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

2012
ANNUAL REPORT

Contents

Corporate Information

Board of Directors	**Executive Directors** Ms. Wang Xiaowen *(Chairman)* Ms. Xie Mei *(Chief Executive Officer)* Mr. Yang Jie **Non-executive Director** Mr. He Haibin **Independent Non-executive Directors** Ms. Wong Wai Ling Mr. Xu Jian Professor Lam Sing Kwong Simon
Audit Committee	Ms. Wong Wai Ling *(Chairman)* Mr. Xu Jian Professor Lam Sing Kwong Simon
Remuneration Committee	Ms. Wong Wai Ling *(Chairman)* Mr. Xu Jian Professor Lam Sing Kwong Simon
Nomination Committee	Ms. Wang Xiaowen *(Chairman)* Ms. Wong Wai Ling Professor Lam Sing Kwong Simon
Company Secretary and Qualified Accountant	Mr. Fong Fuk Wai *(FCPA, FCCA, ACA)*
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

Corporate Information

Auditor	RSM Nelson Wheeler Certified Public Accountants 29th Floor, Caroline Centre, Lee Gardens Two, 28 Yun Ping Road, Hong Kong
Hong Kong Legal Adviser	Loong & Yeung Suites 2001-2005 20/F Jardine House, 1 Connaught Place Central, Hong Kong
Principal Bankers	Nanyang Commercial Bank Hang Seng Bank Limited Standard Chartered Bank (HK) Ltd. China Merchants Bank Hong Kong Branch
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	Listing Date: 2 November 2005 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

Summary of Consolidated Income Statement

for the year ended 31 December 2012

	2012	2011	
	RMB'000	*RMB'000*	Changes
Turnover	**3,452,883**	2,558,860	34.9%
Gross profit	**1,185,730**	772,670	53.5%
Profit from operations	**801,004**	519,655	54.1%
Profit before tax	**738,068**	500,535	47.5%
Attributable to:			
Owners of the Company	**177,236**	159,236	11.3%
Dividend payable to owners of the Company attributable to the year			
Proposed final dividend after the end of the reporting period	**33,071**	30,338	9.0%
Basic earnings per share	**0.35**	0.31	12.9%

Summary of Consolidated Statement of Financial Position

at 31 December 2012

	2012	2011	
	RMB'000	*RMB'000*	Changes
Cash and cash equivalents	**1,525,861**	748,393	103.9%
Total assets	**20,138,435**	6,204,524	224.6%
Total assets less current liabilities	**12,230,393**	3,468,278	252.6%
Total equity attributable to owners of the Company	**1,749,567**	1,577,901	10.9%

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 2012, and would like to express my sincere gratitude to all shareholders and all the staff.

BUSINESS REVIEW

During the period under review, Overseas Chinese Town (Asia) Holdings Limited (the "Company") and its subsidiaries (together, the "Group") have set its future strategic goal as to become a prominent developer and operator of commercial complex. Under the guidance of this new strategic goal, we proactively responded to the complicated economic developments both within and outside China and achieved satisfactory operating results. For the year ended 31 December 2012, the Company recorded a turnover of approximately RMB3,453 million, representing an increase of approximately 34.9% over the corresponding period of 2011; profit attributable to owners were approximately RMB177 million, representing an increase of approximately 11.3% over the corresponding period of 2011.

Comprehensive Development Business

Relying on its strategic objectives, the Group increased its input into its comprehensive development business during the period under review and put more effort to obtain new project resources. Three newly added projects are Shanghai Suhewan, Tianjian Tianxiao and Beijing Laiguangying. During the period under review, the Company's comprehensive development business recorded a turnover of approximately RMB2,624 million, representing an increase of approximately 50.5% over the corresponding period of 2011; profit attributable to owners were approximately RMB154 million, representing an increase of approximately 18.8% over the corresponding period of 2011. The Company currently holds 5 comprehensive development projects in total with controlling interest and participation interest, including Shanghai Suhewan, Chengdu OCT, Tianjin Tianxiao, Beijing Laiguangying and Xi'an OCT projects.

Chairman's Statement

Shanghai Suhewan

The Company holds 50.5% equity interest

On 5 January 2012, the Group entered into a capital increase agreement pursuant to which the Group made capital contribution of RMB2,232 million to Overseas Chinese Town (Shanghai) Land Company Limited ("OCT Shanghai Land") and acquired 50.5% equity interest in it. The transaction was completed in June 2012 and OCT Shanghai Land became a non-wholly owned subsidiary of the Company.

OCT Shanghai Land is currently engaged in the Shanghai Suhewan project, which is advantageously situated at the junction of Suzhou River and Huangpu River banks in Zhabei District, Shanghai and possesses the scarce landscape resources. The project comprises 1 Jiefang, 41 Jiefang and 42 Jiefang with a total site area of approximately 71,000 sq.m., a gross floor area (above ground) of approximately 280,000 sq.m.and a total gross floor area of approximately 430,000 sq.m.. The project includes multi-storey riverside residential buildings, luxury residential properties, apartment-style offices, luxury hotels, boutique business premises and studios for artists. The project is scheduled to be completed in 2016.

The first batch of products of the Shanghai Suhewan project was the apartment-style offices located in 41 Jiefang. Pre-sale started in September 2012 with settlement within the same year. During the period under review, contract sales area and revenue of the project reached approximately 13,000 sq.m. and approximately RMB710 million respectively, while the area and revenue settled were approximately 12,000 sq.m. and approximately RMB680 million respectively.

In 2012, the Shanghai Suhewan project was awarded "21st Century City Composite New Landmark in China for the year 2012" by 21st Century Economy Review.

Chairman's Statement

Tianjin Tianxiao

The Company holds 100% equity interest

On 2 November 2012, the Group entered into an agreement with 天津津濱發展股份有限公司 (Tianjin Jinbin Development Company Limited) pursuant to which the Company acquired the entire equity interest in 天津天瀟投資發展有限公司 (Tianjian Tianxiao Investment Development Company Limited) ("Tianjin Tianxiao") and all rights attached thereto for a consideration of approximately RMB385 million and assumed Tianjin Tianxiao's debt in the amount of approximately RMB1,048 million. The amendment of the industrial and commercial registration was completed by Tianjin Tianxiao in December 2012.

The major asset of Tianjin Tianxiao project is a piece of land located at No. 178 of Jintang Road, Hedong District, Tianjin, the PRC. The land has an aggregate site area of approximately 132,000 sq.m.. The land is at early stage of development and will be developed into residential and commercial properties, including high-rise residential properties, multi-storey residential properties and shops with a total maximum gross floor area of approximately 316,000 sq.m.. The project is currently at the stage of planning and design. It is expected that construction to be commenced in the second half of 2013, pre-sale in 2014 and completion of development in 2016.

Chairman's Statement

Beijing Laiguangying

The Company holds 33% equity interest

On 12 December 2012, the Group entered into a capital increase agreement with 招商局地產(北京)有限公司 (China Merchants Property Development (Beijing)., Ltd) and 大連盈致企業管理有限公司 (Dalian Yingzhi Corporate Management Limited), pursuant to which the Company made capital contribution in cash to Beijing Guangying Residential Property Development Limited (北京廣盈房地產開發有限公司)("Beijing Guangying") in the amount of approximately RMB42 million. It has also been agreed that the total accumulative amount of shareholders' loan and guarantee to be provided shall not exceed RMB924 million. The transaction was completed in January 2013.

The major assets of Beijing Guangying project are two pieces of land lots located in the area of Laiguangyingxiang in Chaoyang District, Beijing, the PRC. The land has a total site area of approximately 73,000 sq.m.. At present, the land is at the early stage of development with a total maximum gross floor area of approximately 182,000 sq.m. for residential development. Its pre-sale will be launched in mid-2013 and the project is scheduled to be completed in 2016.

Chairman's Statement

Chengdu OCT

The Company holds 51% equity interest

Chengdu OCT Project is located at both sides of Shaxi Line of Outer Sanhuan Road, Jinniu District, Chengdu City, Sichuan Province, the PRC, which is to be developed into a composite project, comprising residential, commercial properties and a theme park, occupying a total site area of approximately 1,827,000 sq.m. and gross floor area of approximately 2,250,000 sq.m.. During the period under review, Chengdu OCT recorded a turnover of approximately RMB1,980 million. The contract sales area and revenue of the residential property project reached approximately 137,000 sq.m. and approximately RMB1,680 million respectively, while the settled area and revenue were approximately 160,000 sq.m. and approximately RMB1,830 million respectively. The products launched in 2012 were mainly high-rise residential properties, and part of the low-density residential properties and multi-storey residential properties. The current rentable area for commercial use is approximately 65,000 sq.m., of which 99% has been occupied. Chengdu OCT's theme park, "Chengdu Happy Valley", has attracted approximately 2.44 million visitors throughout the period under review, whose revenue was approximately RMB250 million, representing an increase of approximately 9% over the same period of last year.

Xi'an OCT

The Company holds 25% equity interest

Located in No. 2 of Second Beichitou Road, to the east of Tang Paradise, Qujiang New District, Xi'an City, Shanxi Province, Xi'an OCT Project is in proximity to several famous scenic spots. The land has a total site area of approximately 137,000 sq.m., all products are low-density residential properties. During the period under review, the products launched by Xi'an OCT included duplex, compound and detached houses. The contract sales area and revenue reached approximately 45,000 sq.m. and approximately RMB950 million respectively. The settled area and revenue were approximately 39,000 sq.m. and approximately RMB830 million respectively. Investment income which the Company obtained according to its equity interest in Xi'an OCT was approximately RMB40 million.

Chairman's Statement

Paper Packaging Business

The Group has over 20 years of experience in the packaging and printing industry. It has set up four manufacturing bases in the Pearl River Delta and Yangtze River Delta, the most economically developed regions in China, and branches located in places such as Huizhou, Zhongshan, Shanghai, Chuzhou, Wuhan, Kunshan, and has built up the "Huali" brand with solid customer base and good market reputation.

2012 was a year featured by sluggish performance in the European and American economies, a large number of foreign companies shifted their production, reduced output and laid off employees. Sales to our key Japanese customers decreased and the Company's paper packaging business faced various challenges. During the period under review, the Company has adopted a number of strategies to, on one hand, expand its market and identify new major branded customers, and formed a larger and more stable sales scale, on the other hand, through enhancing the Company's management, to achieve higher efficiency with lower cost. Besides, in order to be more competitive in the market, the Company introduced new printing equipments, increased the automation level of the Group, and maintained its leading position in technology amidst a situation of higher cost and keen market competition. During the period under review, paper packaging business recorded a turnover of approximately RMB829 million, representing an increase of approximately 1.7% over the same period of 2011. Profit attributable to owners amounted to approximately RMB23.28 million, representing an decrease of approximately 21.4% over the same period of 2011.

Chairman's Statement

OUTLOOK

Looking forward to 2013, the global economy is likely to grow at low-gear. It is expected that the PRC government will continue to implement control measures on the real estate industry. However, the Group considers that such measures could contribute to the long-term and healthy development of the real estate market. At the end of 2012, the PRC government unveiled its clear objective of achieving a comprehensive well-off society by 2020. At the same time it emphasized plans such as transformation of economic development, new urbanization progress and "income doubling". The Group expects that the overall real estate market in 2013 will turn more positive, but it is unlikely that the prices of housings will rise sharply. The Company's projects are all located in cities serving as economic centres in the mainland where economy of scale and urbanization level are higher than the average level of the country, which will support property prices and is favorable to the development of the Company's business.

Comprehensive development business

In 2013, the Company plans to fasten its development pace, so as to increase turnover rate and enhance profit level. The Company will follow the original planning of its projects and keep in line with market condition. The Group has the following planning for each of its projects in 2013: sales of Shanghai Suhewan project to be launched will include ultra-high rise residential properties located in 1 Jiefang and apartment-style offices and boutique business premises located in 41 Jiefang, approximately 26,000 sq.m. saleable or leaseable area is planned for new launch. The project to be launched by Chengdu OCT in the second half of 2013 will include two high-end office buildings, while residential property projects mainly include sales of high-rise, multi-storey and low-density residential properties, approximately 235,000 sq.m. saleable or leaseable area is planned for new launch. Phase II of Chengdu Happy Valley will open to public in May 2013 and is expected to attract more visitors. With our solid foundation established and successful experience in the past, the Group believes that each project will continue to achieve satisfactory results in 2013.

Chairman's Statement

Looking forward, the Group will continue to leverage on the unique overall planning and advantage from accurate market positioning, fully utilize its premium brand and resources and continue to increase input, to increase project reserves through actively seeking for lands which fit into the Company's positioning in cities with location advantages and growth potential. It will implement organic integration and rational allocation between large-scale composite development projects and projects with quick turnover rate, so that both the scale and profitability will be enhanced.

Paper packaging business

The Group expects that domestic manufacturing market in general is still facing challenges. As for paper packaging business, the Group will continue to expand its market share, achieve a higher efficiency with lower costs, and raise market competitiveness so as to achieve stable development.

As a member of OCT Group, the Company has full confidence in the development prospect in the future, and believes that the Company will receive support and continued concern from our parent company. The Company aims to become a prominent developer and operator of commercial complex, and continue to bring satisfactory return 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, 28 February 2013

Management Discussion and Analysis

OPERATING RESULTS

As at 31 December 2012, the Group's total assets amounted to approximately RMB20,138 million, representing an increase of approximately 225% over that as at 31 December 2011; total equity amounted to approximately RMB4,830 million, representing an increase of approximately 111% over that as at 31 December 2011.

For the year ended 31 December 2012, the Group realized sales of approximately RMB3,453 million, representing an increase of approximately 34.9% over the same period in 2011, of which, sales of the comprehensive development business was approximately RMB2,624 million, representing an increase of approximately 50.5% over the same period in 2011; and sales of the paper packaging business was approximately RMB829 million, representing an increase of approximately 1.7% over the same period in 2011. Profit attributable to owners of the Company were approximately RMB177 million, representing an increase of approximately 11.3% over the same period in 2011, of which, profit attributable to owners of the Company of the comprehensive development business were approximately RMB154 million, representing an increase of approximately 18.8% over the same period in 2011, mainly as a result of the newly added project, Shanghai Suhewan, recorded profit in this year; and profit attributable to owners of the Company of the paper packaging business were approximately RMB23.28 million, representing a decrease of approximately 21.4% over the same period in 2011, mainly as a result of market downturn and operating costs increased. The basic earnings per share for 2012 were RMB0.35, as compared to RMB0.31 for 2011.

During the period under review, gross profit margin of the Group was approximately 34.3% (2011: approximately 30.2%), representing an increase of 4.1% over the same period in 2011. Of which, the gross profit margin of the comprehensive development business was approximately 41.3%, representing an increase of 2.8% over the same period in 2011, mainly due to the products sold in the year were products with high gross profit margin; and the gross profit margin of the paper packaging business was approximately 12.3%, which was substantially the same as compared with the same period in 2011. Net profit margin attributable to owners of the Company was approximately 5.1% (2011: approximately 6.2%), representing a decrease of 1.1% as compared with that of 2011. Of which, the net profit margin attributable to owners of the comprehensive development business was approximately 5.9%, representing a decrease of 1.5% over the same period in 2011; and the net profit margin attributable to owners of the paper packaging business was approximately 2.8%, representing a decrease of 0.8% over the same period in 2011.

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

Distribution costs of the Group for the year ended 31 December 2012 were approximately RMB225 million (2011: approximately RMB161 million), representing an increase of approximately 39.8% over the same period in 2011. Of which, the distribution costs of the comprehensive development business were approximately RMB179 million, representing an increase of approximately 51.7% over the same period in 2011, mainly due to distribution costs of the newly added project, OCT Shanghai Land; and the distribution costs of the paper packaging business were approximately RMB45.66 million, representing an increase of approximately 6.9% over the same period in 2011, primarily due to intensifying efforts in market development which led to increase in distribution costs over the same period in 2011.

