjustments):</b>		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	<b>(335)</b>	1,217
<b>Total comprehensive income for the period</b>	<b>15,035</b>	12,516
<b>Attributable to:</b>		
Equity shareholders of the company	<b>13,571</b>	12,516
Non-controlling interests	<b>1,464</b>	–
<b>Total comprehensive income for the period</b>	<b>15,035</b>	12,516

The notes on pages 25 to 42 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2011 (unaudited)

(Expressed in Renminbi)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
<b>Non-current assets</b>			
Fixed assets	9		
– Investment properties		532,710	513,647
– Other property, plant and equipment		1,374,873	1,414,971
– Interests in leasehold land held for own use under operating lease		736,641	776,481
Intangible assets		190	182
Goodwill		266,625	266,625
Interest in an associate	10	42,802	44,568
Other financial assets		4,320	4,320
Deferred tax assets		59,998	53,439
		<u>3,018,159</u>	<u>3,074,233</u>
<b>Current assets</b>			
Inventories	11	1,841,776	1,681,962
Current tax assets		1,500	–
Trade and other receivables	12	365,452	266,171
Cash and cash equivalents	13	886,464	1,005,358
		<u>3,095,192</u>	<u>2,953,491</u>
<b>Current liabilities</b>			
Trade and other payables	14	1,333,784	1,638,310
Receipts in advance		1,096,077	667,473
Bank loans		13,408	44,105
Related party loans		353,218	361,632
Current taxation		4,997	87,869
		<u>2,801,484</u>	<u>2,799,389</u>
<b>Net current assets</b>		<u>293,708</u>	<u>154,102</u>
<b>Total assets less current liabilities</b>		<u>3,311,867</u>	<u>3,228,335</u>

The notes on pages 25 to 42 form part of this interim financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***(CONTINUED)*

at 30 June 2011 (unaudited)

*(Expressed in Renminbi)*

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
<b>Non-current liabilities</b>			
Bank loans		104,303	28,562
Related party loans		1,100,000	1,100,000
Deferred tax liabilities		54,870	56,267
		<u>1,259,173</u>	<u>1,184,829</u>
<b>NET ASSETS</b>		<u>2,052,694</u>	<u>2,043,506</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	48,273	47,964
Reserves	15	<u>1,378,447</u>	<u>1,371,032</u>
<b>Total equity attributable to equity shareholders of the company</b>		<b>1,426,720</b>	1,418,996
<b>Non-controlling interests</b>		<u>625,974</u>	<u>624,510</u>
<b>TOTAL EQUITY</b>		<u>2,052,694</u>	<u>2,043,506</u>

The notes on pages 25 to 42 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2011 (unaudited)

(Expressed in Renminbi)

	Attributable to equity shareholders of the company											
	Issued capital	Share premium	Contributed surplus	Merger reserve	Capital reserve	Exchange reserve	General reserve fund	Enterprise expansion fund	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2010	34,148	332,762	147,711	24,757	23,615	(5,655)	37,821	5,366	94,036	694,561	-	694,561
Changes in equity for the six months ended 30 June 2010:												
Issuance of shares (note 15(b))	13,228	641,606	-	-	-	-	-	-	-	654,834	-	654,834
Dividend approved in respect of previous year (Note 15(a))	-	-	-	-	-	-	-	-	(7,205)	(7,205)	-	(7,205)
Total comprehensive income for the period	-	-	-	-	-	1,217	-	-	11,299	12,516	-	12,516
Balance at 30 June 2010 and 1 July 2010	47,376	974,368	147,711	24,757	23,615	(4,438)	37,821	5,366	98,130	1,354,706	-	1,354,706
Changes in equity for the six months ended 31 December 2010:												
Issuance of shares (note 15(d))	588	9,071	-	-	(1,608)	-	-	-	-	8,051	-	8,051
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	605,340	605,340
Transfer between reserves	-	-	-	-	-	-	10,497	-	(10,497)	-	-	-
Total comprehensive income for the period	-	-	-	-	-	825	-	-	55,414	56,239	19,170	75,409
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 25 to 42 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2011 (unaudited)  
(Expressed in Renminbi)

	Attributable to equity shareholders of the company											
	Issued capital	Share premium	Contributed surplus	Merger reserve	Capital reserve	Exchange reserve	General	Enterprise	Retained profits	Total	Non-	Total equity
							reserve fund	expansion fund			controlling interests	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	47,964	983,439	147,711	24,757	22,007	(3,613)	48,318	5,366	143,047	1,418,996	624,510	2,043,506
<b>Changes in equity for the six months ended 30 June 2011:</b>												
Equity settled share-based transactions (note 15(d))	310	4,941	-	-	2,092	-	-	-	-	7,343	-	7,343
Dividend approved in respect of previous year (note 15(a))	-	-	-	-	-	-	-	-	(13,190)	(13,190)	-	(13,190)
Total comprehensive income for the period	-	-	-	-	-	(335)	-	-	13,906	13,571	1,464	15,035
At 30 June 2011	48,274	988,380	147,711	24,757	24,089	(3,948)	48,318	5,366	143,763	1,426,720	625,974	2,052,694

The notes on pages 25 to 42 form part of this interim financial report.



