



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



2013
Interim Report

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CORPORATE INFORMATION

Registered Office

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

Head Office and Principal Place of Business

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

Board of Directors

Executive Directors

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

Non-Executive Director

Mr. Zhang Haidong

Independent Non-executive Directors

Mr. Lu Gong
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

Audit Committee/Remuneration Committee

Ms. Wong Wai Ling (*Chairman*)
Professor Lam Sing Kwong Simon
Mr. Zhang Haidong

Nomination Committee

Ms. Wang Xiaowen (*Chairman*)
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

Qualified Accountant and Company Secretary

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

Auditors

RSM Nelson Wheeler
Certified Public Accountants
29th Floor, Caroline Centre,
Lee Gardens Two, 28 Yun Ping Road,
Hong Kong

Legal Advisers as to Hong Kong Law

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

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

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

Principal Bankers

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

Stock Information

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results And Business Review

During the period under review, despite China's economic slowdown and uncertainty over the global recovery, Overseas Chinese Town (Asia) Holdings Limited together with its subsidiaries (the "Group") leveraged on its experience and quality products, each of its operations maintained stable performance. We also accelerated the transformation to comprehensive development business according to the established strategic goals.

For the six months ended 30 June 2013, the Group recorded a turnover of approximately RMB1,206 million, representing an increase of approximately 31.9% from the same period of 2012; gross profit margin was approximately 31.6%, representing an increase of approximately 4.1 percentage points from the same period of 2012; and profits attributable to owners of the Company were approximately RMB22.81 million, representing an increase of approximately 8.7% from the same period of 2012.

Comprehensive Development Business

During the period under review, our comprehensive development business recorded a turnover of approximately RMB854 million, representing an increase of approximately 51.3% from the same period of 2012; and profits attributable to owners of the Company were approximately RMB18.92 million, representing an increase of approximately 208.6% from the same period of 2012.

During the first half of this year, the PRC Government introduced a series of real estate control policies such as the new "National Five Measures". Notwithstanding such policies, sales in domestic real estate industry still remained good. Having seized the opportunity to integrate customer resources and grasped the key to sales, the Group continued to strengthen our comprehensive development business, and maintained a steady growth.

For the six months ended 30 June 2013, the contracted sales area and revenue of Shanghai Suhewan project were approximately 7,500 sq.m. and approximately RMB370 million respectively, and the settled area and revenue were approximately 5,200 sq.m. and approximately RMB259 million respectively. The construction of one of its high-rise residential property situated in 1 Jiefang with scarce scenic views has been substantially completed in the first half of this year, and sale will be launched in the second half of this year. For the six months ended 30 June 2013, the contracted sales area and revenue of the residential properties of Chengdu

OCT were approximately 50,600 sq.m. and approximately RMB586 million respectively, and the settled area and revenue were approximately 44,100 sq.m. and approximately RMB518 million respectively. Chengdu Happy Valley Phase II officially commenced its business in late May 2013. During the period under review, Chengdu Happy Valley recorded a turnover of approximately RMB106 million, representing an increase of approximately 6.1% compared with the same period last year. It attracted approximately 994,900 visitors throughout the period under review, representing a slight increase compared with the same period last year. For Tianjin Tianxiao project, as the transferor has not delivered the land yet, the Company has postponed the payment of the 2nd instalment. Currently, the transferor has not yet completed the adjustment of the terms of use of the land in accordance with the terms of the contract. The Company is liaising with the relevant parties to facilitate the progress of the project and is exploring appropriate settlement proposals.

The Company had invested in projects, including the OCT Xi'an project and the Beijing Laiguangying project, and these projects contributed an investment return of approximately RMB6.8 million to the Company during the six months ended 30 June 2013.

Paper Packaging Business

During the period under review, our paper packaging business recorded a turnover of approximately RMB352 million, which was substantially the same as compared with the same period of 2012; and profit attributable to owners of the Company were approximately RMB3.89 million, representing a decrease of approximately 73.8% from the same period of 2012.

Affected by the weak global economy and the sluggish recovery of domestic economy, demand from export and domestic market in China continued to decline, and the demand for paper packaging products also decreased accordingly. Due to the increase in labor costs, the advantage of China's manufacturing industry narrowed. Some important Japanese customers of the Group which engage in the home appliance industry had shifted their production lines to emerging markets, and orders thereby reduced. In response to the changes in paper packaging market, the Group actively developed new customers in industries including food and beverage, household, household chemical products etc., and strived to make up the impact caused by loss of sales orders from existing customers. During the first half of this year, sales of paper packaging business remain steady, but due to the fierce market competition and the change in customer structure, the gross profit margin and the overall profit declined.