Management Discussion and Analysis

The Group's administrative expenses for the year ended 31 December 2012 were approximately RMB154 million (2011: approximately RMB126 million), representing an increase of approximately 22.30% over the same period in 2011. Of which, the administrative expenses of the comprehensive development business were approximately RMB128 million, representing an increase of approximately 36.0% over the same period in 2011, mainly due to administrative expense of the newly added project, OCT Shanghai Land; and the administrative expenses of the paper packaging business were approximately RMB26.00 million, representing a decrease of approximately 18.4% over the same period in 2011, mainly due to the results from which the Company carried out higher efficiency with lower cost in the year.

INTEREST EXPENSES

The interest expenses of the Group were approximately RMB103 million for the year ended 31 December 2012 (2011: approximately RMB55.49 million), representing an increase of approximately 84.9% over the same period in 2011. Of them, the interest expenses of the comprehensive development business were approximately RMB99.14 million, representing an increase of approximately 85.1% over the same period in 2011, mainly due to loan advanced for acquisition of OCT Shanghai Land (which engaged in the Shanghai Suhewan Project) during the year, which resulted in the significantly increase in interest expenses; and the interest expenses of the paper packaging business were approximately RMB3.49 million, representing an increase of approximately RMB1.56 million over the same period in 2011.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK$8.0 cents per share for the year ended 31 December 2012 (2011: HK$7.3 cents per share).

INVENTORIES, DEBTORS' AND CREDITORS' TURNOVER

For the year ended 31 December 2012, the Group's inventory turnover days for the paper packaging business were 41 days, shorter as compared to 49 days for the year ended 31 December 2011. The decrease in inventory turnover days was mainly due to the change of our inventory into debtors as a result of expanded sales volume during the period. The Group's debtors' turnover days for the paper packaging business were 126 days for the year ended 31 December 2012, representing an increase as compared to 100 days for the year ended 31 December 2011, which was mainly due to the grant of longer credit period to customers in order to expand sales. The Group's creditors' turnover days for the paper packaging business were 90 days for the year ended 31 December 2012, as compared to 71 days for the year ended 31 December 2011, such increase mainly due to the extending of payment terms by some of the suppliers.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total equity of the Group as at 31 December 2012 was RMB4,830 million (31 December 2011: RMB2,290 million). As at 31 December 2012, the Group had current assets of RMB16,994 million (31 December 2011: RMB3,064 million) and current liabilities of RMB7,908 million (31 December 2011: RMB2,736 million). The current ratio was 2.15 as at 31 December 2012 as compared to 1.12 as at 31 December 2011. The Group generally finances its operations with internally generated funds and credit facilities provided by banks and shareholder's loan.

Management Discussion and Analysis

As at 31 December 2012, the Group had outstanding bank loans of RMB1,118 million, without any fixed-rate loans (31 December 2011: outstanding bank loans of RMB173 million, without any fixed-rate loans). As at 31 December 2012, the bank loan interest rates of the Group ranged from 1.5% to 4.2% per annum (while for the year ended 31 December 2011, the bank loan interest rates of the Group ranged from 0.99% to 2.33% 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 53% as at 31 December 2012, which increased by approximately 33% as compared with 20% as at 31 December 2011, mainly due to newly added acquisition of OCT Shanghai Land during the period.

As at 31 December 2012, approximately 100% of the total amount of outstanding bank loans of the Group was in Hong Kong Dollars (31 December 2011: 100%). As at 31 December 2012, approximately 91% of the total amount of cash and cash equivalents of the Group was in Renminbi (31 December 2011: 91%), approximately 8% of its cash and cash equivalents was in Hong Kong Dollars (31 December 2011: 8%) and approximately 1% of its cash and cash equivalents was in United States Dollars (31 December 2011: 1%).

The Group's liquidity position remains stable. 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 2012. During the year ended 31 December 2012, 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 2012, the Group employed approximately 2,600 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 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.

Under the ordinary resolution passed at the extraordinary general meeting on 15 February 2011, the Board adopted a new share option scheme and simultaneously terminated the share option scheme which was adopted by the Company on 12 October 2005. 720,000 share options had been exercised during 2012.

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 December 2012.

Directors and Senior Management

DIRECTORS

Executive Directors

Ms. Wang Xiaowen, aged 43, is the Chairman of the Company, joined the Group in 2011. Ms. Wang is the general director 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"), a director of Union Holdings, 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 and the director of Overseas Chinese Town Real Estate Company Limited ("OCT Properties") (a wholly-owned subsidiary of OCT Ltd.) and Chengdu OCT, and the director and Chairman of Shenzhen OCT Hotel Group Company Limited (深圳市華僑城酒店集團有限公司) (a wholly-owned subsidiary 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. Wang is also chairman of the nomination committee of the Company (the "Nomination Committee").

Ms. Xie Mei, aged 45, is the Chief Executive Officer of the Company. Ms. Xie is the chairman of Tianjin Tianxiao and a director of all the subsidiaries of the Company. Ms. Xie is also the general manager of OCT (HK) and a director of Pacific Climax, a direct controlling shareholder of the Company. She is also a director of Xi'an OCT and Yunnan OCT Industrial Co., Ltd. (雲南華僑城實業有限公司) ("Yunnan OCT"), both being subsidiaries of OCT Group. Ms. Xie has rich management experience. Ms. Xie has been a deputy director and director of the strategic development department of OCT Group. 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 December 2004 and was re-designated as an executive Director in August 2007.

Mr. Yang Jie, aged 51, a senior engineer, is the vice president of the Company, joined the Group in 2012. Mr. Yang is the director of Tianjin Tianxiao and the chairman of Beijing Guangying. He is also the deputy general manager of OCT (HK) and the director and general manager of Beijing Century Overseas Chinese Town Industrial Co. Ltd. (北京世紀華僑城實業有限公司) (a non-wholly owned subsidiary of OCT Ltd.). Mr. Yang joined OCT Group in 1992 and held various positions including the deputy director of the Planning and Construction Department of OCT Group, the deputy general manager of OCT Properties and the director and general manager of Shanghai Highpower OCT Investment Inc. (a non-wholly owned subsidiary of OCT Ltd.). Prior to that, Mr. Yang worked as an engineer for a national design institute in the PRC. Mr. Yang graduated from the Xi'an University of Architecture and Technology in 1982 majoring in industrial and civil architecture, and has extensive experience in the planning, development, operation and management of real estate.

Directors and Senior Management

Non-executive Director

Mr. He Haibin, aged 38, is a senior accountant and senior financial manager, joined the Group in 2010. Mr. He is a director of all the BVI and Hong Kong incorporated subsidiaries of the Company. He is also a director of Konka Group and Shenzhen OCT International Hotel Management Company Limited (深圳市華僑城國際酒店管理有限公司) (a non-wholly owned subsidiary of OCT Ltd.), and the director of the corporate management division of OCT Group. Mr. He had been the supervisor and deputy director of the finance department of OCT Group, and 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 ("InterContinental Shenzhen") and OCT (HK), all being subsidiaries of OCT Group. Mr. He graduated from 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).

Independent Non-executive Directors

Ms. Wong Wai Ling, aged 51, joined the Group in April 2007. She obtained 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 AVIC International Holdings Limited. Ms. Wong is the chairman of the audit committee of the Company (the "Audit Committee") and remuneration committee of the Company (the "Remuneration Committee") and is a member of Nomination Committee.

Mr. Xu Jian, aged 60, 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). 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 a member of the Audit Committee and Remuneration Committee of the Company.

Professor Lam Sing Kwong Simon, aged 54, joined the Group in May 2009. Professor Lam obtained a doctorate degree in commerce from the Faculty of Economics and Commerce at The Australian National University in April 1996. Professor Lam joined The University of Hong Kong as a full-time teaching staff in September 1989 and is now the Professor of Management at the Faculty of Business and Economics of the University of Hong Kong. He has published a number of academic papers and case analysis in the topics of corporate strategy, organization development and operations management. Before joining The University of Hong Kong, Professor Lam had worked as a Regional Support Manager for the Canadian Imperial Bank of Commerce from 1987 to 1989. Professor Lam is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Directors and Senior Management

Senior Management

Mr. He Ming, aged 42, is the vice president of the Company. Mr. He is a supervisor of Tianjin Tianxiao and a director of Beijing Guangying. He is also the deputy general manager of OCT (HK). Mr. He joined the Group in 2012. Mr. He served as the head of finance department of OCT Group, director of investment and securities department of OCT (HK) and chief representative of Beijing Office of OCT Group. He was the president of Changqing Investment Group (長青投資集團) from 2009 to 2012. Mr. He graduated from Zhongnan University of Economics and Law, majoring in international finance.

Mr. Ning Jun, aged 45, is the vice president of the Company. Mr. Ning is a director of various subsidiaries of the Company. He is also the deputy general manager of OCT (HK) and a director of InterContinental Shenzhen. Mr. Ning joined the Group in June 2007. Mr. Ning was the chief representative of Beijing Office of OCT Group and the deputy executive chairman of the president office of OCT Group. Mr. Ning graduated from University of Wales in 2006 with a master degree in business management.

Mr. Chen Gang, aged 38, is the vice president of the Company. Mr. Chen is also the deputy general manager of OCT (HK). 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 42, is the vice president of the Company. Mr. Zhang is a director of various subsidiaries of the Company. Mr. Zhang joined the Group in 1993. Mr. Zhang supervised the daily operation of Shenzhen Huali Packing & Trading Co., Ltd. ("Shenzhen Huali") from 2002 to June 2007. 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 49, is the Chief Financial Officer, Company Secretary and qualified accountant of the Company, and also serves as a director of Huali Holdings Company Limited, 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 46, is the managing director of Chengdu OCT division of Chengdu OCT. Mr. Zhang joined Chengdu OCT at 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) (now known as InterContinental Shenzhen) 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 Renmin University of China (中國人民大學).

Mr. Yuan Jingping, aged 48, is the managing director of OCT Shanghai Land and the director of Shanghai Highpower OCT Investment Inc. ("Highpower OCT"). Mr. Yuan has extensive experience in real estate and construction industries. Since joining the OCT Group in 1999, Mr. Yuan has been the general manager of Shenzhen CMOCT Investment Limited (深圳招商華僑城投資有限公司) and Highpower OCT. Before joining OCT Group, Mr. Yuan served as a chief architect in an architectural design institute. In 1989, Mr. Yuan attained his master degree of architecture from Southeast University.

Corporate Governance Report

The Company believes that high standard corporate governance and a 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.

From 1 January 2012 to 31 March 2012, the Company had complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Code has been amended which took effect from 1 April 2012 (the "Revised Code") and the Company had complied with all the code provisions as set out in the Revised Code during the period from 1 April 2012 to 30 June 2012. Details of the Company's corporate governance are summarized as below.

BOARD OF DIRECTORS

Board Responsibilities and Delegation

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. All board members have separate and independent access to the senior management, and are provided with full and timely information about the conduct of the business and development of the Company, including monthly 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.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in code provision D.3.1 of the Revised Code. As at the date of this report, the Board has reviewed and monitored: (a) the Company's corporate governance policies and practices, (b) training and continuous professional development of directors and senior management, (c) the Company's policies and practices on compliance with legal and regulatory requirements, (d) the Company's code of conduct and (e) the Company's compliance with the Revised Code disclosures requirements.

Corporate Governance Report

Composition of the Board

The board of the Company comprises seven members, including three executive Directors, one non-executive Director and three independent non-executive Directors. The number of independent non-executive directors is more than one-third of the number of the Board. Independent non-executive Directors are experienced professionals. They have profound expertise and experience in the legal, accounting, financial or 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.

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

Executive Directors

Ms. Wang Xiaowen *(Chairman of the Board)*
Ms. Xie Mei *(Chief Executive Officer)*
Mr. Yang Jie *(appointed on 11 April 2012)*
Mr. Zhou Guangneng *(resigned on 28 March 2012)*

Ms. Wang Xiaowen and Ms. Xie Mei have been re-elected as executive Directors at the annual general meeting of the Company held on 6 April 2011, and have entered into the service contract with the Company for a term of three years effective from 6 April 2011, subject to termination provisions therein.

Mr. Yang Jie has been appointed as executive Director of the Company on 11 April 2012, and has entered into a director's service agreement with the Company for a term commencing from 11 April 2012 until the conclusion of the 2012 annual general meeting of the Company to be held in 2013.

Mr. Zhou Guangneng was re-appointed as the Company's executive Director on the annual general meeting of the Company held on 6 April 2011, and resigned as the Company's executive Director on 28 March 2012.

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 contract with the Company for a term of three years effective from 31 May 2010.

Independent Non-executive Directors

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

Corporate Governance Report

All the independent non-executive Directors above have been re-elected as independent Directors at the annual general meeting of the Company held on 31 May 2010, and have entered into the service contract with the Company for a term of three years effective from 31 May 2010. The biographies of all Directors are set out in this Report on pages 16 to 17.

The Company has complied with Rules 3.10(1) and 3.10A of the Listing Rules. During the year ended 31 December 2012, there were three independent non-executive Directors in the Board and the number of independent non-executive Directors represents at least one-third of the Board. The Company has also complied with Rule 3.10(2) of the Listing Rules, which stipulates that one of the independent non-executive Directors must possess appropriate professional qualifications or accounting or related financial management expertise. The Board considers that the independent non-executive Directors are all independent persons with appropriate qualifications or expertise and the Company has complied with the relevant requirements of the Listing Rules.

The Company has established a Nomination Committee. The Nomination Committee will evaluate the independence of all independent non-executive Directors each year and make sure that they comply with the independence requirement under Rule 3.13 of the Listing Rules. All members of the Board are not related to one another in all aspects, including finance, family and business.

Chairman and Chief Executive Officer

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. 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 managements, 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.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Nomination Committee identifies appropriate individuals qualified to become Board members and to provide advice to the Board in respect of nomination such persons to the Board. Nomination Committee also make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors in particular the Chairman and chief executive directors. The Board is responsible for formulating the procedures for appointing Directors, and nominating suitable candidates for approval at the annual general meetings so as to fill vacancies due to resignation of Directors or to 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.

Pursuant to the articles of association of the Company, every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Corporate Governance Report

NUMBER OF BOARD MEETINGS HELD AND PROCEDURES

The Board convened eight meetings in the year ended 31 December 2012.

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

THE ATTENDANCE OF DIRECTORS AND COMMITTEE MEMBERS

The Directors' attendances of the meetings of the Board, the Audit Committee, the Remuneration Committee, Nomination Committee and General Meeting in the year ended 31 December 2012 are as follows:

	Number of meetings attended/ Number of meetings				
Name of Directors	**The Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Wang Xiaowen	8/8	N/A	N/A	1/1	1/3 *(Note 3)*
Xie Mei	7/8	N/A	N/A	N/A	3/3
Yang Jie	3/4 *(Note 1)*	N/A	N/A	N/A	1/3 *(Note 3)*
Zhou Guangneng	2/2 *(Note 2)*	N/A	N/A	N/A	N/A *(Note 2)*
He Haibin	8/8	N/A	N/A	N/A	1/3 *(Note 3)*
Wong Wai Ling	7/8	3/3	1/1	1/1	3/3
Xu Jian	7/8	3/3	1/1	N/A	0/3 *(Note 3)*
Lam Sing Kwong Simon	7/8	3/3	1/1	1/1	2/3 *(Note 3)*

Note 1: Mr. Yang Jie was appointed as executive Director of the Company on 11 April 2012. Mr. Yang attended three out of four Board meetings held during his tenure in the year ended 31 December 2012.

Note 2: Mr. Zhou Guangneng retired from office as executive Director of the Company on 28 March 2012. Mr. Zhou attended two out of two Board meetings held during his tenure in the year ended 31 December 2012 and there was no general meeting held during the said period.

Note 3: Certain Directors were not able to attend the general meetings held in 2012 due to their unavoidable business engagements.