**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

for the six months ended 30 June 2011 (unaudited)

*(Expressed in Renminbi)*

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
<b>Cash generated/(used in) from operations</b>		<b>3,382</b>	(45,499)
<b>Tax paid</b>		<b>(135,215)</b>	(5,154)
<b>Net cash used in from operating activities</b>		<b>(131,833)</b>	(50,653)
<b>Net cash used in investing activities</b>		<b>(24,370)</b>	(63,097)
<b>Net cash generated from financing activities</b>		<b>37,888</b>	534,751
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(118,315)</b>	421,001
<b>Cash and cash equivalents at 1 January</b>	13	<b>1,005,358</b>	314,006
<b>Effect of foreign exchange rate changes</b>		<b>(579)</b>	(541)
<b>Cash and cash equivalents at 30 June</b>	13	<b>886,464</b>	734,466

The notes on pages 25 to 42 form part of this interim financial report.

## NOTES TO THE INTERIM FINANCIAL REPORT (UNAUDITED)

*(Expressed in Renminbi)*

### 1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 16 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The condensed consolidated financial statements for the period ended 30 June 2011 comprise Overseas Chinese Town (Asia) Holdings Limited (the "company") and its subsidiaries (collectively referred to as the "group") and the group's interest in associates. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report does not constitute the company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 1 March 2011.

## 2 CHANGES IN ACCOUNTING POLICIES

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

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

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

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the group's financial statements. These developments have had no material impact on the contents of this interim financial report.

## 3 SEGMENT REPORTING

### (a) Information about reportable segments

For the six months ended	Travel, property and its related business		Manufacture and sale of paper carton and products		Total	
	2011	2010	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	248,666	–	396,110	380,628	644,776	380,628
Inter-segment revenue	–	–	–	–	–	–
<b>Reportable segment revenue</b>	<b>248,666</b>	<b>–</b>	<b>396,110</b>	<b>380,628</b>	<b>644,776</b>	<b>380,628</b>
<b>Reportable segment net profit</b>	<b>(242)</b>	<b>5,351</b>	<b>14,148</b>	<b>5,948</b>	<b>13,906</b>	<b>11,299</b>

### 3 SEGMENT REPORTING (CONTINUED)

#### (b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
<b>Profit</b>		
Reportable segment profit	13,906	11,299
Elimination of inter-segment profits	<u>—</u>	<u>—</u>
Reportable segment profit derived from group's external customers	<u>13,906</u>	<u>11,299</u>
Consolidated net profit	<u><u>13,906</u></u>	<u><u>11,299</u></u>

### 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.

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Sales of paper cartons and products	396,110	380,628
Travel, property and its related business	<u>248,666</u>	<u>—</u>
	<u><u>644,776</u></u>	<u><u>380,628</u></u>

The revenue from travel, property and its related business is from Chengdu Tianfu OCT Industry Development Company Limited ("Chengdu OCT"), which was acquired as a subsidiary on 21 September 2010.

**5 OTHER NET GAIN/(LOSS)**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
Net gain on disposal of fixed assets	<b>3,396</b>	635
Exchange gain/(loss)	<b>9,183</b>	(1,428)
Others	<b>248</b>	29
	<b>12,827</b>	(764)

**6 PROFIT BEFORE TAXATION**

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

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
<b>(a) Finance costs:</b>		
Interest on bank loans	<b>423</b>	770
Interest on related party loans	<b>31,743</b>	379
Interest on borrowings	<b>32,166</b>	1,149
Less: interest expense capitalised into properties under development	<b>(6,135)</b>	-
	<b>26,031</b>	1,149
<b>(b) Other items:</b>		
Amortisation	<b>14</b>	-
Depreciation	<b>82,942</b>	19,402
Impairment losses made on trade and other receivables	<b>714</b>	1,640
Inventory write-down	<b>46</b>	392
Rentals receivable from investment properties less direct outgoings RMB9,413,000	<b>2,418</b>	-

## 7 INCOME TAX

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
<b>Current tax</b>		
– PRC Corporate Income Tax	12,496	3,164
– PRC Land Appreciation Tax	14,985	–
	<u>27,481</u>	<u>3,164</u>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(7,957)	(3)
	<u>19,524</u>	<u>3,161</u>

## (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 period (2010: Nil).

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

Pursuant to the income tax rules and regulations of the PRC, taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant cities in the PRC, which range between 24% – 25% (2010: 22% – 25%). Certain subsidiaries are entitled to a tax concession period in which it is fully exempted from PRC income tax for 2 years starting from its first profit-making year, followed by a 50% reduction in the PRC income tax for the next 3 years (“two years free and three years half”).