Outlook

Along with the implementation of business transformation of the Group, investment projects generate returns gradually. Shanghai Suhewan project, a project invested by the Company last year and started to generate profits for the Group, plans to launch the sale of a high-rise residential property with scarce scenic views in the second half of this year. Profits contributed by this project in the coming years will experience a rapid growing trend. Chengdu OCT will accelerate the development of its commercial sector and launch some low-density residential property and high-end office products in the second half of this year. The first batch of products by Beijing Laiguangying project is also expected to be launched in the middle of August. As the invested projects has been launching gradually, the profit contribution from comprehensive development business will continue to grow. The Group will continue to adhere to the rapid development and rapid recovery strategy, speed up the recovery of funds and increase the cash flow efficiency.

In the future, the Group will follow the established strategy and seek for prime project resources located in the first and second tier cities with development potential. Also, leveraging on its experience and advantage in comprehensive development business, the Group will continue to enrich the content of its products and innovate the forms of products in order to enhance its market influence and regional cohesion.

In the second half of the year, for its paper packaging business, the Group will pay close attention to market expansion, increase efforts to develop new customers and gradually establish solid partnership. On the other hand, the Group will improve internal management, continue to promote cost reduction, improve management efficiency and reduce production losses, so as to maintain its competitiveness in the paper packaging industry.

In 2013, the Group will pursue the strategic objective to develop itself into a prominent developer and operator of commercial complex in China, continue to strengthen its competitiveness, expand its project development and resource reserves in a rational way to enhance its ability to resist risks. Gradually establishing its market position in comprehensive development business, the Company will usher in a new round of rapid growth in the future.

Employees and Remuneration Policy

As at 30 June 2013, 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. Apart from the basic remuneration and statutory benefits required by laws, the Group also provides discretionary bonuses to the staff based upon the Group's results and their individual performance. In addition, the Company has adopted a share option scheme as incentives to Directors and eligible employees.

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.

Financial Review

As at 30 June 2013, the Group's total assets were approximately RMB20,717 million. Total equity amounted to approximately RMB4,902 million. The Group's turnover was approximately RMB1,206 million for the six months ended 30 June 2013, representing an increase of approximately 31.9% over the same period of 2012, among which the revenue from comprehensive development business was approximately RMB854 million, representing an increase of approximately 51.3% over the same period of 2012; the revenue from paper packaging business was approximately RMB352 million, which was substantially the same as compared with the same period of 2012. Profits attributable to owners of the Company were approximately RMB22.81 million, representing an increase of approximately 8.7% over the same period of 2012, among which profits attributable to owners of the Company arising from comprehensive development business were approximately RMB18.92 million, representing an increase of approximately 208.6% over the same period of 2012, which was mainly due to newly added profits from OCT Shanghai Land; profits attributable to owners of the Company arising from paper packaging business were approximately RMB3.89 million, representing a decrease of approximately 73.8% over the same period of 2012, mainly due to the fierce market competition and the change in customer structure.

During the period under review, the Group's gross profit margin was approximately 31.6% (same period in 2012: approximately 27.5%), representing an increase of approximately 4.1 percentage points over the same period of 2012, among which the gross profit margin of its comprehensive development business was approximately 40.6%, representing an increase of approximately 5 percentage points over the same period of 2012, which was mainly due to the revenue recognized during the period under review was mainly generated from units with high gross profit; the gross profit margin of its paper packaging business was approximately 9.7%, representing a decrease of approximately 4.9 percentage points over the same period of 2012, which was mainly due to keen competition in the market and increase in operation costs which resulted in the drop of gross profit.

Distribution Costs and Administrative Expenses

Distribution costs of the Group for the six months ended 30 June 2013 were approximately RMB84.27 million (same period in 2012: approximately RMB65.71 million), representing an increase of approximately 28.2% over the corresponding period in 2012, of which distribution costs of comprehensive development business were approximately RMB62.71 million, representing an increase of approximately 45.1% over the corresponding period of 2012, which was mainly due to our increased efforts in market development for comprehensive development business; distribution costs from paper packaging business were approximately RMB21.56 million, which was substantially the same compared with the same period of 2012.

The Group's administrative expenses for the six months ended 30 June 2013 were approximately RMB68.36 million (same period in 2012: approximately RMB51.83 million), representing an increase of approximately 31.9% over the corresponding period in 2012, of which administrative expenses of comprehensive development business were approximately RMB52.34 million, representing an increase of approximately 33.1%, which was mainly due to OCT Shanghai Land commenced its operations which resulted in increase in management fees; administrative expenses of paper packaging business was approximately RMB16.02 million, representing an increase of approximately 27.9% over the corresponding period of 2012, which was mainly due to fierce competition in the industry which resulted in increase in daily operating costs.

Interest Expenses

The interest expenses of the Group were approximately RMB86.42 million for the six months ended 30 June 2013 (same period in 2012: approximately RMB32.48 million), representing an increase of approximately 166.0% over the same period of 2012, of which interest expenses of comprehensive development business was approximately RMB84.5 million, representing an increase of approximately 191% over the same period of 2012, which was mainly due to the increase in investment in comprehensive development business increased and the funding source was mainly from loans; interest expenses of paper packaging business was approximately RMB1.92 million, representing a decrease of approximately 44.3% over the same period of 2012, which was mainly due to the decrease in the outstanding balance of loan during the period under review.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013, taking into account the long-term development of the Company and its active participation into potential investment opportunities.