Corporate Governance Report

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT PROGRAMME

Each newly appointed director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant statutes, laws, rules and regulations.

Directors' training is an ongoing process. During the year ended 31 December 2012, Directors are provided with monthly updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, all Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company updates Directors on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, to ensure compliance and enhance their awareness of good corporate governance practices.

During the year ended 31 December 2012, the Company has also organized briefing sessions conducted by the Hong Kong Legal Adviser to the Company for the Directors. The briefing sessions covered topics including the Corporate Governance Code, listed company regulations and disclosure obligations in Hong Kong, disclosable transactions and connected transactions etc.

According to the records provided by the Directors, a summary of training received by the directors since 1 April 2012 up to 31 December 2012 is as follows:

	Reading seminar materials and updates relating to the latest development of the Listing Rules and other applicable regulatory requirements	**Attending briefing sessions**
Name of Directors		
Executive Directors		
Wang Xiaowen	✓	✓
Xie Mei	✓	✓
Yang Jie	✓	✓
Non-executive Director		
He Haibin	✓	✓
Independent Non-executive Directors		
Wong Wai Ling	✓	✓
Xu Jian	✓	✓
Lam Sing Kwong Simon	✓	✓

SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS

For the year ended 31 December 2012, 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 Professor 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: (a) 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; (b) reviewing of internal control and monitoring the work of internal audit department; (c) reviewing the financial statements of the Company, the Company's annual reports and accounts, interim reports and quarterly reports (if any); (d) examining financial statements and reporting to the Board for any significant opinions in relation to financial reporting; (e) 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); (f) reviewing correspondences addressed to the management by the external auditors and responses from the management.

The Audit Committee held three meetings during the year ended 31 December 2012, and performed the major works as below:

1. reviewed the annual financial results and report for the year ended 31 December 2011 and interim financial results and report for the six months ended 30 June 2012;

2. reviewed the internal audit department's report regarding the reviewing and procedures of the internal control and risk management of the Company; and

3. provided opinions to the Board in respect of appointment of external auditors and approval of auditors' remuneration and the terms of appointment of external auditors.

The Audit Committee has reviewed this annual report, and confirms that it is complete and accurate and complies with the Listing Rules.

Corporate Governance Report

REMUNERATION COMMITTEE

The Remuneration Committee consists of three members, including three independent non-executive Directors, namely Ms. Wong Wai Ling, Mr. Xu Jian and Professor Lam Sing Kwong Simon, with Ms. Wong Wai Ling being the Chairman of the Remuneration Committee.

The main role and function of the Remuneration Committee are as follows: (a) consulting the Chairman of the Board on remuneration recommendations concerning other executive Directors; (b) putting 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; (c) with authority delegated by the Board, finalizing the compensation packages for all the executive Directors and senior managerial staff and putting forward recommendations to the Board on remuneration for non-executive Directors; (d) reviewing and approving compensations paid to executive Directors and senior managerial staff, who lose their positions or whose appointments are terminated, in order to ensure that the compensations are paid in accordance with relevant contractual terms.

The Remuneration Committee held one meeting during the year ended 31 December 2012, and performed the major work as below:

1. reviewed and discussed the remuneration policy and structure of the Company and the remuneration and performance of duties of the executive Directors and senior management;

2. authorized by the Board to formulate the remuneration packages of individual executive directors and senior management.

NOMINATION COMMITTEE

The Board established the Nomination Committee on 28 February 2012 with written terms of reference. The Nomination Committee consists of three members, including one executive Director namely Ms. Wang Xiaowen and two independent non-executive Directors, namely Ms. Wong Wai Ling and Professor Lam Sing Kwong Simon, with Ms. Wang Xiaowen being the chairman of the Nomination Committee.

The main role and function of the Nomination Committee are as follows: (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (b) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; (c) assessing the independence of independent non-executive Directors; (d) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

Corporate Governance Report

The Nomination Committee held one meeting during the year ended 31 December 2012 and performed the major work as below:

1. examined the structure, size and composition of the Board, to ensure the Directors have the expertise, skills and experience required to meet the Company's business;

2. assessed the independency of all independent non-executive directors of the Company; and

3. reviewed and discussed the nomination of Mr.Yang Jie as a Director and made recommendations to the Board in this regard.

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 information of the Group's risk management network, the control and governance processes in order to monitor the effectiveness of the internal control of the Company. The internal audit department conducts an overall 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 financial position, results and cash flow of the Group for the year. In preparing the financial statements for the year ended 31 December 2012, the Directors have:

- selected appropriate accounting policies and applied them consistently; and

- made judgments and estimates that are 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 48.

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.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Group paid total Directors' remuneration amounts of approximately RMB693,000, RMB357,000, RMB nil, RMB146,000, RMB98,000, RMB98,000 and RMB98,000 to Ms. Xie Mei, Mr. Zhou Guangneng, Mr. Yang Jie, Mr. He Haibin, Ms. Wong Wai Ling, Mr. Xu Jian and Professor Lam Sing Kwong Simon respectively for the year ended 31 December 2012. Ms. Wang Xiaowen did not receive any basic remuneration from the Group as at 31 December 2012. Details in relation to the Director's remuneration payment of the Group in the year ended 31 December 2012 set out in page 89 of this report.

Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. As at 31 December 2012, there was no arrangement in which Directors waived their remuneration.

Senior management's remuneration payment of the Group in the year ended 31 December 2012 falls within the following bands:

	Number of Individuals
RMB500,000 or below	1
RMB500,001 to RMB1,000,000	5
RMB1,000,001 to RMB1,500,000	1

SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard in the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules (the "Model Code"). The Board confirms that, having made specific 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

The senior management and staff have been individually notified and advised about the Model Code by the Company.

Corporate Governance Report

FINANCIAL OFFICER

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

COMPANY SECRETARY

The Company Secretary reports directly to the Board. All the Directors have easy access to the Company Secretary and the responsibility of the Company Secretary is to ensure the board meetings procedures are properly followed and are in compliance with the relevant laws and regulations. The Company Secretary is also responsible for giving advice to the Board 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.

The Company Secretary has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements during the year ended 31 December 2012.

EXTERNAL AUDITORS

During the period from 1 January 2012 to 9 December 2012, the Group's external auditors was KMPG. KPMG has resigned as auditor of the Company with effect from 10 December 2012 as KPMG and the Company have not been able to reach an agreement in respect of the audit fee for the financial year ended 31 December 2012.

KPMG has confirmed to the Company that there were no other matters in connection with its resignation that it considered should be brought to the attention of the shareholders of the Company. Both the Board and the Audit Committee confirm that there is no disagreement between the Company and KPMG, and there are no circumstances in respect of the change of auditor which should be brought to the attention of the Shareholders.

RSM Nelson Wheeler has been appointed as auditor of the Company with effect from 10 December 2012 to fill the casual vacancy following the resignation of KPMG and to hold office until the conclusion of the 2012 annual general meeting of the Company.

Corporate Governance Report

The remuneration paid to the external auditors KMPG for audit services was approximately RMB1.86 million and no fees had been paid to them for tax compliance and advisory work in 2012. No fees has been paid to external auditors, RSM Nelson Wheeler for audit services, tax compliance and advisory work in 2012.

The responsibilities of the auditors to the Shareholders are set out on page 48 in this 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.

There was no change in constitutional documents of the Company in the year ended 31 December 2012. Investors can also obtain the latest constitutional documents of the Company from the Company's website.

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 Company's website www.oct-asia.com.

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.

Corporate Governance Report

SHAREHOLDER'S RIGHT

Procedures for putting forward proposals at general meeting by shareholders

In accordance with the requirements under Article 64 of the articles of association of the Company, extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 113 of the articles of association of the Company, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office. The minimum length of the period, during which the notices required under the articles of association of the Company will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary whose contact details are as follows:

Attention: The Company Secretary
Overseas Chinese Town (Asia) Holdings Limited
Suite 3204, Tower 6 The Gateway, 9 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong
Email: contact.asia@chinaoct.com

The Company Secretary shall forward the Shareholders' enquiries and concerns to the Board and/or relevant Board committees of the Company, where appropriate, to answer the Shareholders' questions.

Directors' Report

The Board has pleasure in submitting the annual report together with the audited financial statements for the year ended 31 December 2012.

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 comprehensive development business and the manufacture and sale of cartons and paper products.

RESULTS AND DISTRIBUTIONS

The results of the Group for the year are set out in the consolidated income statement on page 50.

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 (but not limited to) 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 continuous growth and business expansion. Subject to the above, the Directors of the Group propose the distribution of a dividend of HK$8.0 cents per share for the year ended 31 December 2012 (2011: HK$7.3 cents per share).

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2012 and the state of affairs of the Company and the Group as at that date is set out in the financial statements on pages 50 to 140.

Directors' Report

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER

The Register of Members of the Company will be closed from 17 April 2013 to 19 April 2013 (both days inclusive), for the purpose of determining Shareholders' entitlement to attend the forthcoming annual general meeting (the "Annual General Meeting"), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the Annual General Meeting, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 16 April 2013.

The Board recommend the payment of a final dividend of HK$8 cents per share to Shareholders whose names appear on the Register of Members of the Company on 30 April 2013. The Register of Members will be closed from 26 April 2013 to 30 April 2013, both days inclusive, and the proposed final dividend is expected to be paid on 28 June 2013. The payment of dividends shall be subject to the approval of the Shareholders at the Annual General Meeting to be held on 19 April 2013. In order to be qualified for the proposed dividend, Shareholders should deliver share certificates together with transfer documents to the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 25 April 2013.

TRANSFERS TO RESERVES

Profit attributable to Shareholders before dividends of RMB177 million (2011: RMB159 million) have been transferred to reserves. Other movements in the reserves are set out in consolidated statement of changes in equity and note 28 to the financial statements.

FIXED ASSETS

During the year, the Group invested approximately RMB142 million for the acquisition of fixed assets (including construction in progress). Details of the movements of fixed assets, and construction in progress are set out in note 13 to the financial statements.

SHARE CAPITAL

For the year ended 31 December 2012, an additional 720,000 Shares were issued as a result of the exercise of certain share options granted under the old share option scheme adopted by the Company on 12 October 2005.

As a result of the above, the Company's total issued share capital increased to 509,790,000 Shares as of 31 December 2012, representing an increase of 720,000 Shares compared to last year.

Details of the movements in share capital of the Company during the year are set out in note 28 to the financial statements.

DISTRIBUTABLE RESERVES

Pursuant to the relevant rules of the Cayman Islands, the Company's distributable reserves as at 31 December 2012 amounted to RMB1,245 million.

Directors' Report

PRE-EMPTIVE RIGHTS

There was no provision in respect of pre-emptive rights in the articles of association of the Company or 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 repurchased 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.

MATERIAL CONTRACTS

Save as disclosed in this annual report, no contract of significance has been entered into during the reporting period between the Company or any of its subsidiaries and the controlling shareholder or its subsidiaries.

SERVICE CONTRACTS

No Director has an unexpired service contract which is not determinable by the Company within one year without payment of compensation other than normal statutory compensation.

DIRECTORS

The Directors during the year were as follows:

Executive Directors:
Ms. Wang Xiaowen *(Chairman)*
Ms. Xie Mei *(Chief Executive Officer)*
Mr. Yang Jie (appointed on 11 April 2012)
Mr. Zhou Guangneng (resigned on 28 March 2012)

Non-executive Director:
Mr. He Haibin

Independent Non-executive Directors:
Ms. Wong Wai Ling
Mr. Xu Jian
Professor Lam Sing Kwong Simon

Directors' Report

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 16 to 18.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors 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 2012 financial year up to and including the date of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2012, 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 as set out in Appendix X of the Listing Rules are as follows:

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
He Haibin *(Note 1)*	400,000	Beneficial owner	Personal	0.08%

Note:

(1) 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 31 December 2012, 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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2012, 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 ("Shares") of the Company

Name of Substantial Shareholders	Capacity/Nature	No. of shares held	Approximate % of shareholding
Pacific Climax Limited ("Pacific Climax") *(Note 1)*	Beneficial owner	294,894,000	57.85%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)") *(Note 2)*	Interest of a controlled corporation	294,894,000	57.85%
Shenzhen Overseas Chinese Town Company Limited (formerly known as Shenzhen Overseas Chinese Town Holding Company) ("OCT Ltd.") *(Note 3)*	Interest of a controlled corporation	294,894,000	57.85%
Overseas Chinese Town Enterprises Company ("OCT Group") *(Note 4)*	Interest of a controlled corporation	294,894,000	57.85%
Others			
UBS AG *(Note 5)*	Interest of a controlled corporation	51,162,000	10.04%

Notes:

(1) Ms. Xie Mei, being executive Director, is also a 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 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). 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.

Directors' Report

(4) OCT Group is the beneficial owner of 56.62% 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 38,708,000 Shares, 8,920,000 Shares and 3,534,000 Shares (total: 51,162,000 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 51,162,000 Shares for the purpose of the SFO.

Save as disclosed above, as at 31 December 2012, 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	3%	
Five largest customers in aggregate	8%	
The largest supplier		30%
Five largest suppliers in aggregate		53%

Other than OCT Group, the ultimate controlling company of the Company, which owns approximately 19% of the total issued share capital and has gained the control of majority of the board of Konka Group Co., Ltd. (and its subsidiaries), one of the five largest customers of the Group in 2012, at no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the Group's five largest suppliers or customers.

Directors' Report

CONNECTED TRANSACTIONS

During the year, the Group has the following continuing connected transactions (the "Connected Transactions") and the Company has fully complied with the announcement, reporting and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules (where applicable):

1. On 31 December 2010, Happy Valley branch office of Chengdu OCT (成都天府華僑城實業發展有限公司歡樂谷分公司) ("Chengdu OCT Happy Valley Branch") entered into the New Cooperation Agreement with a branch office of Shenzhen Overseas Chinese Town City Inn Company Limited (深圳市華僑城城市客棧有限公司) ("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.

   Shenzhen Overseas Chinese Town City Inn Company Limited (深圳市華僑城城市客棧有限公司) ("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.

2. 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 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.

3. On 31 December 2010, Chengdu OCT Happy Valley Branch entered into the New Theme Show Framework Agreement with Shenzhen Overseas Chinese Town International Media and Performance Company Limited (深圳華僑城國際傳媒演藝有限公司) ("OCT International Media") for a term of three years commencing from 1 January 2011 and ending on 31 December 2013, pursuant to which OCT International Media agrees to provide consultancy services, improvement and/or modification services, production services to Chengdu OCT Happy Valley Branch. The charge of such 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 will be similar to that provided by independent third parties to Chengdu OCT and on terms no less favourable than those Chengdu OCT can obtain from independent third parties. Payment of service charges shall be made after completion of works for each stage of service.

   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 New Theme Show Framework Agreement constitute continuing connected transactions under the Listing Rules.

Directors' Report

4. On 31 December 2010, Chengdu OCT entered into the New Design Contract with Shenzhen OCT Tourism Planning Consultancy Company Limited (深圳市華僑城旅遊策劃顧問有限公司) ("OCT Tourism") for a term of two years commencing from 1 January 2011 and ended 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 under the Listing Rules.

5. On 12 December 2008, 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 Tenancy Agreement 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.

6. On 31 December 2010, Chengdu OCT entered into the New Chengdu Tenancy II with Shenzhen OCT Hake Culture Company Limited (深圳華僑城哈克文化有限公司) ("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

7. On 31 December 2010, Chengdu OCT and a branch office of Shenzhen Overseas Chinese Town Property Management Company Limited (深圳市華僑城物業管理有限公司) ("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.

   Shenzhen Overseas Chinese Town Property Management Company Limited (深圳市華僑城物業管理有限公司) ("OCT Property Management") (now known as Shenzhen Overseas Chinese Town Property Service Company Limited) 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.

8. On 31 December 2010, Chengdu OCT entered into the New Electricity Consultation Services Agreement with Shenzhen Overseas Chinese Town Water and Electricity Company Limited (深圳華僑城水電有限公司) ("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.