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

## 7 INCOME TAX (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 the 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.

## 8 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the company of RMB13,906,000 (six months ended 30 June 2010: RMB11,299,000) and the weighted average of 506,692,320 ordinary shares (2010: 370,232,873 shares) in issue during the interim period.

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the company of RMB13,906,000 (six months ended 30 June 2010: RMB11,299,000) and the weighted average number of ordinary shares (diluted) of 509,299,623 (2010: 377,925,251 shares).

## 9 FIXED ASSETS

### Acquisitions and disposals

During the six months ended 30 June 2011, the group acquired items of fixed assets with a cost of RMB26,427,000 (six months ended 30 June 2010: RMB32,729,000).

Fix assets with RMB50,000 net book value were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: RMB248,000), resulting in a gain on disposal of RMB3,396,000 (six months ended 30 June 2010: RMB635,000).

**10 INTEREST IN AN ASSOCIATE**

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Xi'an OCT Investment Ltd.	<b>42,802</b>	44,568

**11 INVENTORIES**

During the six months ended 30 June 2011, there were a write-down of inventories of RMB512,000 and reversal of RMB466,000 in profit or loss (six months ended 30 June 2010: RMB1,153,000 was written down and RMB761,000 was reversed). The reversal arose due to changes in the estimated net realisable value of certain paper cartons as a result of changes in customer preferences.

**12 TRADE AND OTHER RECEIVABLES**

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

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Current	<b>213,429</b>	162,406
Less than 3 months past due	<b>31,150</b>	27,923
3 to 6 months past due	<b>587</b>	5,760
Trade debtors and bills receivable, net of impairment losses	<b>245,166</b>	196,089
Prepayment, deposits and other receivables	<b>120,286</b>	70,082
	<b>365,452</b>	266,171

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



**13 CASH AND CASH EQUIVALENTS**

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Cash at bank and in hand	<b>886,464</b>	1,005,358

**14 TRADE AND OTHER PAYABLES**

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

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Due within 3 months or on demand	<b>537,267</b>	722,419
Due after 3 months but less than 1 year	<b>40,406</b>	36,954
Total creditors and bills payable	<b>577,673</b>	759,373
Other creditors and accrued charges	<b>756,111</b>	878,937
	<b>1,333,784</b>	1,638,310

## 15 RESERVES AND DIVIDENDS

### (a) Dividends

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

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
Final dividend in respect of the financial year ended 31 December 2010, approved and paid during the interim period, of HK\$3.00 cents per share (equivalent RMB2.61 cents per share) (year ended 31 December 2009: HK\$2.36 cents per share (equivalent RMB2.08 cents per share))	<b>13,190</b>	7,205

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).

### (b) Issue of shares

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

### (c) Transfer to reserve

There was no transfer to reserve for the six months period ended 30 June 2011.

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.

**15 RESERVES AND DIVIDENDS (CONTINUED)****(d) Equity settled share-based transactions****(i) Share options granted on 7 February 2006**

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

On 20 July 2009, 4 September 2009, 30 August 2010, 17 September 2010, and 28 April 2011, 1,380,000, 330,000, 5,680,000, 1,130,000 and 3,710,000 share options of the company at par value of HK\$0.1 were exercised at exercise price of HK\$1.41 per share respectively. This share option scheme was terminated and a new share option scheme was adopted on 15 February 2011. The remaining outstanding 720,000 options granted under the original scheme continue to be valid and were exercisable with a remaining contractual life of 4 years and 7 month at 30 June 2011.

**(ii) Share options granted on 3 March 2011**

On 3 March 2011, 700,000 and 29,400,000 share options were granted to directors of the company and employees of the group respectively under the company's new share option scheme. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.1 each of the company which will be settled by physical delivery of shares. The share options shall be exercisable during a period of 5 years from the date of acceptance of the offer of the grant up to 5 years from the date of grant subject to the following vesting term:

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

The exercise price is HK\$4.04. The options granted under the share option scheme will be forfeited when grantee ceases to be an employee of the group for reasons other than death. No option was forfeited or expired during the period.