Inventories, Debtors' and Creditors' Turnover

The inventory turnover days of the Group's paper packaging business was 49 days for the six months ended 30 June 2013, slightly longer than 41 days for the year ended 31 December 2012. The reason was mainly due to the slight increase in inventory balance as compared with 31 December 2012. The debtors' turnover days of the Group's paper packaging business was 127 days for the six months ended 30 June 2013, which was substantially the same as compared with 126 days for the year ended 31 December 2012. The creditors' turnover days of the Group's paper packaging business was 86 days for the six months ended 30 June 2013, which was substantially the same as compared with 90 days for the year ended 31 December 2012.

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 30 June 2013 was approximately RMB4,902 million (31 December 2012: approximately RMB4,830 million). As at 30 June 2013, the Group had current assets of approximately RMB17,422 million (31 December 2012: approximately RMB16,994 million) and current liabilities of approximately RMB6,728 million (31 December 2012: approximately RMB7,908 million). The current ratio was 2.59 as at 30 June 2013, representing an increase as compared with 2.15 as at 31 December 2012.

As at 30 June 2013, the Group had outstanding bank loans of approximately RMB1,221 million, without any fixed rate loans (31 December 2012: outstanding bank loans of approximately RMB1,118 million, without any fixed rate loans). The interest rates of bank loans of the Group ranged from 1.4% to 4.0% per annum for the six months ended 30 June 2013 (from 1.5% to 4.2% per annum for the year ended 31 December 2012). Some of these bank loans 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. The Group's gearing ratio (being the total borrowings including bills payable and loans divided by total assets) was approximately 55% as at 30 June 2013, which was substantially the same as compared with approximately 53% as at 31 December 2012.

As at 30 June 2013, 100% of the total amount of outstanding bank loans of the Group was denominated in Hong Kong Dollars (31 December 2012: 100% in Hong Kong Dollars). As at 30 June 2013, approximately 92% of the total amount of cash and cash equivalents of the Group was denominated in Renminbi (31 December 2012: approximately 91%), approximately 7% of its cash and cash equivalents was denominated in Hong Kong Dollars (31 December 2012: approximately 8%) and approximately 1% of its cash and cash equivalents was denominated in US Dollars (31 December 2012: approximately 1%).

The Group's liquidity position remains stable and the Group possesses sufficient cash and available banking facilities to meet its commitments, working capital requirements and future investments for expansion. The Group's transactions and monetary assets are principally denominated in Renminbi, Hong Kong Dollars or US Dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates for the six months ended 30 June 2013. As at 30 June 2013, the Group did not employ any financial instrument for hedging purposes.

Contingent Liabilities

The Group has no contingent liabilities as at 30 June 2013 (31 December 2012: Nil).

IMPORTANT EVENTS

Retirement of Directors and Appointment of Directors

On 19 April 2013, Mr. He Haibin and Mr. Xu Jian retired as a non-executive Director and an independent non-executive Director, respectively. On the same date, Mr. Zhang Haidong and Mr. Lu Gong were appointed as a non-executive Director and an independent non-executive Director, respectively.

Change of members of the Audit Committee and the Remuneration Committee of the Company

With effect from the close of the annual general meeting held on 19 April 2013, Mr. Xu Jian resigned as a member of each of the Audit Committee and the Remuneration Committee of the Company and Mr. Zhang Haidong has been appointed as a member of each of the Audit Committee and the Remuneration Committee of the Company on the same date.

Issue of convertible preference shares and ordinary shares of the Company and amendments of the memorandum and articles of association

On 6 June 2013, the Company entered into subscription agreements (the "Preference Shares Subscription Agreement(s)") with each of New China Life Insurance Company Ltd. (新華人壽保險股份有限公司) ("NC Life Insurance"), China Re Asset Management Co., Ltd. (中再資產管理股份有限公司) ("CRAMC") and Integrated Asset Management (Asia) Limited ("Integrated Asset"), pursuant to which the Company agreed to allot and issue 40,000,000, 40,000,000 and 16,000,000 new non-voting convertible preference shares of HK\$0.10 each in the capital of the Company (the "Convertible Preference Shares") to NC Life Insurance, CRAMC and Integrated Asset, respectively, at the subscription price of HK\$4.05 per Convertible Preference Share. On the same date, the Company also entered into a subscription agreement (the "OCT (HK) subscription Agreement") with Overseas Chinese Town (HK) Company Limited ("OCT (HK)") in relation to the subscription of 140,000,000 ordinary shares of HK\$0.10 each in the capital of the Company (the "Shares") by OCT (HK) or any of its wholly-owned subsidiaries designated by OCT (HK) at the subscription price of HK\$4.05 per Share.