9. 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 56.52% 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

10. On 31 December 2010, Shenzhen Huali entered into the New Utilities Agreement with OCT Electricity for a term of three years commencing from 1 January 2011 and ending on 31 December 2013 pursuant to which Shenzhen Huali agreed to pay for the water (including sewage charges) and electricity charges incurred for the premises rented by Shenzhen Huali located in Huaqiaocheng, Shenzhen. The calculation of the electricity and water charges are based on the meter reading of Shenzhen Huali's separately installed meters and shall be paid on a monthly basis. The water, sewage and electricity tariffs charged by OCT Electricity follows 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. Accordingly, the arrangements under the above New Utilities Agreement constitute continuing connected transactions under the Listing Rules.

11. On 27 January 2011, the Group entered into a cartons sale and purchase framework agreement (the "New Cartons Framework Agreement") with OCT Group for a term of three years commencing from 1 January 2011 and ending on 31 December 2013. Pursuant to the New Cartons Framework Agreement, the Group has agreed to sell cartons to OCT Group and its associates. The exact amount of cartons to be sold and the selling price will be determined by OCT Group and/or its associates and the Group on each sale transaction with reference to the market prices of the cartons. The independent Shareholders' approval for the New Cartons Framework Agreement was obtained on 6 April 2011.

    OCT Group is a holding company of OCT Ltd., holding approximately 56.52% 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.

12. On 16 August 2011, Chengdu OCT entered into the Framework Agreement with OCT Electricity. Pursuant to the Framework Agreement, OCT Electricity has agreed to provide the Electricity Equipment Maintenance Service to Chengdu OCT for a term with effect from the effective date of the Framework Agreement and ending on 31 December 2013.

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

13. On 15 November 2011, Chengdu OCT Happy Valley Branch entered into the OCT Culture Framework Agreement with OCT Culture. Pursuant to the OCT Culture Framework Agreement, Chengdu OCT Happy Valley Branch has agreed to purchase and OCT Culture has agreed to supply the Entertainment Facilities and Service to Chengdu OCT Happy Valley Branch for a term with effect from the effective date of the OCT Culture Framework Agreement and ending on 31 December 2013.

    OCT Culture is a non-wholly-owned subsidiary of OCT Ltd., and hence a connected person of the Group within the meaning of the Listing Rules. Accordingly, the arrangements under the above OCT Culture Framework Agreement constitute continuing connected transactions under the Listing Rules.

Directors' Report

14. On 15 November 2011, Chengdu OCT entered into the Konka Framework Agreement with Konka Group. Pursuant to the Konka Framework Agreement, Chengdu OCT has agreed to purchase and Konka Group has agreed to supply the LED Equipment, Television and Other Electronic Products and Service to Chengdu OCT for a term with effect from 1 January 2012 and ending on 31 December 2013.

    Konka Group is directly owned by OCT Group as to approximately 19% of its total issued share capital and has gained control of majority of the board of Konka Group. Therefore Konka Group is a connected person of the Group pursuant to the Listing Rules. Accordingly, the arrangements under the above Konka Framework Agreement constitute continuing connected transactions under the Listing Rules.

15. On 10 February 2012, OCT Shanghai Land entered into a Property Management Framework Agreement with the Shanghai branch office of Shenzhen Overseas Chinese Town Property Service Company Limited ("OCT Property Service Shanghai Branch") for a term with effect from 1 March 2012 and ending on 31 December 2014. Pursuant to the Property Management Framework Agreement, OCT Property Service Shanghai Branch agrees to provide property management services in relation to the Suhewan Project of OCT Shanghai Land. The property management fees payable under the Property Management Framework Agreement will be calculated based on the actual areas to be managed and the labour costs to be incurred by OCT Property Service Shanghai Branch. The parties will enter into separate property management contracts to specify the properties to be managed by OCT Property Service Shanghai Branch, and the payment terms for the management fees, as well as to stipulate other rights and obligations of the parties.

    Shenzhen Overseas Chinese Town Property Service Company Limited (formerly known as Shenzhen Overseas Chinese Town Property Management Company Limited) ("OCT Property Service") is an indirect wholly-owned subsidiary of OCT Ltd. Therefore OCT Property Service is a connected person of the Company pursuant to the Listing Rules. OCT Property Service Shanghai Branch is a branch of OCT Property Service. OCT Shanghai Land became an indirect non-wholly owned subsidiary of the Company on 20 June 2012. Accordingly, the arrangements under the above Property Management Framework Agreement constitute continuing connected transactions under the Listing Rules from 20 June 2012 onwards.

Details of items (1) to (10) of the Connected Transactions are set out in the announcement of the Company dated 31 December 2010; details of item (11) of the Connected Transactions are set out in the announcement of the Company dated 27 January 2011; details of item (12) of the Connected Transactions are set out in the announcement of the Company dated 16 August 2011; details of items (13) to (14) of the Connected Transaction are set out in the announcement of the Company dated 15 November 2011; details of item (15) of the Connected Transactions are set out in the announcement of the Company dated 20 June 2012. The transaction amount and cap amount of the Connected Transactions for the year ended 31 December 2012 are as follows:

Directors' Report

	Particulars of the continuing connected transactions	Transaction amount for the year ended 31 December 2012	Cap amount for the year ended 31 December 2012
		RMB'000	*RMB'000*
(1)	New Cooperation Agreement between Chengdu OCT Happy Valley Branch and OCT City Inn Chengdu Branch	912	1,500
(2)	New Marketing Contract between Chengdu OCT Happy Valley Branch and OCT Ltd.	2	1,000
(3)	New Theme Show Framework Agreement between Chengdu OCT Happy Valley Branch and OCT International Media	0	30,000
(4)	New Design Contract between Chengdu OCT and OCT Tourism	1,080	2,000
(5)	New Chengdu Tenancy I between Chengdu OCT and OCT City Inn	1,499	1,500
(6)	New Chengdu Tenancy II between Chengdu OCT and OCT Hake	0	3,000
(7)	New Property Management Framework Agreement between Chengdu OCT and OCT Property Management Chengdu Branch	32,697	39,300
(8)	New Electricity Consultation Services Agreement between Chengdu OCT and OCT Electricity	485	600
(9)	New Tenancy Agreement II between Shenzhen Huali and OCT Group	838	838
(10)	New Utilities Agreement between Shenzhen Huali and OCT Electricity	52	700
(11)	New Cartons Framework Agreement between the Group and OCT Group	57,831	133,000
(12)	Framework Agreement between Chengdu OCT and OCT Electricity	2,240	2,600
(13)	OCT Culture Framework Agreement between Chengdu OCT Happy Valley Branch and OCT Culture	43,600	60,000
(14)	Konka Framework Agreement between Chengdu OCT and Konka Group	632	8,000
(15)	Property Management Framework Agreement between OCT Shanghai Land and OCT Property Service Shanghai Branch	4,715	6,000

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

(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.

Directors' Report

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 or services by the Group; and

- the transaction amount occurred in 2012 for each of the Connected Transactions was not within the respective cap amount as disclosed in the Company's announcements on 31 December 2010, 27 January 2011, 16 August 2011, 15 November 2011 and 20 June 2012.

On 5 January 2012, Great Tec Investment Limited ("Great Tec"), an indirect wholly-owned subsidiary of the Company, entered into the Capital Investment Agreement ("Capital Investment Agreement") with Overseas Chinese Town Real Estate Company Limited ("OCT Properties"), pursuant to which Great Tec conditionally agreed to make capital injection of RMB2,232,000,000 to OCT Shanghai Land("Capital Injection"). The Capital Injection was approved by the Independent Shareholders at the EGM of the Company held on 12 April 2012 and the Group has obtained all the necessary approvals from the PRC government authorities for the Capital Injection. Upon the Capital Investment Agreement becoming binding and unconditional on 12 June 2012, OCT Shanghai Land became an indirect non-wholly owned subsidiary of the Company, the equity interest of OCT Shanghai Land will be owned as to 50.5% by Great Tec and as to 49.5% by OCT Properties, respectively.

OCT Properties is a connected person of the Company pursuant to the Listing Rules. Accordingly, the above transaction arrangements constitute connected transactions under the Listing Rules. Details of the above transactions are set out in the announcements of the Company dated 13 January 2012 and 20 June 2012, and the Company's circular dated 23 March 2012, in compliance with the requirements under Chapter 14A of the Listing Rules.

The related party transactions are set out in note 33 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.

For the year ended 31 December 2012, OCT Group and its associates had made financial assistance to the Group, and the Group had paid interest of a total sum of approximately RMB446,653,000 to OCT Group and its associates. Such financial assistance constituted connected transaction of the Company but was exempt from reporting, announcement and independent shareholders' approval requirements due to the fact that such financial assistance provided by OCT Group and its associates for the benefit of the Company was on normal commercial terms (or better to the listed issuer) where no security over the assets of the Group was granted in respect of such financial assistance.

Directors' Report

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group as at 31 December 2012 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 141 to 142 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 has resigned as auditor of the Company with effect from 10 December 2012 as KPMG and the Company have not been able to reach an agreement in respect of the audit fee for the financial year ending 31 December 2012.

KPMG has confirmed to the Company that there were no other matters in connection with its resignation that it considered should be brought to the attention of the Shareholders. Both the Board and the Audit Committee confirm that there is no disagreement between the Company and KPMG, and there are no circumstances in respect of the change of auditor which should be brought to the attention of the Shareholders.

RSM Nelson Wheeler has been appointed as auditor of the Company with effect from 10 December 2012 to fill the casual vacancy following the resignation of KPMG and to hold office until the conclusion of the 2012 annual general meeting of the Company.

RSM Nelson Wheeler will retire and offer themselves for re-election. A resolution is to be proposed by the Company at the forthcoming annual general meeting, to re-appoint RSM Nelson Wheeler as the auditor 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

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 (the "Old Scheme") which was adopted by the Company on 12 October 2005. The purpose of the New 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 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 at general meeting.

The participants of the New Scheme include any full-time or part-time employee, director, advisor and professional consultant of the Group or any member of the Group.

The Directors may at their absolute discretion and on such terms as they may think fit, propose any eligible person under the New Scheme to take up 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 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 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 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 all the New Schemes and any other Share Option Scheme 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 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 options granted and yet to be exercised under all the New Schemes and any other Share Option Scheme 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 New Scheme as at 31 December 2012 was 20,436,000 options, which represented approximately 4.01% of all the issued share capital of the Company as at 31 December 2012. In addition, options granted under the Old Scheme were exercised in full, the total number of shares to be issued upon exercise of options already granted under the New Scheme as at 31 December 2012 was 30,100,000 Shares, representing approximately 5.90% of the issued share capital of the Company as at 31 December 2012. 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 shares of the Company then 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.

Directors' Report

Pursuant to the terms of the New Scheme, the Company granted 30,100,000 options to some eligible participants (including some directors and employees) at the exercise price of HK$4.04 and grant price of HK$1 on 3 March 2011. Details of the options granted under the New Scheme above are set out in the announcement of the Company dated 3 March 2011.

The status of the share options granted up to 31 December 2012 is as follows:

	Number of unlisted share options (physically settled equity derivatives)									
Name and Category of participants	As at 1 January 2012	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 31 December 2012	Date of grant of Share options	Exercise period of share options	Exercise price of share options** HK$	Share price of the Company as at the date of grant of share options*** HK$	Share price of the Company as at the date of exercise of share options**** HK$
Directors										
He Haibin	400,000	–	–	–	400,000	3 March 2011*****	3 March 2011 to 2 March 2016	4.04	4.04	–
Other employees	720,000	–	720,000	–	–	7 February 2006*	7 February 2006 to 6 February 2016	1.41	1.41	3.00 *(Note)*
	29,700,000	–	–	–	29,700,000	3 March 2011*****	3 March 2011 to 2 March 2016	4.04	4.04	–
Total	30,820,000	–	720,000	–	30,100,000					

* 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.

Directors' Report

***** 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:–

Maximum percentage of Share Options exercisable including the percentage of share options previously exercised	Period for exercise of the relevant percentage of the share options
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 16 April 2012.

The details of the model and significant assumptions used to estimate the fair value of the share options granted by the Company to the eligible participants during the period are set out under note 26 to the financial report.

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

After the end of the reporting period, the Directors proposed a final dividend. Further details are disclosed in note 28 to the financial statements.

By order of the Board
Wang Xiaowen
Chairman

Hong Kong, 28 February 2013

Independent Auditor's Report

RSM
Audit • Tax • Advisory

Independent auditor's report to the shareholders of
Overseas Chinese Town (Asia) Holdings Limited
(Incorporated in the 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 to as the "Group") set out on pages 50 to 140, which comprise the consolidated and Company statements of financial position as at 31 December 2012, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated financial statements.

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

Independent Auditor's Report

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 2012 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

28 February 2013

Consolidated Income Statement

For the year ended 31 December 2012

(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Turnover	5	**3,452,883**	2,558,860
Cost of sales		**(2,267,153)**	(1,786,190)
Gross profit		**1,185,730**	772,670
Other revenue	6(a)	**14,314**	11,676
Other net expense/(income)	6(b)	**(7,067)**	24,057
Distribution costs		**(224,926)**	(160,648)
Administrative expenses		**(154,420)**	(126,268)
Other operating expenses		**(12,627)**	(1,832)
Profit from operations		**801,004**	519,655
Finance costs	7(a)	**(102,623)**	(55,486)
Share of profit of an associate	17	**39,687**	36,366
Profit before tax	7	**738,068**	500,535
Income tax expenses	8	**(347,611)**	(231,582)
Profit for the year		**390,457**	268,953
Attributable to:			
Owners of the Company		**177,236**	159,236
Non-controlling interests		**213,221**	109,717
		390,457	268,953
Earnings per share (RMB)	12		
Basic		**0.35**	0.31
Diluted		**0.35**	0.31

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012
(Expressed in Renminbi)

	2012 RMB'000	2011 RMB'000
Profit for the year	**390,457**	268,953
Other comprehensive income for the year, net of tax:		
Exchange differences on translating foreign operations	**12,998**	(756)
Total comprehensive income for the year	**403,455**	268,197
Attributable to:		
Owners of the Company	**190,234**	158,480
Non-controlling interests	**213,221**	109,717
	403,455	268,197

Consolidated Statement of Financial Position

At 31 December 2012

(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Fixed assets	13		
– Investment property		**636,074**	565,953
– Other property, plant and equipment		**1,312,733**	1,400,463
– Interests in leasehold land held for own use under operating leases		**705,513**	726,263
		2,654,320	2,692,679
Intangible assets	14	**410**	221
Goodwill	15	**267,195**	266,625
Interest in an associate	17	**120,621**	80,934
Other financial assets	18	**4,320**	4,320
Deferred tax assets	27(a)	**97,290**	95,761
		3,144,156	3,140,540
Current assets			
Inventories	19	**14,198,204**	2,015,536
Trade and other receivables	20	**1,270,214**	300,055
Cash and cash equivalents	21	**1,525,861**	748,393
		16,994,279	3,063,984
Current liabilities			
Trade and other payables	22	**3,645,480**	1,918,981
Receipts in advance	23	**466,033**	601,037
Bank loans	24	**153,302**	92,068
Related party loans	24	**3,325,590**	–
Current tax liabilities		**317,637**	124,160
		7,908,042	2,736,246
Net current assets		**9,086,237**	327,738
Total assets less current liabilities		**12,230,393**	3,468,278

Consolidated Statement of Financial Position

At 31 December 2012

(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Non-current liabilities			
Bank loans	24	**964,972**	81,070
Related party loans	24	**6,140,331**	1,044,548
Deferred tax liabilities	27(a)	**295,016**	52,522
		7,400,319	1,178,140
NET ASSETS		**4,830,074**	2,290,138
CAPITAL AND RESERVES			
Share capital	28(c)	**48,332**	48,274
Reserves	28(d)	**1,701,235**	1,529,627
Equity attributable to owners of the Company		**1,749,567**	1,577,901
Non-controlling interests		**3,080,507**	712,237
TOTAL EQUITY		**4,830,074**	2,290,138

Approved and authorised for issue by the board of directors on 28 February 2013.