**15 RESERVES AND DIVIDENDS (CONTINUED)**

- (d) **Equity settled share-based transactions** *(continued)*  
 (ii) **Share options granted on 3 March 2011** *(continued)*

*Inputs for measurement of grant date fair values*

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

<b>Expected vesting date</b>	<b>3 March 2013</b>	<b>3 March 2014</b>	<b>3 March 2015</b>
Fair value at grant date	1.03	1.50	1.69
Share price at grant date	4.04	4.04	4.04
Exercise price	4.04	4.04	4.04
Expected volatility	46.76%	56.81%	55.71%
Option life	2 years	3 years	4 years
Expected dividends	0.74%	0.74%	0.74%
Risk-free interest rate	0.69%	1.06%	1.51%

Expected volatility is estimated taking into account historic average share price volatility of the company and comparable companies with period commensurate to the option lives.

Expected dividends are based on management's best estimation. The risk-free rate is referenced to the yields of Hong Kong Exchange Fund Notes.

There was no market conditions associated with the share option granted on 3 March 2011.

The total expense recognised for the period ended 30 June 2011 arising from the share option granted on 3 March 2011 was RMB2,969,000.

**15 RESERVES AND DIVIDENDS (CONTINUED)****(d) Equity settled share-based transactions (continued)**

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

	2011		2010	
	Weighted average exercise price per share HKD	Number of options '000	Weighted average exercise price per share HKD	Number of options '000
Outstanding at the beginning of the period	1.41	4,430	1.41	11,240
Granted during the period	4.04	30,100	-	-
Exercised during the period	1.41	(3,710)	1.41	(6,810)
Outstanding at the end of the period	<u>3.98</u>	<u>30,820</u>	<u>1.41</u>	<u>4,430</u>

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

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

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

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Contracted for	<b>647,336</b>	307,177
Authorised but not contracted for	<b>1,148,699</b>	1,979,122
	<b>1,796,035</b>	2,286,299

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

## 17 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with other state-controlled entities:

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

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

- Purchase of services;
- 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.

**17 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)****(a) Transactions with other state-controlled entities:** *(continued)*

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

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

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
Interest income	<b>5,454</b>	613
Interest expenses	<b>168</b>	198
	<b>At 30 June</b>	At 31 December
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
Cash at bank	<b>875,715</b>	995,652
Bank loans	<b>113,279</b>	32,675

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

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
Purchase of services	<b>217,503</b>	-

**17 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: (continued)

	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
Trade and other payables	<b>26,897</b>	42,305

For the six months ended 30 June 2011, management estimates that the aggregate amount of the group's significant transactions with other state-controlled entities are at least 53 percent of its purchase of service for the development of travel, property and its related business.

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

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



**17 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)****(b) The group has a related party relationship with the following parties:***(continued)***Recurring transactions**

	<b>Six months ended 30 June</b>	
	<b>2011</b>	2010
	<b>RMB'000</b>	RMB'000
Sales of goods to:		
Konka Group	<b>45,236</b>	37,424
OCT Group, its subsidiaries and associates	<b>261</b>	193
	<b>45,497</b>	37,617
Purchase of goods from:		
OCT Group, its subsidiaries and associates	<b>285</b>	426
Konka Group	<b>271</b>	–
	<b>556</b>	426
Interest expense:		
OCT (HK)	<b>8,461</b>	379
OCT Group	<b>23,282</b>	–
	<b>31,743</b>	379
Rental paid to:		
OCT Group, its subsidiaries and associates	<b>519</b>	1,294
Utility expenses paid to:		
OCT Group, its subsidiaries and associates	<b>4,845</b>	1,084
Purchase of service from:		
OCT Group, its subsidiaries and associates	<b>4,524</b>	–
Sales of service		
OCT Group, its subsidiaries and associates	<b>240</b>	–

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

## 17 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	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade receivable from fellow subsidiaries	(i)	60,031	55,131
Trade payable to fellow subsidiaries	(ii)	(580)	(1,564)
Other receivables from fellow subsidiaries	(iii)	792	1,135
Other payables to fellow subsidiaries	(iii)	(1,094)	(15,916)
Loans from ultimate holding company	(iv)	(1,100,000)	(1,100,000)
Loans from intermediate holding company	(v)	(353,218)	(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 sales of paper cartons and paper boxes to related parties.
- (ii) The trade payable balances are unsecured, non-interest bearing and are expected to be settled within three months. These refer to payables in respect of purchases of raw materials from related parties.
- (iii) Other receivables and payables are unsecured, non-interest bearing and repayable on demand.
- (iv) Loans from ultimate holding company of RMB300,000,000 and RMB800,000,000 are bearing an interest at 3.92% and 4.44% respectively.
- (v) Loans from intermediate holding company HK\$425,000,000 is bearing an interest at 3.50%.

**17 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)****(c) Key management personnel compensations**

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

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

	<b>Six months ended 30 June</b>	
	<b>2011 RMB'000</b>	2010 RMB'000
Short-term employee benefits	<b>1,553</b>	1,461
Post employment benefits	<b>49</b>	39
	<b>1,602</b>	1,500

**(d) Contributions to post-employment benefit plans**

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

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

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