The shareholders of the Company had granted specific mandates to the Company to allot and issue the 140,000,000 Shares to OCT (HK) or any of its wholly-owned subsidiaries designated by OCT (HK) and 40,000,000, 40,000,000 and 16,000,000 Convertible Preference Shares to NC Life Insurance, CRAMC and Integrated Asset, respectively, at the extraordinary general meeting of the Company on 19 July 2013.

The subscription of Convertible Preference Shares by each of NC Life Insurance, CRAMC and Integrated Asset were completed on 24 July 2013. 40,000,000, 40,000,000 and 16,000,000 Convertible Preference Shares have been allotted and issued to NC Life Insurance, CRAMC and Integrated Asset, respectively.

The subscription of 140,000,000 Shares by OCT (HK) was completed on 26 July 2013 and 140,000,000 Shares have been allotted and issued to Pacific Climax Limited ("Pacific Climax") at the subscription price of HK\$4.05 per Share. Pacific Climax holds approximately 66.93% of the issued share capital of the Company thereafter.

The net proceeds from the issue of the Convertible Preference Shares and the Shares to OCT (HK) are approximately HK\$384,300,000 and approximately HK\$566,500,000, respectively.

The shareholders of the Company had also approved the amendments to memorandum and articles of association of the Company to, amongst others, incorporate the terms of the Convertible Preference Shares by way of a special resolution at the extraordinary general meeting of the Company on 19 July 2013. Further details in relation to the issue of Convertible Preference Shares and Shares of the Company and amendments to the memorandum and articles of association of the Company are set out in the announcements of the Company dated 7 June 2013, 24 July 2013 and 26 July 2013 and the circular of the Company dated 26 June 2013.

Amendment to the terms of reference of the Nomination Committee of the Company

The terms of reference of the Nomination Committee of the Company was amended on 9 August 2013 to include the review of the Company's Board diversity policy and the progress on achieving the objectives set for implementing the said policy as one of its duties.

Update on director's information

In June 2013, Professor Lam Sing Kwong Simon, an independent non-executive Director, has been appointed as an independent non-executive director of Jin Cai Holdings Company Limited (stock code: 01250), the shares of which are listed on the Main Board of the Stock Exchange.

Progress of Tianjin Tianxiao Project

For the Tianjin Tianxiao project, as the transferor has not delivered the relevant land (the "Land") yet, the Group has postponed the payment of the 2nd instalment. Currently, the transferor has not yet completed the adjustment of the terms of use of the Land in accordance with the terms of the relevant agreements. The Group is liaising with the relevant parties to facilitate the progress of the project and is exploring appropriate settlement proposals.

In relation to the facts that the transferor has not delivered the Land and completed the adjustment of the terms of use of the Land, pursuant to the supplemental agreement entered into between the Group and the transferor on 2 November 2012 in respect of Tianjin Tianxiao project (the "Supplemental Agreement"):-

1. if the transferor fails to complete the clearing, removal, demolition or resettlement compensation works in relation to the Land on time, which led to the Land could not be delivered to the Target Company (i.e. Tianjin Tianxiao Investment Development Company Limited) on time, for each day of delay, the transferor shall pay the Group a default payment equivalent to 0.1% of the consideration for equity transfer already paid by the Group and the total amount of borrowing already repaid by the Target Company (ie. Tianjin Tianxiao Investment Development Company Limited). In the event that the delay is over 30 days, the Group has the right to terminate the relevant agreement and demand compensation from the transferor for consequential loss; and
2. the transferor is responsible for the application to adjust the terms of use of the Land. If, after such adjustment has been made, the total gross floor area for commercial use according to the land plot ratio is less than 30,000 square meters, the transferor shall compensate the Group RMB8,000 for every 1 square meter shortage, subject to a maximum compensation of RMB150 million. If such area is over 40,000 square meters, the transferor shall compensate the Group RMB5,000 for every 1 square meter in excess.

The transferor agreed that the above adjustment shall be completed prior to 30 June 2013. If the adjustment is not completed prior to that date or within the grace period as agreed by the Group in writing, it will be deemed that the terms of use of the Land cannot be adjusted. The transferor agreed to compensate the Group with RMB150 million before 30 August 2013, and default interest will be charged at four times of the one-year benchmark lending rate published by the People's Bank of China.

Besides, for the postponed payment of the 2nd installment by the Group, in accordance with the agreement entered into between the Group and the transferor on 2 November 2012 in respect of Tianjin Tianxiao project, in the event that the Group fails to make full payment for the equity transfer on time, the Group shall pay the transferor a default payment equivalent to 0.1% of the total payment for the equity transfer for each day of delay. If the delay is over 10 working days, the transferor has the right to terminate the agreement and demand the Group to assume the liabilities for the breach of contract and compensate the transferor RMB20 million for economic loss.