	)	
Wang Xiaowen	)	
	)	Directors
Xie Mei	)	

Statement of Financial Position

At 31 December 2012

(Expressed in Renminbi)

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Fixed assets	13	**92**	11
Investments in subsidiaries	16	**406,977**	397,551
		407,069	397,562
Current assets			
Other receivables	20	**3,049,406**	1,287,628
Cash and cash equivalents	21	**78,389**	21,524
		3,127,795	1,309,152
Current liabilities			
Other payables	22	**231,307**	205,495
Bank loans	24	**145,733**	80,178
		377,040	285,673
Net current assets		**2,750,755**	1,023,479
Total assets less current liabilities		**3,157,824**	1,421,041
Non-current liabilities			
Bank loans	24	**964,972**	81,070
Related party loans	24	**900,000**	–
		1,864,972	81,070
NET ASSETS		**1,292,852**	1,339,971
CAPITAL AND RESERVES			
Share capital	28(c)	**48,332**	48,274
Reserves	28(a)	**1,244,520**	1,291,697
TOTAL EQUITY		**1,292,852**	1,339,971

Approved and authorised for issue by the board of directors on 28 February 2013.

Wang Xiaowen)
) Directors
Xie Mei)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012
(Expressed in Renminbi)

		Attributable to owners of the Company											
	Note	Share 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 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
Total comprehensive income for the year		-	-	-	-	-	(756)	-	-	159,236	158,480	109,717	268,197
Transfer between reserves		-	-	-	-	-	-	13,813	-	(13,813)	-	-	-
Shares issued under share option scheme	28(c)	310	4,941	-	-	(877)	-	-	-	-	4,374	-	4,374
Equity settled share-based transactions	26(b)	-	-	-	-	9,241	-	-	-	-	9,241	-	9,241
Dividend approved in respect of previous year	28(b)	-	-	-	-	-	-	-	-	(13,190)	(13,190)	(21,990)	(35,180)
Changes in equity for the year		310	4,941	-	-	8,364	(756)	13,813	-	132,233	158,905	87,727	246,632
At 31 December 2011		48,274	988,380	147,711	24,757	30,371	(4,369)	62,131	5,366	275,280	1,577,901	712,237	2,290,138
At 1 January 2012		**48,274**	**988,380**	**147,711**	**24,757**	**30,371**	**(4,369)**	**62,131**	**5,366**	**275,280**	**1,577,901**	**712,237**	**2,290,138**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**12,998**	**-**	**-**	**177,236**	**190,234**	**213,221**	**403,455**
Acquisition of a subsidiary		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,187,242**	**2,187,242**
Transfer between reserves		**-**	**-**	**-**	**-**	**-**	**-**	**40,623**	**-**	**(40,623)**	**-**	**-**	**-**
Shares issued under share option scheme	28(c)	**58**	**937**	**-**	**-**	**(171)**	**-**	**-**	**-**	**-**	**824**	**-**	**824**
Equity settled share-based transactions	26(b)	**-**	**-**	**-**	**-**	**10,946**	**-**	**-**	**-**	**-**	**10,946**	**-**	**10,946**
Dividend approved in respect of previous year	28(b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(30,338)**	**(30,338)**	**(32,193)**	**(62,531)**
Changes in equity for the year		**58**	**937**	**-**	**-**	**10,775**	**12,998**	**40,623**	**-**	**106,275**	**171,666**	**2,368,270**	**2,539,936**
At 31 December 2012		**48,332**	**989,317**	**147,711**	**24,757**	**41,146**	**8,629**	**102,754**	**5,366**	**381,555**	**1,749,567**	**3,080,507**	**4,830,074**

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

(Expressed in Renminbi)

	Note	**2012 RMB'000**	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	21	**1,331,110**	637,088
Tax paid:			
– PRC tax paid		**(144,782)**	(241,358)
Interest paid		**(466,841)**	(55,675)
Net cash generated from operating activities		**719,487**	340,055
INVESTING ACTIVITIES			
Payment for purchase of fixed assets & intangible assets		**(75,834)**	(290,318)
Proceeds from disposal of fixed assets		**14,394**	10,071
Acquisition of subsidiaries	29	**(1,800,367)**	–
Interest received		**13,988**	10,885
Net cash used in investing activities		**(1,847,819)**	(269,362)
FINANCING ACTIVITIES			
Net proceeds from issuance of shares		**824**	4,374
Proceeds from new borrowings		**4,214,766**	145,926
Dividends paid to owners of the Company		**(30,338)**	(13,190)
Dividends paid to non-controlling interests		**(32,193)**	(21,990)
Repayment of borrowings		**(2,260,257)**	(442,022)
Net cash generated from/(used in) financing activities		**1,892,802**	(326,902)
Net increase/(decrease) in cash and cash equivalents		**764,470**	(256,209)
Effect of foreign exchange rate changes		**12,998**	(756)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**748,393**	1,005,358
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	21	**1,525,861**	748,393

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Clifton House, PO Box 1350 GT, 75 Fort Street, Grand Cayman, Cayman Islands. The address of its principal place of business is Suites 3203-3204, Tower 6, The Gateway, Harbour City, Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 16 to the financial statements.

In the opinion of the directors of the Company, as at 31 December 2012, Pacific Climax Limited, a company incorporated in the British Virgin Islands, is the immediate parent; Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd"), a company incorporated in the People's Republic of China (the "PRC") which shares listed on the Shenzhen Stock Exchange and Overseas Chinese Town (HK) Company Limited, a company incorporated in Hong Kong, are the intermediate parent and Overseas Chinese Town Enterprises Corporation ("OCT Group"), a state-owned enterprise incorporated in the PRC, is the ultimate parent of the Company.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 January 2012. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs, issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners 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 3(n)(i) depending on the nature of the liability.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Consolidation *(continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combination and goodwill *(continued)*

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (v) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recorded at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Associates *(continued)*

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi, which is the Company's presentation currency and the functional currency of the principal operating subsidiaries of the Group.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Foreign currency translation *(continued)*

(iii) Translation on consolidation (continued)

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of fixed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of fixed assets is calculated at rates sufficient to write off the cost or valuation of items of fixed assets, less their estimated residual value, over their estimated useful lives on a straight line basis. The principal useful lives are 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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Fixed assets *(continued)*

Where parts of an item of fixed assets have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Investment properties

Investment properties are land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at cost less accumulated depreciation and impairment losses. The depreciation is calculated using the straight line method to allocate the cost to the residual value over its estimated useful life from 25 to 38 years.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Intangible assets (other than goodwill)

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

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straightline 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.

(h) 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.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Leased assets *(continued)*

(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.

(i) Inventories

(i) Manufacturing of paper cartons and products

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When the inventories are sold, the carrying amount of those inventories is realisable as an expense in the period in which the related revenue is realisable. The amount of any writedown 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Inventories *(continued)*

(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 property 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. Net realisable value is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

– Completed property held for resale

Completed property held for resale is stated at the lower of cost and net realisable value. Costs of property include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. In the case of completed property 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 is determined by reference to sale proceeds received after the reporting period less selling expenses, or by estimates based on prevailing market condition.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) 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.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses.

(l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment loss for bad and doubtful debts, 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.

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent 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. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) 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.

(ii) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably.

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Revenue recognition *(continued)*

(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 completion of the properties 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 recognised 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.

(v) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(p) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Employee benefits *(continued)*

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(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.

(q) Share-based payments

The Group issues equity-settled share-based payments to certain directors and employees. Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The fair value of share options granted to directors and 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 directors and 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)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of those assets until such time as the assets are substantially ready for the intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are expensed in the period in which they are incurred.

(s) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received. Government 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. Government 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.

(t) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Income tax *(continued)*

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

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

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

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

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

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Income tax *(continued)*

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

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

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

  – the same taxable entity; or

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

(u) Related parties

A related party is a person or entity that is related to the Group.

(a) A person, or a close member of that person's family, is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Company.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Related parties *(continued)*

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Impairment of assets

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

Investments in debt and equity securities 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;

– 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 subsidiaries and associates (including those recognised using the equity method (see note 3(c))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 3(v)(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 3(v)(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Impairment of assets *(continued)*

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

– 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 effective of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

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

(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:

– fixed assets;

– investment property;

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

- construction in progress;
- pre-paid interest in leasehold land classified as being under an operating lease;
- intangible assets; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the 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 (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or 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 an 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(w) PRC land appreciation tax ("PRC LAT")

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. PRC LAT is recognised as an income tax expense. PRC LAT paid is a deductible expense for PRC enterprise income tax purposes.

(x) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(y) 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.

(z) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4. ACCOUNTING ESTIMATES

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 3(v), 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) Impairment loss for fixed assets

As explained in note 3(v), the Group makes impairment provision for fixed assets 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. Uncertainty exists in these estimations.

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.

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

As explained in note 3(v), 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4. ACCOUNTING ESTIMATES *(continued)*

(iv) 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.

(v) PRC Corporate Income Tax ("PRC CIT") and PRC LAT

As explained in note 8(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.

(vi) 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5. TURNOVER AND SEGMENT REPORTING

(a) Turnover

The principal activities of the Group are comprehensive development and manufacturing and sale of paper carton and products.

Turnover represents the sales value of goods or services supplied to customers (net of value-added tax and business tax), including the sales of properties, rental income from investment properties, ticket sales from theme park and sales of paper carton and products as follows:

	2012	**2011**
	RMB'000	*RMB'000*
Comprehensive development business	**2,624,031**	1,743,970
Sales of paper cartons and products	**828,852**	814,890
	3,452,883	2,558,860

The Group's customer base is diversified and there was no customer with whom transactions exceeded 10% of the Group's revenues in 2012.

Further details regarding the Group's principal activities are disclosed in note 5(b).

(b) 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.

- Comprehensive development 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5. TURNOVER AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) 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. 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.

Starting from 2011, to arrive at the net profit of each segment, expenses not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs, were allocated to each individual segment in proportion to its turnover.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5. TURNOVER AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

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 2012 and 2011 is set out below.

	Comprehensive development business		**Manufacture and sale of paper carton and products**		**Total**	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**2,624,031**	1,743,970	**828,852**	814,890	**3,452,883**	2,558,860
Reportable segment net profit	**153,951**	129,593	**23,285**	29,643	**177,236**	159,236
Interest income from bank deposits	**10,272**	8,811	**3,716**	2,074	**13,988**	10,885
Interest expense	**99,135**	53,562	**3,488**	1,924	**102,623**	55,486
Depreciation and amortisation for the year	**134,023**	129,675	**35,962**	38,035	**169,985**	167,710
Addition to segment non-current assets during the year	**113,906**	92,410	**27,800**	19,252	**141,706**	111,662
Reportable segment assets	**18,619,712**	5,337,423	**1,518,723**	867,101	**20,138,435**	6,204,524
Reportable segment liabilities	**13,978,853**	3,546,354	**1,329,508**	368,032	**15,308,361**	3,914,386

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5. TURNOVER AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

	2012	2011
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**3,452,883**	2,558,860
Elimination of inter-segment revenue	**–**	–
Consolidated turnover	**3,452,883**	2,558,860
Profit		
Reportable segment profit	**177,236**	159,236
Elimination of inter-segment profits	**–**	–
Reportable segment profit derived from Group's external customers	**177,236**	159,236
Consolidated net profit	**177,236**	159,236
Assets		
Reportable segment assets	**20,138,435**	6,204,524
Consolidated total assets	**20,138,435**	6,204,524
Liabilities		
Reportable segment liabilities	**15,308,361**	3,914,386
Consolidated total liabilities	**15,308,361**	3,914,386

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6. OTHER REVENUE AND NET (EXPENSE)/INCOME

(a) Other revenue

	2012 RMB'000	2011 RMB'000
Interest income	**13,988**	10,885
Sale of materials	**–**	791
Government grants	**326**	–
	14,314	11,676

(b) Other net (expense)/income

	2012 RMB'000	2011 RMB'000
Net gain on disposal of fixed assets	**181**	3,431
Exchange (loss)/gain	**(8,111)**	20,026
Others	**863**	600
	(7,067)	24,057

7. PROFIT BEFORE TAX

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

	2012 RMB'000	2011 RMB'000
(a) Finance costs:		
Interest on bank loans	**20,188**	1,924
Interest on related party loans	**446,653**	59,791
Total interest expense on financial liabilities not at fair value through profit or loss	**466,841**	61,715
Less: Interest expense capitalised into properties under development *	**(364,218)**	(6,229)
	102,623	55,486

* The borrowing costs have been capitalised at a rate of 4.99%-6.65% per annum (2011: 3.50%-4.44%).

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7. PROFIT BEFORE TAX *(continued)*

	2012	2011
	RMB'000	*RMB'000*
(b) Staff costs:		
Contributions to defined contribution retirement schemes *(note 25)*	**12,144**	10,793
Salaries, wages and other benefits	**136,687**	122,516
Equity-settled share-based payment expenses *(note 26)*	**10,946**	9,241
	159,777	142,550

	2012	2011
	RMB'000	*RMB'000*
(c) Other items:		
Amortisation of intangible assets#	**103**	34
Depreciation#		
– investment property	**22,859**	20,819
– pre-paid interest in leasehold land classified as being under an operating lease	**20,750**	20,746
– other assets	**126,273**	126,111
Impairment losses#		
– trade and other receivables	**849**	2,533
Operating lease charges in respect of properties#	**30,123**	19,764
Net exchange loss/(gain)	**8,111**	(20,026)
Auditors' remuneration		
– audit services	**1,000**	1,896
– other services	**620**	–
Rentals receivable from investment properties less direct outgoings of RMB23,119,000 (2011: RMB16,988,000)	**(5,591)**	2,285
Cost of inventories *(note 19(c))*#	**2,011,575**	1,560,808

Cost of inventories included RMB242,860,000 (2011: RMB202,420,000) 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 7(b) and 7(c) for each of these types of expenses.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012 *RMB'000*	2011 *RMB'000*
Current tax		
– PRC CIT		
Charge for the year	**142,776**	132,515
(Over)/under provision in previous year	**(1,389)**	1,899
	141,387	134,414
– PRC LAT	**196,872**	143,235
	338,259	277,649
Deferred tax		
Origination and reversal of temporary differences *(note 27(a))*	**9,352**	(46,067)
	9,352	(46,067)
	347,611	231,582

(i) *CIT*

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 (2011: 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 (2011: 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 at 25% (2011: 24%-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").

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(continued)*

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

(ii) PRC LAT

PRC 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 PRC LAT according to the requirements set forth in the relevant PRC tax laws and regulations. The actual PRC 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 PRC LAT is calculated.