Please refer to the announcement of Company dated 6 November 2012 and the circular dated 26 November 2012 for details of Tianjin Tianxiao project.

DIRECTORS' INTERESTS

As at 30 June 2013, none of the Directors and chief executive of the Company were interested in the long or 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")) which have been notified to the Company and Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which taken or deemed to have under such provisions of SFO) or have been entered in the register maintained by the Company under section 352 of the SFO or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code").

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 30 June 2013, as far as is known to the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long Positions in the Shares of the Company

Name	Capacity/ Nature	No. of shares held/ interested	Approximate shareholding percentage
Substantial Shareholders			
Pacific Climax (Note 1)	Beneficial owner	294,894,000	57.85%
OCT (HK)	Beneficial owner (Note 6)	236,000,000	46.29%
	Interest of a controlled corporation (Note 2)	294,894,000	57.85%
Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd")	Interest of a controlled corporation (Note 3)	530,894,000	104.13%
Overseas Chinese Town Enterprises Company ("OCT Group")	Interest of a controlled corporation (Note 4)	530,894,000	104.13%
NC Life Insurance	Beneficial owner	40,000,000 (Note 7)	7.85%
CRAMC	Beneficial owner	40,000,000 (Note 8)	7.85%
Others			
UBS AG	Interest of a controlled corporation (Note 5)	51,162,000	10.04%

Notes:

- (1) Ms. Xie Mei, being an 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 the shares beneficially owned by Pacific Climax for the purpose of the SFO. Ms. Wang Xiaowen and Ms. Xie Mei, both being executive Directors, are also directors of OCT (HK).
- (3) OCT Ltd. is the beneficial owner of all the issued share capital in OCT (HK). For the purpose of the SFO, OCT Ltd. is deemed or taken to be interested in all the Shares which are beneficially owned by OCT (HK) and Pacific Climax. OCT Ltd. is a company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange. OCT Ltd. is a subsidiary of OCT Group.
- (4) OCT Group is the beneficial owner of 56.63% of the issued shares in OCT Ltd., which is the beneficial owner of all the issued shares in OCT (HK), and which is in turn the beneficial owner of all the issued share capital in Pacific Climax and therefore OCT Group is deemed or taken to be interested in all the Shares which are beneficially owned by OCT (HK) and 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.
- (6) On 6 June 2013, the Company entered into the Preference Shares Subscription Agreements with each of NC Life Insurance, CRAMC and Integrated Asset, pursuant to which the Company agreed to allot and issue 40,000,000, 40,000,000 and 16,000,000 Convertible Preference Shares to NC Life Insurance, CRAMC and Integrated Asset, respectively. On the same date, the Company also entered into the OCT (HK) Subscription Agreement with OCT (HK) in relation to the subscription of 140,000,000 Shares by OCT (HK) or any of its wholly-owned subsidiaries designated by OCT (HK). Also, on 6 June 2013, OCT (HK) entered into a put option agreement with each of NC Life Insurance, CRAMC and Integrated Asset, pursuant to which, OCT (HK) grants to each of NC Life Insurance, CRAMC and Integrated Asset to require OCT (HK) to purchase from NC Life Insurance, CRAMC or Integrated Asset (as the case may be) (and any subsequent transferee of the Convertible Preference Shares) all (but not some only) of the outstanding Convertible Preference Shares (issued and allotted to NC Life Insurance, CRAMC or Integrated Asset (as the case may be) pursuant to the Preference Shares Subscription Agreements) legally and beneficially owned by NC Life Insurance, CRAMC or Integrated Asset (as the case may be) (and any subsequent transferee of the Convertible Preference Shares) from time to time during the 180 days commencing from the third anniversary of the date on which the Convertible Preference Shares would be allotted and issued by the Company to NC Life Insurance, CRAMC or Integrated Asset (as the case may be).
- (7) These Shares represent the 40,000,000 Shares to be allotted and issued to NC Life Insurance upon exercise in full the conversion rights attaching to the Convertible Preference Shares pursuant to the Preference Shares Subscription Agreement entered into with NC Life Insurance.

- (8) These Shares represent the 40,000,000 Shares to be allotted and issued to CRAMC upon exercise in full the conversion rights attaching to the Convertible Preference Shares pursuant to the Preference Shares Subscription Agreement entered into with CRAMC.

Save as disclosed above, as at 30 June 2013, no other interests required to be recorded in the register kept under section 336 of the SFO have been notified to the Company.

SHARE OPTION SCHEME

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

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

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

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

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

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

As at 30 June 2013, the total number of outstanding options available for issue under the New Scheme was 20,436,000 options, which represented approximately 4.01% of the issued share capital of the Company as at 30 June 2013. As at 30 June 2013, the total number of Shares available for issue under the options already granted under the New Scheme was 29,700,000 Shares, which represented approximately 5.83% of the issued share capital of the Company as at 30 June 2013. 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 in issue.

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

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

The status of the share options granted up to 30 June 2013 is as follows:

Name and Category of participants	Number of unlisted share options (physically settled equity derivatives)				Date of grant of share options	Exercise period of share options	Exercise price of share options*	Share price of the Company as at the	Share price of the Company as at the	
	Granted As at 1 January 2013	Granted during the period	Exercised during the period	Cancelled/ Lapsed during the period				date of grant of share options**	date of exercise of share options***	
Other employees	30,100,000	-	-	400,000	29,700,000	3 March 2011****	3 March 2011 to 2 March 2016	4.04	4.04	-
Total	<u>30,100,000</u>	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>29,700,000</u>					

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

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

*** The share price of the Company as at the date of the exercise of the share options was the weighted average closing price of the shares immediately before the dates on which the share options were exercised during the period.

**** The share options granted under the New Scheme shall be exercisable during the period from the date of acceptance of the offer of the grant (the "Date of Grant") up to 5 years from the Date of Grant subject to the following vesting term:-

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.

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

CORPORATE GOVERNANCE

For the six months ended 30 June 2013, the Company complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

Securities Transactions by Directors

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

Audit Committee

The Audit Committee of the Company and the management have reviewed the unaudited interim results announcement and the unaudited interim report of the Group for the six months ended 30 June 2013 and have discussed the internal control, accounting principles and practices adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company or any of its subsidiaries has not redeemed any of its shares during the six months ended 30 June 2013. During the same period, neither the Company nor any of its subsidiaries has purchased or sold any of the shares of the Company.

By order of the Board

Wang Xiaowen

Chairman

Hong Kong, 9 August 2013

INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

		Six months ended 30 June	
		2013	2012
		RMB'000	RMB'000
		(unaudited)	(unaudited)
	Note		
Turnover	5	1,205,788	914,368
Cost of sales		(824,897)	(663,197)
Gross profit		380,891	251,171
Other revenue		7,315	7,027
Other net income/(expenses)	6	31,986	(6,299)
Distribution costs		(84,272)	(65,711)
Administrative expenses		(68,355)	(51,833)
Other operating (expenses)/income		(374)	1,001
Profit from operations		267,191	135,356
Finance costs	7	(86,417)	(32,483)
Share of profit or loss from associates		6,800	1,604
Profit before tax	7	187,574	104,477
Income tax expenses	8	(100,711)	(61,500)
Profit for the period		86,863	42,977
Attributable to:			
Owners of the Company		22,808	20,977
Non-controlling interests		64,055	22,000
		86,863	42,977
Earnings per share (RMB)	9		
Basic		0.045	0.041
Diluted		0.045	0.041

The notes on pages 27 to 44 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit for the period	86,863	42,977
Other comprehensive income for the period, net of tax:		
Items that will be reclassified to profit or loss:		
Exchange differences on translating foreign operations	13,267	5
Total comprehensive income for the period	100,130	42,982
Attributable to:		
Owners of the Company	36,075	20,982
Non-controlling interests	64,055	22,000
	100,130	42,982

The notes on pages 27 to 44 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Note	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Non-current assets			
Fixed assets	10		
– Investment properties		581,757	636,074
– Other property, plant and equipment		1,487,746	1,312,733
– Interests in leasehold land held for own use under operating lease		671,321	705,513
Intangible assets		372	410
Goodwill		267,193	267,195
Interest in associates	11	168,962	120,621
Other financial assets		4,320	4,320
Deferred tax assets		113,339	97,290
		<u>3,295,010</u>	<u>3,144,156</u>
Current assets			
Inventories	12	14,748,648	14,198,204
Trade and other receivables	13	1,500,483	1,270,214
Cash and cash equivalents	14	1,172,874	1,525,861
		<u>17,422,005</u>	<u>16,994,279</u>
Current liabilities			
Trade and other payables	15	3,287,478	3,645,480
Receipts in advance		721,850	466,033
Bank loans		144,593	153,302
Related party loans		2,321,510	3,325,590
Current tax liabilities		253,018	317,637
		<u>6,728,449</u>	<u>7,908,042</u>
Net current assets		<u>10,693,556</u>	<u>9,086,237</u>
Total assets less current liabilities		<u>13,988,566</u>	<u>12,230,393</u>

The notes on pages 27 to 44 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2013

	Note	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Non-current liabilities			
Bank loans		1,076,470	964,972
Related party loans		7,721,000	6,140,331
Deferred tax liabilities		289,382	295,016
Other payables		90	–
		<u>9,086,942</u>	<u>7,400,319</u>
NET ASSETS		<u>4,901,624</u>	<u>4,830,074</u>
CAPITAL AND RESERVES			
Share capital		48,332	48,332
Reserves	16	<u>1,708,730</u>	<u>1,701,235</u>
Equity attributable to owners of the Company		1,757,062	1,749,567
Non-controlling interests		<u>3,144,562</u>	<u>3,080,507</u>
TOTAL EQUITY		<u>4,901,624</u>	<u>4,830,074</u>