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

	2012	2011
	RMB'000	*RMB'000*
Profit before tax	**738,068**	500,535
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	**184,517**	127,582
Tax effect of non-deductible expenses	**24,679**	3,371
Tax effect of non-taxable income	**(6,639)**	(5,505)
Tax effect of prior year's unrecognised tax losses utilised	**(216)**	(2,935)
(Over)/Under provision in previous year	**(1,389)**	1,899
Tax effect of unused tax losses not recognised	**–**	816
Timing difference not included in deferred tax assets	**(589)**	(906)
PRC LAT	**196,872**	143,235
Tax effect of PRC LAT	**(49,218)**	(35,809)
Effect of tax concessions	**(406)**	(166)
Actual tax expense	**347,611**	231,582

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9. 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*	Share-based payments *RMB'000*	2012 Total *RMB'000*
Chairman:						
– Wang Xiaowen	–	–	–	–	–	–
Executive directors:						
– Xie Mei	–	391	252	50	–	693
– Zhou Guangeng (resigned on 28 March 2012)	–	98	146	4	109	357
– Yang Jie (appointed on 11 April 2012)	–	–	–	–	–	–
Non-executive director:						
– He Haibin	–	–	–	–	146	146
Independent non-executive directors:						
– Wong Wai Ling	98	–	–	–	–	98
– Lam Sing Kwong Simon	98	–	–	–	–	98
– Xu Jian	98	–	–	–	–	98
	294	489	398	54	255	1,490

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9. DIRECTORS' REMUNERATION *(continued)*

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows: *(continued)*

	Directors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Discretionary bonuses *RMB'000*	Retirement schemes contributions *RMB'000*	Share-based payments *RMB'000*	2011 Total *RMB'000*
Chairman:						
– *Wang Xiaowen*	–	–	–	–	–	–
Executive directors:						
– Xie Mei	–	391	218	16	–	625
– Zhou Guangeng	–	238	138	10	92	478
Non-executive director:						
– He Haibin	–	–	–	–	123	123
Independent non-executive directors:						
– Wong Wai Ling	99	–	–	–	–	99
– Lam Sing Kwong Simon	99	–	–	–	–	99
– Xu Jian	99	–	–	–	–	99
	297	629	356	26	215	1,523

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, Nil (2011: Nil) are directors whose emoluments are disclosed in note 9 above. The aggregate of the emoluments in respect of the other five (2011: five) individuals are as follows:

	2012 ***RMB'000***	2011 *RMB'000*
Salaries and other emoluments	**1,432**	1,442
Discretionary bonuses	**3,021**	2,969
Retirement schemes contributions	**176**	177
Equity-settled share option payment expenses	**91**	77
	4,720	4,665

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS *(continued)*

The emoluments of the five (2011: five) individuals with the highest emoluments are within the following bands:

	2012 **Number of individuals**	2011 Number of individuals
Nil – HK$1,000,000 (Nil – RMB813,600)	**1**	4
HK$1,000,001 – HK$1,500,000 (RMB813,601 – RMB1,220,400)	**3**	1
HK$1,500,001 – HK$2,000,000 (RMB1,220,401 – RMB1,627,200)	**1**	–

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a loss of RMB28,551,000 (2011: RMB25,691,000) which has been dealt with in the financial statements of the Company.

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of RMB177,236,000 (2011: RMB159,236,000) and the weighted average of 509,581,475 (2011: 507,890,932) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2012 **No. of shares**	2011 No. of shares
Issued ordinary shares at 1 January *(note 28(c))*	**509,070,000**	505,360,000
Effect of share options exercised *(note 28(c))*	**511,475**	2,530,932
Weighted average number of ordinary shares at 31 December	**509,581,475**	507,890,932

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12. EARNINGS PER SHARE *(continued)*

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of RMB177,236,000 (2011: RMB159,236,000) and the weighted average number ordinary shares of 509,686,422 shares (diluted) (2011: 509,024,757) calculated as follows:

	2012	2011
	No. of shares	*No. of shares*
Weighted average number of ordinary shares at 31 December	**509,581,475**	507,890,932
Effect of deemed issue of shares under the Company's share option scheme for nil consideration *(note 28(c)(ii))*	**103,966**	1,133,825
Weighted average number of ordinary shares (diluted) at 31 December	**509,685,441**	509,024,757

13. FIXED ASSETS

(a) The Group

	Buildings	**Plant and machinery**	**Construction in process**	**Motor vehicles**	**Other property, plant and equipment**	**Sub-total**	**Investment property**	**Interests in leasehold land held for own use under operating leases**	**Total fixed assets**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Cost:									
At 1 January 2011	861,882	671,862	29,604	27,396	129,456	1,720,200	518,484	789,804	3,028,488
Exchange adjustment	–	–	–	–	(3)	(3)	–	–	(3)
Additions	2,163	2,152	101,125	2,880	3,342	111,662	–	–	111,662
Transfer from construction in progress	5,014	19,997	(33,621)	327	8,283	–	–	–	–
Transfer from inventory	–	–	–	–	–	–	43,653	–	43,653
Transfer from leasehold land	–	–	–	–	–	–	31,125	(31,125)	–
Disposals	(60)	(39,493)	–	–	(692)	(40,245)	–	–	(40,245)
Adjustment of category	–	(17,157)	–	–	17,157	–	–	–	–
At 31 December 2011	868,999	637,361	97,108	30,603	157,543	1,791,614	593,262	758,679	3,143,555

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13. FIXED ASSETS *(continued)*

(a) The Group *(continued)*

	Buildings	Plant and machinery	Construction in process	Motor vehicles	Other property, plant and equipment	Sub-total	Investment property	Interests in leasehold land held for own use under operating leases	Total fixed assets
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:									
At 1 January 2012	**868,999**	**637,361**	**97,108**	**30,603**	**157,543**	**1,791,614**	**593,262**	**758,679**	**3,143,555**
Additions	**350**	**3,067**	**67,153**	**1,138**	**4,158**	**75,866**	**65,840**	**–**	**141,706**
Arising on business combination	**–**	**–**	**–**	**2,361**	**1,737**	**4,098**	**–**	**–**	**4,098**
Transfer from construction in progress	**319**	**24,743**	**(52,202)**	**–**	**–**	**(27,140)**	**27,140**	**–**	**–**
Disposals	**–**	**(24,281)**	**(626)**	**(1,019)**	**(2,595)**	**(28,521)**	**–**	**–**	**(28,521)**
At 31 December 2012	**869,668**	**640,890**	**111,433**	**33,083**	**160,843**	**1,815,917**	**686,242**	**758,679**	**3,260,838**
Accumulated depreciation and impairment loss:									
At 1 January 2011	40,202	224,374	–	15,913	24,740	305,229	4,837	13,323	323,389
Exchange adjustment	–	–	–	–	(3)	(3)	–	–	(3)
Charge for the year	38,881	69,600	–	3,535	14,095	126,111	20,819	20,746	167,676
Written back on disposal	(5)	(39,493)	–	–	(688)	(40,186)	–	–	(40,186)
Transfer from leasehold land	–	–	–	–	–	–	1,653	(1,653)	–
Adjustment of category	–	(11,877)	–	–	11,877	–	–	–	–
At 31 December 2011	79,078	242,604	–	19,448	50,021	391,151	27,309	32,416	450,876
At 1 January 2012	**79,078**	**242,604**	**–**	**19,448**	**50,021**	**391,151**	**27,309**	**32,416**	**450,876**
Charge for the year	**36,788**	**59,598**	**–**	**3,638**	**26,249**	**126,273**	**22,859**	**20,750**	**169,882**
Written back on disposal	**–**	**(10,767)**	**–**	**(914)**	**(2,559)**	**(14,240)**	**–**	**–**	**(14,240)**
At 31 December 2012	**115,866**	**291,435**	**–**	**22,172**	**73,711**	**503,184**	**50,168**	**53,166**	**606,518**
Carrying amount:									
At 31 December 2012	**753,802**	**349,455**	**111,434**	**10,909**	**87,133**	**1,312,733**	**636,074**	**705,513**	**2,654,320**
At 31 December 2011	789,921	394,757	97,108	11,155	107,522	1,400,463	565,953	726,263	2,692,679

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:	
At 1 January 2011	55
Exchange adjustment	(3)
At 31 December 2011 and 1 January 2012	52
Additions	88
Exchange adjustment	(1)
At 31 December 2012	139
Accumulated depreciation:	
At 1 January 2011	37
Charge for the year	6
Exchange adjustment	(2)
At 31 December 2011 and 1 January 2012	41
Charge for the year	6
At 31 December 2012	47
Carrying amount:	
At 31 December 2012	92
At 31 December 2011	11

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13. FIXED ASSETS *(continued)*

(c) The analysis of carrying amount of properties is as follows:

	2012	2011
	RMB'000	RMB'000
In PRC		
– medium-term leases	**1,459,315**	1,516,184
Representing:		
Building carried at cost	**753,802**	789,921
Interests in leasehold land held for own use under operating leases	**705,513**	726,263
At 31 December	**1,459,315**	1,516,184

(d) According to the State-owned Land Use Right Grant Contract, leasehold land with carrying amount of RMB641,600,000 located in the PRC of Chengdu Tianfu OCT Industry Development Company Limited ("Chengdu OCT") as at 31 December 2012 (2011: RMB660,657,000) is non-transferable.

(e) Fixed assets leased out under operating leases

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 2 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 Company 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14. INTANGIBLE ASSETS

	Software and copyright The Group *RMB'000*
Cost:	
At 1 January 2011	203
Additions	103
Disposal	(30)
At 31 December 2011 and 1 January 2012	276
Additions	36
Arising on business combination	256
At 31 December 2012	568
Accumulated amortisation:	
At 1 January 2011	21
Charge for the year	34
At 31 December 2011 and 1 January 2012	55
Charge for the year	103
At 31 December 2012	158
Carrying amount:	
At 31 December 2012	410
At 31 December 2011	221

15. GOODWILL

	The Group *RMB'000*
Cost and carrying amount:	
At 1 January 2011, 31 December 2011 and 1 January 2012	266,625
Arising on business combination	570
At 31 December 2012	267,195

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(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 operating segment as follows:

	Note	2012 RMB'000	2011 RMB'000
Manufacturing			
Shanghai	*(i)*	**1,012**	1,012
Shenzhen and Huizhou	*(i)*	**23,925**	23,925
Comprehensive development business			
Chengdu	*(ii)*	**241,688**	241,688
Shanghai	*(iii)*	**570**	–
		267,195	266,625

(i) *Shanghai, Shenzhen and Huizhou*

The goodwill is mainly attributable to the skills and technical talent of Shanghai, Shenzhen and Huizhou work force, and the synergies expected to be achieved from integrating the companies into the Group's existing manufacturing and sales of paper carton and products business.

(ii) *Chengdu*

The goodwill is mainly attributable to the opportunities for increasing returns as the Chengdu OCT projects benefit from the rise in urban disposable income and tourism numbers in the Chengdu area, skills and technical talent of Chengdu OCT's work force, and the synergies expected to achieved from integrating Chengdu OCT into the Group.

(iii) *Shanghai*

The goodwill is mainly attributable to the opportunities for increasing returns as 華僑城(上海)置地有限公司 (Overseas Chinese Town (Shanghai) Land Company Limited) ("OCT Shanghai Land") projects benefit from the rise in urban disposable income and tourism numbers in the Shanghai area, skills and technical talent of OCT Shanghai Land's work force, and the synergies expected to achieved from integrating OCT Shanghai Land into the Group.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

15. GOODWILL *(continued)*

Impairment test for cash-generating units containing goodwill *(continued)*

The recoverable amounts of the CGUs above are 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 period are extrapolated using an estimated weighted average growth rate, which and the discount rates are presented as below. The estimated weighted average growth rate is consistent with the forecasts included in industry reports. The growth rates used do not exceed the long-term average growth rates for the businesses in which the CGU operates. The discount rates used are after-tax and reflect specific risks relating to the relevant segments.

	Discount rate		Terminal value growth rate	
	2012	2011	**2012**	2011
	%	%	**%**	%
Manufacturing				
Shanghai, Shenzhen and Huizhou	**10.00**	10.00	**5.00**	5.00
Comprehensive development business				
Chengdu	**13.54**	13.54	**5.00**	5.00
Shanghai	**10.00**	–	**5.00**	–

16. INVESTMENTS IN SUBSIDIARIES

	2012	2011
	RMB'000	*RMB'000*
Unlisted investments, at cost	**406,977**	397,551

Details of subsidiaries at 31 December 2012 are as follows. The class of shares held is ordinary.

Name of company	Place of incorporation/ establishment and operation	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$180,000,000	100%	–	100%	Manufacture and sale of paper boxes and products

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

16. INVESTMENTS IN SUBSIDIARIES *(continued)*

			Proportion of ownership interest			
Name of company	**Place of incorporation/ establishment and operation**	**Particular of registered / issued capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Shanghai Huali Packaging Co., Ltd. ("Shanghai Huali") *(note (i))*	PRC	Paid-up capital of RMB125,000,000	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$88,000,000	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 (1))*	PRC	Paid-up capital of HK$40,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
Shenzhen Huayou Packaging Co., Ltd. ("Shenzhen Huayou") *(note (iv))*	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$168,000,000	100%	–	100%	Manufacture and sale of paper boxes and products
Huali Packaging (Huizhou) Co., Ltd. ("Huali Huizhou") *(note (1))*	PRC	Paid-up capital of HK$68,000,000	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

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16. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ establishment and operation	Particular of registered / issued capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
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
Grand Signal Limited	BVI	1 Share of US$1 each	100%	–	100%	Investment holding
Huali Holdings Company Limited	Hong Kong	1,000,000 Share of HK$1 each	100%	–	100%	Trading
OCT Investments Limited ("OCT Investments")	BVI	100 Share 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 ("Excel Founder")	Hong Kong	1 Share of HK$1 each	100%	–	100%	Investment holding
Hanmax Investment Limited	Hong Kong	100 Share of HK$1 each	100%	–	100%	Investment holding
Great Tec Investment Limited ("Great Tec")	Hong Kong	1 Share of HK$1 each	100%	–	100%	Investment holding

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16. INVESTMENTS IN SUBSIDIARIES *(continued)*

			Proportion of ownership interest			
Name of company	**Place of incorporation/ establishment and operation**	**Particular of registered / issued capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Verdant Forever Limited	BVI	1 Share of US$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) & (iv))*	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) & (iv))*	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管理有限公司") *(note (ii) & (iv))*	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) & (iv))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Consulting and management of entertainment project
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) & (iv))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Venue rental, management of entertainment project

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16. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name of company	Place of incorporation/ establishment and operation	Particular of registered / issued capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
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) & (iv))*	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) & (iv))*	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 (ii) & (iv))*	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 (ii) & (iv))*	PRC	Paid-up capital of RMB10,000,000	51%	–	51%	Hotel management of entertainment project
Chengdu OCT *(note (v))*	PRC	Paid-up capital of RMB612,000,000	51%	–	51%	Tourism and real estate development
(深圳市華京投資有限公司) (Shenzhen Huajing Investment Limited) *(note (ii) & (iii))*	PRC	Paid-up capital of RMB1,000,000	100%	–	100%	Investment holding and real estate development

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 and operation	Particular of registered / issued capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
OCT Shanghai Land *(note (ii) & (v))*	PRC	Paid-up capital of RMB3,030,000,000	51%	–	51%	Real estate development
天津天瀟投資發展有限公司 (Tianjin Tianxiao Investment Development Company Limited) ("Tianjin Tianxiao") *(note (i) & (ii))*	PRC	Paid-up capital of RMB513,090,278	100%	–	100%	Real estate development

Notes:

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

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

(iii) These companies were established as wholly owned subsidiaries during the year.

(iv) These companies are limited companies established in the PRC.

(v) The company is a sino-foreign joint venture with limited liabilities established in the PRC.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

17. INTEREST IN AN ASSOCIATE

	The Group	
	2012	2011
	RMB'000	RMB'000
Unlisted investments, share of net assets	**120,621**	80,934

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

				Proportion of ownership interest			
Name of associate	**Form of business structure**	**Place of incorporation and operation**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Principal activities**
Xi'an OCT Investment Ltd. ("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	Revenue	Profit
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
2012					
Xi'an OCT 100 per cent	**830,512**	**(348,027)**	**482,485**	**842,595**	**158,749**
Group's effective interest	**207,628**	**(87,007)**	**120,621**	**210,649**	**39,687**
2011					
Xi'an OCT 100 per cent	775,786	(452,049)	323,737	776,764	145,468
Group's effective interest	193,946	(113,012)	80,934	194,191	36,366

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

18. OTHER FINANCIAL ASSETS

	2012	2011
	RMB'000	*RMB'000*
Unlisted equity securities, at cost		
– in the PRC	**4,320**	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 is unlisted equity securities.