The notes on pages 27 to 44 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

		(unaudited)											
		Attributable to owners of the Company											
		General					Enterprise			Non-			
		Share capital	Share premium	Contributed surplus	Merger surplus	Capital reserve	Exchange reserve	reserve fund	expansion fund	Retained profits	Total	controlling interests	Total equity
Note		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	At 1 January 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 period	-	-	-	-	-	5	-	-	20,977	20,982	22,000	42,982
	Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	2,187,243	2,187,243
	Shares issued under share option scheme	16(c)	58	937	-	-	(170)	-	-	-	825	-	825
	Equity settled share-based transactions	16(c)	-	-	-	-	5,479	-	-	-	5,479	-	5,479
	Dividend approved in respect of previous year	16(a)	-	-	-	-	-	-	-	(30,211)	(30,211)	-	(30,211)
	Changes in equity for the six months ended 30 June 2012	58	937	-	-	5,309	5	-	-	(9,234)	(2,925)	2,209,243	2,206,318
	At 30 June 2012	48,332	989,317	147,711	24,757	35,680	(4,364)	62,131	5,366	266,046	1,574,976	2,921,480	4,496,456
	At 1 January 2013	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
	Total comprehensive income for the period	-	-	-	-	-	13,267	-	-	22,808	36,075	64,055	100,130
	Equity settled share-based transactions	16(c)	-	-	-	-	3,907	-	-	-	3,907	-	3,907
	Dividend approved in respect of previous year	16(a)	-	-	-	-	-	-	-	(32,487)	(32,487)	-	(32,487)
	Changes in equity for the six months ended 30 June 2013	-	-	-	-	3,907	13,267	-	-	(9,679)	7,495	64,055	71,550
	At 30 June 2013	48,332	989,317	147,711	24,757	45,053	21,896	102,754	5,366	371,876	1,757,062	3,144,562	4,901,624

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
Note	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash generated from operations	395,435	44,349
Tax paid	(261,411)	(137,650)
Net cash generated from/ (used in) operating activities	134,024	(93,301)
Net cash used in investing activities	(903,150)	(871,238)
Net cash generated from financing activities	398,924	1,185,806
Net (decrease)/increase in cash and cash equivalents	(370,202)	221,267
Cash and cash equivalents at 1 January	1,525,861	748,393
Effect of foreign exchange rate changes	(3,115)	322
Cash and cash equivalents at 30 June	1,152,544	969,982
14		

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). It was authorised for issue on 9 August 2013.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The condensed consolidated financial statements for the six months ended 30 June 2013 comprise Overseas Chinese Town (Asia) Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) and the Group’s interest in the associates. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2012 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA. HKFRSs includes all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

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

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2013. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and the amounts reported for the current period and prior years except as stated below.

Amendments to HKAS 1 "Presentation of Financial Statements"

Amendments to HKAS 1 titled Presentation of Items of Other Comprehensive Income introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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 positions.

3. **FAIR VALUE MEASUREMENTS**

Except for other financial assets, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

4. SEGMENT REPORTING

(a) Information about reportable segments

For the six months ended 30 June (unaudited)	Comprehensive development business		Manufacture and sale of paper carton and products		Total	
	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	854,219	564,444	351,569	349,924	1,205,788	914,368
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	854,219	564,444	351,569	349,924	1,205,788	914,368
Reportable segment net profit attributable to owners of the Company	18,922	6,131	3,886	14,846	22,808	20,977

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Profit		
Reportable segment profit	22,808	20,977
Elimination of inter-segment profits	–	–
Reportable segment profit derived from Group's external customers	22,808	20,977
Consolidated net profit attributable to owners of the Company	22,808	20,977

5. TURNOVER

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

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Comprehensive development business	854,219	564,444
Sales of paper cartons and products	351,569	349,924
	1,205,788	914,368

6. OTHER NET INCOME/(EXPENSES)

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net gain/(loss) on disposal of fixed assets	212	(562)
Exchange gain/(loss)	31,712	(6,069)
Others	62	332
	31,986	(6,299)

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Six months ended 30 June	
		2013	2012
		RMB'000	RMB'000
		(unaudited)	(unaudited)
(a)	Finance costs:		
	Interest on bank loans	20,790	3,181
	Interest on related party loans	267,226	44,848
	Total interest expense on financial liabilities not at fair value through profit or loss	288,016	48,029
	Less: Interest expense capitalised into properties under development	(201,599)	(15,546)
		86,417	32,483
(b)	Other items:		
	Interest income	(7,545)	(5,721)
	Amortisation	56	43
	Depreciation	81,217	84,930
	Reversal of impairment losses on trade and other receivables	(704)	(954)
	Reversal of write-off of inventories	(51)	(48)
	Rentals receivable from investment properties less direct outgoings RMB18,932,000 (six months ended 30 June 2012: RMB11,069,000)	(3,191)	938

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Current tax		
– PRC Corporate Income Tax	27,948	(3,260)
– PRC Land Appreciation Tax	56,345	45,252
	<u>84,293</u>	<u>41,992</u>
Deferred tax		
Origination and reversal of temporary differences	16,418	19,508
	<u>100,711</u>	<u>61,500</u>

(i) PRC Corporate Income Tax

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the period (six months ended 30 June 2012: Nil).