	Percentage of equity attributable to the Group 2012	Percentage of equity attributable to the Group 2011
Shenzhen Overseas Chinese Town International Media and Performance Co., Ltd.	**10%**	10%

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(Expressed in Renminbi unless otherwise indicated)

19. INVENTORIES

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

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Manufacturing		
Raw materials	**68,508**	78,748
Work-in-progress	**1,156**	2,312
Finished goods	**11,443**	14,050
	81,107	95,110
Comprehensive development business		
Properties held for future development and under development for sale	**13,436,277**	1,171,389
Completed properties held for sale	**675,906**	744,155
Comprehensive development business	**4,914**	4,882
	14,117,097	1,920,426
	14,198,204	2,015,536

(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	
	2012	2011
	RMB'000	*RMB'000*
In the PRC		
– long leases	**10,257,700**	645,928
– medium-term leases	**29,454**	29,454
	10,287,154	675,382

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(Expressed in Renminbi unless otherwise indicated)

19. INVENTORIES *(continued)*

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

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**2,011,208**	1,561,746
Write down of inventories	**615**	962
Reversal of write-down of inventories	**(248)**	(1,900)
	2,011,575	1,560,808

The reversal of write-down of inventories made in prior years arose due to an increase 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 RMB460,769,000 (2011: RMB330,683,000). All of the other inventories are expected to be recovered within one year.

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(Expressed in Renminbi unless otherwise indicated)

20. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade receivables and bills receivable:				
Amounts due from fellow subsidiaries				
(note 33(b))	**38,736**	49,780	**–**	–
Amounts due from third parties	**266,238**	183,073	**–**	–
Less: allowance for doubtful debts	**(7,919)**	(8,232)	**–**	–
	297,055	224,621	**–**	–
Prepayment, deposits and other receivables				
Amounts due from subsidiaries	**–**	–	**3,049,305**	1,287,628
Amounts due from fellow subsidiaries				
(note 33(b))	**530**	894	**–**	–
Amounts due from third parties	**102,429**	74,540	**101**	–
	102,959	75,434	**101**	–
Prepayment for land cost	**870,200**	–	–	–
	1,270,214	300,055	**3,049,406**	1,287,628

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

Apart from rental deposits of RMB13,238,000 (2011: RMB11,693,000) 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.

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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	
	2012	2011
	RMB'000	*RMB'000*
Current	**264,140**	207,954
Less than 3 months past due	**32,912**	16,437
More than 3 months but less than 12 months pass due	**3**	230
Amount past due	**32,915**	16,667
	297,055	224,621

Further details on the Group's credit policy are set out in note 30(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 3(v)).

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

	The Group	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**8,232**	6,386
Impairment loss recognised	**849**	2,413
Amount of reversal	**(1,162)**	(567)
At 31 December	**7,919**	8,232

At 31 December 2012, Nil (2011: Nil) of the Group's trade receivables were individually determined to be impaired. Consequently, no (2011: Nil) specific allowances for doubtful debts was recognised.

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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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and in hand	**1,525,861**	748,393	**78,389**	21,524
Cash and cash equivalents in the statement of financial position	**1,525,861**	748,393	**78,389**	21,524
Cash and cash equivalents in the consolidated statement of cash flows	**1,525,861**	748,393	**78,389**	21,524

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21. CASH AND CASH EQUIVALENTS *(continued)*

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

	Note	2012 RMB'000	2011 RMB'000
Profit before tax		**738,068**	500,535
Adjustments for:			
Depreciation and amortisation	7(c)	**169,985**	167,710
Interest income	6(a)	**(13,988)**	(10,885)
Net gain on disposal of fixed assets	6(b)	**(181)**	(3,431)
Interest expense	7(a)	**102,623**	55,486
Share of profit of an associate		**(39,687)**	(36,366)
Equity-settled share-based payment expenses	26	**10,946**	9,241
Changes in working capital:		**967,766**	682,290
Decrease/(increase) in inventories		**170,544**	(396,631)
Decrease/(increase) in trade and other receivables		**1,233,451**	(33,661)
Decrease in receipts in advance		**(135,004)**	(66,436)
(Decrease)/increase in trade and other payables		**(905,647)**	451,526
Cash generated from operations		**1,331,110**	637,088

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22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables and bills payable: *(note 22(a))*				
Amounts due to fellow subsidiaries *(note 33 (b))*	**–**	1,159	**–**	–
Amounts due to third parties	**1,294,722**	865,456	**–**	–
	1,294,722	866,615	**–**	–
Other payables and accruals:				
Amounts due to subsidiaries	**–**	–	**222,427**	199,393
Amounts due to fellow subsidiaries *(note 33 (b))*	**50,043**	16,607	**–**	–
Amounts due to third parties	**2,300,715**	1,035,759	**8,880**	6,102
	3,645,480	1,918,981	**231,307**	205,495

(a) The Group's exposure to currency and liquidity risks related to trade and other payables is disclosed in note 30.

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	
	2012	2011
	RMB'000	*RMB'000*
Due within 3 months or on demand	**1,294,722**	866,615

(b) Chengdu OCT received advances amounting to RMB550,000,000 for construction of infrastructure facilities in previous years. As at 31 December 2012 the balance of the advances received deducting the carrying amount of the related infrastructure facilities was RMB219,409,000 (2011: RMB365,695,000), which was included in other payables.

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23. RECEIPTS IN ADVANCE

	The Group	
	2012	2011
	RMB'000	*RMB'000*
Pre-sale of properties	**464,713**	596,697
Others	**1,320**	4,340
	466,033	601,037

24. BORROWINGS

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current liabilities				
Current portion of bank loans	**121,407**	27,981	**117,082**	23,657
Non-current portion of bank loans repayable on demand	**31,895**	64,087	**28,651**	56,521
Loans from related parties *(note 33(b))*	**3,325,590**	–	**–**	–
	3,478,892	92,068	**145,733**	80,178
Non-current liabilities				
Bank loans	**964,972**	81,070	**964,972**	81,070
Loans from related parties *(note 33(b))*	**6,140,331**	1,044,548	**900,000**	–
	7,105,303	1,125,618	**1,864,972**	81,070

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24. BORROWINGS *(continued)*

At 31 December, the borrowings were repayable as follows:

Bank loans

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year or on demand	**121,407**	27,981	**117,082**	23,657
After 1 year but within 2 years	**169,748**	52,467	**166,505**	48,144
After 2 years but within 5 years	**827,119**	92,690	**827,118**	89,447
	996,867	145,157	**993,623**	137,591
	1,118,274	173,138	**1,110,705**	161,248

Related party loans

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year or on demand	**3,325,590**	–	**–**	–
After 1 year but within 2 years	**3,461,000**	1,044,548	**–**	–
After 2 years but within 5 years	**2,679,331**	–	**900,000**	–
	6,140,331	1,044,548	**900,000**	–
	9,465,921	1,044,548	**900,000**	–

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(Expressed in Renminbi unless otherwise indicated)

24. BORROWINGS *(continued)*

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
RMB	**7,397,410**	700,000	**900,000**	–
Hong Kong dollars	**3,079,051**	517,686	**1,110,705**	161,248
US dollars	**107,734**	–	**–**	–
	10,584,195	1,217,686	**2,010,705**	161,248

The average interest rates at 31 December were as follows:

	2012	2011
Bank loans	**1 month HIBOR* + 1.2% to 1 month HIBOR* + 3.8%**	1 month HIBOR* + 1.2% to 1 month HIBOR* + 2.1%
Related party loans	**3.62% to 6.56%**	3.92% to 4.44%

* Hong Kong Interbank Offer Rate

Related party loans are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

The bank loans of the Group at 31 December 2012 were secured by charge on two bank accounts of a subsidiary of the Company, guarantees provided by the Company and certain subsidiaries of the Company and the guarantee issued by the Government of the Hong Kong Special Administrative Region. Except for the above, the Group and the Company did not have secured or guaranteed bank loans at 31 December 2012.

All of the Group's banking facilities are subject to the fulfillment 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 30(b).

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(Expressed in Renminbi unless otherwise indicated)

25. EMPLOYEE RETIREMENT BENEFITS

Pursuant to the relevant labour rules and regulations in the PRC, the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Shenzhen, Zhongshan, Huizhou, Shanghai, Anhui and Chengdu where the Group is required to make contributions to the Schemes at a rate ranging from 11% to 22% (2011: 11% 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 (and which increased to HK$25,000 from June 2012). 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 TRANSACTIONS

(a) 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 2012 (2011: Nil).

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 1 month at 31 December 2011 and which were exercised during the year.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

26. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(b) Share options granted on 3 March 2011

On 3 March 2011, 2,700,000 and 27,400,000 share options were granted to directors 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:

Maximum percentage of share options exercisable including the percentage of share options previously exercised	Period for exercise of the relevant percentage of the share options
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. No option was forfeited or expired during 2012 (2011: Nil).

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.

Expected vesting date	3 March 2013	3 March 2014	3 March 2015
Fair value at grant date	1.04	1.51	1.71
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%

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

26. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(continued)*

(b) Share options granted on 3 March 2011 *(continued)*

Inputs for measurement of grant date fair values (continued)

Expected volatility is estimated taking into account historic average share price volatility. Expected dividends are based on management's best estimation. The risk-free rate is referenced to the yields of Hong Kong Exchange Fund Notes. Changes in the subjective input assumptions could materially affect the fair value estimate. There was no market conditions associated with the share option granted on 3 March 2011.

The total expense recognised for the year ended 31 December 2011 and 2012 arising from the share option granted on 3 March 2011 was RMB9,241,000 and RMB10,946,000 respectively.

(c) The number and weighted average exercise prices of share options are follows:

	2012		2011	
	Weighted average exercise price per share	**Number of options**	Weighted average exercise price per share	Number of options
	HKD	***'000***	*HKD*	*'000*
Outstanding at the beginning of the year	**3.96**	**30,820**	1.41	4,430
Granted during the year	**–**	**–**	4.04	30,100
Exercised during the year	**1.41**	**(720)**	1.41	(3,710)
Outstanding at the end of the year	**4.04**	**30,100**	3.96	30,820
Exercisable at the end of the year	**4.04**	**–**	1.41	720

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 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27. DEFERRED TAX ASSETS/(LIABILITIES)

(a) Deferred tax assets and (liabilities) recognised:

(i) 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 *RMB'000*	Provisions *RMB'000*	Accrued expenses *RMB'000*	Unrealised profit *RMB'000*	Tax losses *RMB'000*	Receipts in advances of pre-sale properties *RMB'000*	Undistributed profits of subsidiaries and associates *RMB'000*	Fair value adjustment of inventories *RMB'000*	Capitalisation of interest *RMB'000*	Total *RMB'000*
Deferred tax arising from:										
At 1 January 2011	3,050	2,937	30,724	154	75	16,499	(3,967)	(52,300)	–	(2,828)
(Charged)/credited to profit or loss	(627)	201	30,416	239	2,084	(1,599)	(6,257)	10,002	11,608	46,067
At 31 December 2011	2,423	3,138	61,140	393	2,159	14,900	(10,224)	(42,298)	11,608	43,239
Deferred tax arising from:										
At 1 January 2012	**2,423**	**3,138**	**61,140**	**393**	**2,159**	**14,900**	**(10,224)**	**(42,298)**	**11,608**	**43,239**
Arising on business combination	**-**	**-**	**-**	**-**	**17,593**	**-**	**-**	**(249,206)**	**-**	**(231,613)**
(Charged)/credited to profit or loss	**(446)**	**475**	**15,931**	**500**	**(17,381)**	**(4,491)**	**(11,310)**	**18,022**	**(10,652)**	**(9,352)**
At 31 December 2012	**1,977**	**3,613**	**77,071**	**893**	**2,371**	**10,409**	**(21,534)**	**(273,482)**	**956**	**(197,726)**

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27. DEFERRED TAX ASSETS/(LIABILITIES) *(continued)*

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

(ii) Reconciliation to the consolidated statements of financial position

	2012	2011
	RMB'000	*RMB'000*
Net deferred tax asset recognised in the statement of financial position	**97,290**	95,761
Net deferred tax liability recognised in the statement of financial position	**(295,016)**	(52,522)
	(197,726)	43,239

(b) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 3(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB8,336,000 (2011: RMB7,822,000) 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 RMB8,336,000 (2011: RMB7,822,000), RMB410,000 (2011: RMB410,000) will expire progressively in five years. The remaining tax losses do not expire under current tax regulations.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2011		983,439	248,970	1,179	83,685	1,317,273
Shares issued under share option scheme		4,941	–	(877)	–	4,064
Equity settled share-based transactions	26(b)	–	–	9,241	–	9,241
Loss for the year		–	–	–	(25,691)	(25,691)
Dividend approved in respect of the previous year	28(b)	–	–	–	(13,190)	(13,190)
At 31 December 2011		988,380	248,970	9,543	44,804	1,291,697
At 1 January 2012		**988,380**	**248,970**	**9,543**	**44,804**	**1,291,697**
Shares issued under share option scheme		**937**	**–**	**(171)**	**–**	**766**
Equity settled share-based transactions	26(b)	**–**	**–**	**10,946**	**–**	**10,946**
Loss for the year		**–**	**–**	**–**	**(28,551)**	**(28,551)**
Dividend approved in respect of the previous year	28(b)	**–**	**–**	**–**	**(30,338)**	**(30,338)**
At 31 December 2012		**989,317**	**248,970**	**20,318**	**(14,085)**	**1,244,520**

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

(i) Dividends payable to owners of the Company attributable to the year

	2012	2011
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of HK$8.00 cents per ordinary share (equivalent RMB6.49 cents per share) (2011: HK$7.30 cents per share (equivalent RMB5.93 cents per share))	**33,071**	30,338

(ii) Dividends payable to owners of the Company attributable to the previous financial year, approved and paid during the year

	2012	2011
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$7.30 cents per share (equivalent RMB5.93 cents per share) (2011: HK$3.00 cents per share (equivalent RMB2.61 cents per share))	**30,338**	13,190

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

	2012		2011	
	No. of shares		No. of shares	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.1 each	**2,000,000**	**200,000**	2,000,000	200,000

	2012		2011	
	No. of shares		No. of shares	
	'000	***RMB'000***	*'000*	*RMB'000*
Ordinary shares, issued and fully paid:				
At 1 January	**509,070**	**48,274**	505,360	47,964
Shares issued under share option scheme	**720**	**58**	3,710	310
At 31 December	**509,790**	**48,332**	509,070	48,274

(ii) Shares issued under share option scheme

On 28 April 2011 and 16 April 2012, 3,710,000 and 720,000 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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

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

(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 owners 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 3(q).

(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 owners.

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 owners.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Capital management

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

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt to capital ratio. For this purpose, adjusted net debt is defined 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 2012, the Group's strategy, which was unchanged from 2011 was to maintain the adjusted net debt-to-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. ACQUISITION OF SUBSIDIARIES

(a) On 5 January 2012, Great Tec, an indirect wholly-owned subsidiary of the Company, entered into the Capital Investment Agreement with Overseas Chinese Town Real Estate Company Limited ("OCT Properties"), pursuant to which Great Tec conditionally agreed to make capital injection of RMB2,232,000,000 to OCT Shanghai Land. Upon completion of the capital investment, the registered capital of OCT Shanghai Land would be RMB3,030,000,000 and the equity interest of OCT Shanghai Land would be owned as to 50.5% by Great Tec and as to 49.5% by OCT Properties. The capital injection shall be contributed by Great Tec by phases within 2 years from the date of the approval of the joint venture contract. Prior to Completion, dividend declared by OCT Shanghai Land shall be distributed between Great Tec and OCT Properties in the ratio of (i) actual amount contributed to OCT Shanghai Land by Great Tec and OCT Properties at the relevant balance sheet date at which the dividend is related to, to (ii) the mutually agreed net assets value of RMB2,188,000,000 as at 31 December 2011 of OCT Shanghai Land prior to the Capital Injection.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29. ACQUISITION OF SUBSIDIARIES *(continued)*

(a) On 20 June 2012, the Capital Investment Agreement became binding and unconditional after the capital injection was approved by the independent shareholders of the Company at the extraordinary general meeting held on 12 April 2012 and the Group obtained all the necessary approvals from the PRC government authorities for the capital injection. Consequently, OCT Shanghai Land has become an indirect non-wholly owned subsidiary of the Company.

Consideration

	RMB'000
Cash	2,232,000

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	4,098	–	4,098
Intangible assets	256	–	256
Deferred tax assets	17,593	–	17,593
Inventories	10,505,177	996,823	11,502,000
Trade receivable and other receivable	1,333,410	–	1,333,410
Cash and cash equivalents	79,454	–	79,454
Trade payables and other payables	(856,933)	–	(856,933)
Loans and borrowings	(7,412,000)	–	(7,412,000)
Deferred tax liabilities	–	(249,206)	(249,206)
Net identifiable assets and liabilities of OCT Shanghai Land	3,671,055	747,617	4,418,672

Goodwill

Total consideration	2,232,000
Net identifiable assets and liabilities attributable to the Group	2,231,430
Goodwill on the acquisition	570

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29. ACQUISITION OF SUBSIDIARIES *(continued)*

(a)

	RMB'000
Satisified by:	
Cash	2,232,000
Net cash outflow from arising on acquisition	
Cash consideration paid	(2,232,000)
Cash and cash equivalents acquired	79,454
	(2,152,546)

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.

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

Included in turnover and profit of the Group for the year is turnover of RMB640,482,000 and profit of RMB198,176,000 attributable to the business generated by OCT Shanghai Land since it was acquired by the Group in June 2012. Had this business combination been effected at the beginning of the period, the turnover of the Group would not have been affected and the profit for the year would have been decreased by RMB6,738,000.

(b) On 2 November 2012, Excel Founder, an indirectly wholly-owned subsidiary of the Company, entered into an agreement with Tianjin Jinbin Development Company Limited (the "Vendor"), pursuant to which Excel Founder conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the entire equity interest in Tianjin Tianxiao and all rights attached thereto for the consideration of RMB384,995,400 (the "Agreement").

A supplemental agreement was also entered into between Excel Founder and the Vendor on 2 November 2012, setting out further arrangement concerning a piece of land owned by Tianjin Tianxiao and the financial position of Tianjin Tianxiao (the "Supplemental Agreement").

On 27 December 2012, the Agreement and Supplemental Agreement became binding and unconditional after the acquisition was approved by the shareholders of the Company at the extraordinary general meeting held on 11 December 2012 and the Group obtained all the necessary approvals from the PRC government authorities for the acquisition. Consequently, Tianjin Tianxiao has become an indirect wholly owned subsidiary of the Company.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29. ACQUISITION OF SUBSIDIARIES *(continued)*

(b) The principal asset held by Tianjin Tianxiao is a piece of land. Since Tianjin Tianxiao has not started its operation since its incorporation, the directors are of the opinion that the acquisition of Tianjin Tianxiao is in substance acquisition of assets, instead of an acquisition of business, and therefore is excluded from the scope of HKFRS 3. As a consequence, the acquisition did not give rise to goodwill. The purchase consideration was allocated to the individual identifiable assets acquired and liabilities assumed on the basis of their relative fair values at the acquisition date as follows:

	RMB'000
Cash and cash equivalents	551,363
Prepayment	870,200
Inventories	552,834
Other payables	(1,589,402)
Consideration	384,995
Cash payable under other payables	(185,811)
Cash consideration paid	199,184
Net cash inflow arising on acquisition:	
Cash consideration paid	(199,184)
Cash and cash equivalents acquired	551,363
	352,179

30. 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, the Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are 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.

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(Expressed in Renminbi unless otherwise indicated)

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(a) Credit risk *(continued)*

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, 0% (2011: 5%) and 7% (2011: 16%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

Except for the financial guarantees given by the Group as set out in note 32, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 32.

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.

(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 its 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 33.

For term loans subject to repayment on demand clauses which can be exercised at the bank's sole discretion, note 24 shows the cash outflow based on the contractual repayment schedule and, separately, the impact to the timing of the cash outflows if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(b) Liquidity risk *(continued)*

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Over 5 years *RMB'000*
At 31 December 2012				
Trade and other payables	**3,645,480**	**–**	**–**	**–**
Bank loans	**163,013**	**194,375**	**894,875**	**–**
Related party loans	**4,136,149**	**706,373**	**7,541,581**	**–**
At 31 December 2011				
Trade and other payables	1,918,981	–	–	–
Bank loans	31,500	75,391	73,542	–
Related party loans	43,302	665,189	429,600	–

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(c) Interest 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 0.92% per annum (2011: 1.32% per annum). The effective interest rate of bank loans and related party loans is 5.31% per annum (2011: 4.27% per annum). The interest rates and terms of repayment of the Group's borrowings and other payable to intermediate parent are disclosed in notes 24 and 33.

At 31 December 2012, it is estimated that a general increase/decrease of 25 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB6,791,000 (2011: RMB882,000).

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 profits) 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 2011.

(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, and 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.

(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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

30. FINANCIAL RISK MANAGEMENT AND FAIR VALUE *(continued)*

(d) Currency risk *(continued)*

(ii) *Exposure to currency risk (continued)*

The Group

	2012		2011	
	United States Dollars '000	**Hong Kong Dollars '000**	United States Dollars '000	Hong Kong Dollars '000
Trade and other receivables	**1,631**	**32,046**	1,517	48,653
Cash and cash equivalents	**15,476**	**156,367**	685	44,612
Trade and other payables	**–**	**(5,934)**	(1,292)	(41,209)
Borrowings	**(1,714)**	**(3,372,185)**	–	(623,900)
Gross exposure arising from recognised assets and liabilities	**15,393**	**(3,189,706)**	910	(571,844)

The Company

	Hong Kong Dollars '000	Hong Kong Dollars '000
Trade and other receivables	**3,760,520**	1,451,661
Cash and cash equivalents	**30,324**	26,551
Trade and other payables	**(351,315)**	(253,009)
Bank loans	**(1,369,719)**	(198,900)
Gross exposure arising from recognised assets and liabilities	**2,069,810**	1,026,303

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)

30. 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 2012 would have increased profit by RMB40,879,000 (2011: RMB18,898,000). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

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 2011.

(e) Fair values

Except as disclosed in note 18, all financial instruments are carried at amounts not materially different from their fair values as at 31 December 2012 and 2011 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)

31. COMMITMENTS

(a) Capital commitments, outstanding at 31 December 2012 not provided for in the financial statements were as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted for	**1,629,441**	304,023	**–**	–
Authorised but not contracted for	**2,300,000**	1,972,462	**–**	–
	3,929,441	2,276,485	**–**	–

The capital commitments in 2012 and 2011 mainly represented the commitments in connection with the planned development projects of Chengdu OCT and OCT Shanghai Land.

(b) At 31 December 2012, 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	
	2012	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**6,970**	3,824	**–**	–
After one year but within five years	**4,453**	391	**–**	–
After five years	**1,243**	1,349	**–**	–
	12,666	5,564	**–**	–

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)

32. CONTINGENT LIABILITIES

Financial guarantees issued

As at the end of the reporting period, the Company has issued the following guarantees:

(a) a single guarantee to a bank in respect of a trade facility granted to a wholly owned subsidiary; and

(b) a single guarantee to a bank in respect of a banking facility granted to a wholly owned subsidiary which expires on 14 September 2014.

As at the end of the reporting period, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the end of the reporting period under the guarantees issued is the facility drawn down by the subsidiary of HKD9,333,000 (2011: HKD14,667,000).

33. 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.

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

33. 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:

	2012	2011
	RMB'000	*RMB'000*
Interest income	**13,980**	10,881
Interest expense	**18,715**	1,152

	2012	2011
	RMB'000	*RMB'000*
Cash at bank	**1,432,841**	657,983
Bank loans	**1,054,170**	81,070

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

	2012	2011
	RMB'000	*RMB'000*
Purchase of services	**1,173,160**	536,272

	2012	2011
	RMB'000	*RMB'000*
Trade and other payables	**117,340**	158,015

For the years ended 31 December 2012 and 2011, the Group's significant transactions with other state-controlled entities being purchase of service for the development of comprehensive development business.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

33. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

Name of party	Relationship with the Group
OCT Group	Ultimate parent
OCT Ltd	Intermediate parent
Overseas Chinese Town (HK) Company Limited	Intermediate parent
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
Shenzhen Overseas Chinese Town International Media and Performance Co., Ltd.	Fellow subsidiary
Overseas Chinese Town Culture Tourism and Technology Co., Ltd	Fellow subsidiary

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

33. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

Recurring transactions

	2012	2011
	RMB'000	*RMB'000*
Sales of goods to:		
OCT Group, its subsidiaries and associates	**58,745**	87,181
Purchase of goods from:		
OCT Group, its subsidiaries and associates	**632**	3,684
Interest expense:		
OCT Group, its subsidiaries and associates	**446,653**	59,791
Rental received from.		
OCT Group, its subsidiaries and associates	**1,499**	251
Rental paid to:		
OCT Group, its subsidiaries and associates	**838**	997
Utility expenses paid to:		
OCT Group, its subsidiaries and associates	**52**	211
Purchase of service from:		
OCT Group, its subsidiaries and associates	**41,217**	28,369
Purchase of entertainment facilities and service from:		
OCT Group, its subsidiaries and associates	**43,600**	–
Repayment of loan to:		
OCT Group, its subsidiaries and associates	**2,230,000**	400,000

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

33. 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	2012 RMB'000	2011 RMB'000
Trade receivable from fellow subsidiaries *(note 20)*	*(i)*	**38,736**	49,780
Trade payable to fellow subsidiaries *(note 22)*	*(ii)*	**–**	(1,159)
Other receivable from fellow subsidiaries *(note 20)*	*(iii)*	**530**	894
Other payable to fellow subsidiaries *(note 22)*	*(iii)*	**(50,043)**	(16,607)
Loans from ultimate parent *(note 24)*	*(iv)*	**–**	(700,000)
Loans from fellow subsidiary *(note 24)*	*(v)*	**(6,342,000)**	–
Loan from intermediate parent *(note 24)*	*(vi)*	**(3,123,921)**	(344,548)

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) Loans from ultimate parent of RMB300,000,000 and RMB400,000,000 are bearing an interest at 3.92% and 4.44% respectively.

(v) Loans from fellow subsidiary of RMB6,342,000,000 is bearing an interest at 6.55%.

(vi) Loans from intermediate holding company of HK$425,000,000 is bearing an interest at 3.50%, RMB900,000,000 is bearing an interest at 3.62%, RMB400,000,000 is bearing at 4.44%, RMB100,000,000 is bearing at 5.65%, USD17,140,000 is bearing at 4.0% and HK$1,568,132,000 is bearing interest at 4.0%.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

33. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2012 RMB'000	2011 RMB'000
Short term employee benefits	**5,634**	5,693
Post employment benefits	**230**	203
Equity settled share option payment expenses	**346**	292
	6,210	6,188

Total remuneration is included in "staff costs" (see note 7(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.

34. NON-ADJUSTING POST STATEMENT OF FINANCIAL POSITION EVENTS

(i) Final dividend

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

(ii) Capital investment in Beijing Guangying Residential Development Company Limited

During the year, the Group entered into an equity investment agreement with two independent parties to invest in Beijing Guangying Residential Development Company Limited ("Beijing Guangying") of which owned equally by these two independent parties. In January 2013, after completion of the capital injection by the Group and the then equity owners of Beijing Guangying and relevant administrative procedures, Beijing Guangying became an associate of the Group.

Five-Year Financial Summary

For the year ended 31 December 2012
(Expressed in Renminbi)

CONSOLIDATED INCOME STATEMENT

	2012	2011	2010	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**3,452,883**	2,558,860	1,905,792	622,063	762,769
Cost of sales	**(2,267,153)**	(1,786,190)	(1,646,418)	(536,237)	(673,194)
Gross profit	**1,185,730**	772,670	259,374	85,826	89,575
Other revenue	**14,314**	11,676	7,212	2,662	3,121
Other net (expense)/income	**(7,067)**	24,057	5,851	1,454	36,680
Distribution costs	**(224,926)**	(160,648)	(84,336)	(31,625)	(33,920)
Administrative expenses	**(154,420)**	(126,268)	(59,325)	(42,913)	(50,701)
Other operating expenses	**(12,627)**	(1,832)	(2,056)	(1,392)	(6,423)
Profit from operations	**801,004**	519,655	126,720	14,012	38,332
Finance costs	**(102,623)**	(55,486)	(26,259)	(3,202)	(3,304)
Share of profit less loss of associate	**39,687**	36,366	(1,040)	20,728	(10,648)
Gain on remeasurement of the previously held interest in an associate	**–**	–	38,890	–	–
Profit before tax	**738,068**	500,535	138,311	31,538	24,380
Income tax expenses	**(347,611)**	(231,582)	(52,428)	(7,728)	(7,790)
Profit for the year	**390,457**	268,953	85,883	23,810	16,590
Attributable to:					
Owners of the Company	**177,236**	159,236	66,713	23,810	16,590
Non-controlling interests	**213,221**	109,717	19,170	–	–
Profit for the year	**390,457**	268,953	85,883	23,810	16,590
Earnings per share (RMB)					
Basic	**0.35**	0.31	0.15	0.08	0.07
Diluted	**0.35**	0.31	0.15	0.08	0.07

Five-Year Financial Summary

As at 31 December 2012
(Expressed in Renminbi)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2012 *RMB'000*	2011 *RMB'000*	2010 *RMB'000*	2009 *RMB'000*	2008 *RMB'000*
Non-current assets					
Fixed assets	**2,654,320**	2,692,679	2,705,099	363,347	295,810
Intangible assets	**410**	221	182	–	–
Goodwill	**267,195**	266,625	266,625	24,937	24,937
Interest in an associate	**120,621**	80,934	44,568	234,401	213,673
Other financial assets	**4,320**	4,320	4,320	–	–
Deferred tax assets	**97,290**	95,761	53,439	8,810	10,579
	3,144,156	3,140,540	3,074,233	631,495	544,999
Current assets					
Inventories	**14,198,204**	2,015,536	1,681,962	82,628	84,853
Trade and other receivables	**1,270,214**	300,055	266,171	149,031	167,371
Cash and cash equivalents	**1,525,861**	748,393	1,005,358	314,006	127,307
	16,994,279	3,063,984	2,953,491	545,665	379,531
Current liabilities					
Trade and other payables	**3,645,480**	1,918,981	1,638,310	278,391	204,907
Receipt in advance	**466,033**	601,037	667,473	–	–
Bank loans	**153,302**	92,068	44,105	65,947	42,199
Related party loans	**3,325,590**	–	361,632	–	–
Current tax liabilities	**317,637**	124,160	87,869	4,304	7,948
	7,908,042	2,736,246	2,799,389	348,642	255,054
Net current assets	**9,086,237**	327,738	154,102	197,023	124,477
Total assets less current liabilities	**12,230,393**	3,468,278	3,228,335	828,518	669,476
Non-current liabilities					
Other payable to intermediate holding company	**–**	–	–	73,082	73,198
Bank loans	**964,972**	81,070	28,562	60,723	57,279
Related party loans	**6,140,331**	1,044,548	1,100,000	–	–
Deferred tax liabilities	**295,016**	52,522	56,267	152	2,183
	7,400,319	1,178,140	1,184,829	133,957	132,660
NET ASSETS	**4,830,074**	2,290,138	2,043,506	694,561	536,816
Total equity attributable to owners of the Company	**1,749,567**	1,577,901	1,418,996	694,561	536,816
Non-controlling interests	**3,080,507**	712,237	624,510	–	–
TOTAL EQUITY	**4,830,074**	2,290,138	2,043,506	694,561	536,816