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the period (six months ended 30 June 2012: 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% (six months ended 30 June 2012: 25%). Certain subsidiaries are entitled to a tax concession period in which it is fully exempted from PRC income tax for 2 years starting from its first profit-making year, followed by a 50% reduction in the PRC income tax for the next 3 years ("two years free and three years half").

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

8. INCOME TAX EXPENSES (CONTINUED)**(ii) PRC Land Appreciation Tax**

PRC Land Appreciation Tax ("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.

9. 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 RMB22,808,000 (six months ended 30 June 2012: RMB20,977,000) and the weighted average of 509,790,000 ordinary shares (six months ended 30 June 2012: 509,372,320 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of RMB22,808,000 (six months ended 30 June 2012: RMB20,977,000) and the weighted average number of ordinary shares (diluted) of 510,039,469 (six months ended 30 June 2012: 509,579,876 shares).

10. FIXED ASSETS**Acquisitions and disposals**

During the six months ended 30 June 2013, the Group acquired items of fixed assets with a cost of RMB216,100,000 (six months ended 30 June 2012: RMB55,667,000).

Fixed assets with carrying value of RMB57,000 were disposed during the six months ended 30 June 2013 (six months ended 30 June 2012: RMB20,000), resulting in a loss on disposal of RMB212,000 (six months ended 30 June 2012: a gain on disposal of RMB562,000).

11. INTERESTS IN ASSOCIATES

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Xi'an OCT Investment Ltd.	129,406	120,621
Beijing Guangying Residential Property Development Limited	39,556	–
	168,962	120,621

12. INVENTORIES

During the six months ended 30 June 2013, there was a write-down of inventories of RMB536,000 and reversal of RMB587,000 in profit or loss (six months ended 30 June 2012: RMB514,000 was written down and RMB562,000 was reversed). The reversal arose due to changes in the estimated net realisable value of certain paper cartons as a result of changes in customer preference.

13. TRADE AND OTHER RECEIVABLES

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

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Current	225,972	264,140
Less than 3 months past due	23,966	32,912
3 to 12 months past due	837	3
Trade debtors and bills receivable, net of impairment losses	250,775	297,055

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

14. CASH AND CASH EQUIVALENTS

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Cash at banks and in hand	1,152,544	1,525,861
Cash at banks restricted for secure the issuance of bills payable	<u>20,330</u>	—
	<u>1,172,874</u>	<u>1,525,861</u>

15. TRADE AND OTHER PAYABLES

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

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Due within 3 months or on demand	<u>914,386</u>	<u>1,294,722</u>

16. RESERVES AND DIVIDENDS**(a) Dividends**

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

	Six months ended 30 June 2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Final dividend in respect of the financial year ended 31 December 2012, approved and paid during the interim period, of HK\$8.00 cents per share (equivalent RMB6.49 cents per share) (year ended 31 December 2011: HK\$7.30 cents per share (equivalent RMB5.93 cents per share))	<u>32,487</u>	<u>30,211</u>

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

16. RESERVES AND DIVIDENDS (CONTINUED)

(b) Transfer to reserve

There was no transfer to reserve for the six months period ended 30 June 2013.

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

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

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

(c) Equity settled share-based transactions

On 7 February 2006, 5,400,000 and 13,900,000 share options were granted to directors and employees of the Company respectively under the Company's original share option scheme ("2006 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 under the 2006 Share Option Scheme was forfeited or expired during the period.

The 2006 Share Option Scheme was terminated and a new share option scheme ("2011 Share Option Scheme") was adopted on 15 February 2011. The remaining outstanding 720,000 options granted under the 2006 Share Option Scheme were exercised on 16 April 2012. The weighted average closing price of the securities on 13 April 2012 was HK\$3.00.

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 2011 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 terms. The exercise price is HK\$4.04.

16. RESERVES AND DIVIDENDS (CONTINUED)**(c) Equity settled share-based transactions (continued)**

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

No option under the 2011 Share Option Scheme was exercised, forfeited or expired during the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

The total expense recognised for the six months ended 30 June 2013 arising from the share option granted was RMB3,907,000 (six months ended 30 June 2012: RMB5,479,000).

17. CAPITAL AND OTHER COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT:

	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Contracted for	2,385,605	1,629,441
Authorised but not contracted for	1,200,000	2,300,000
	<u>3,585,605</u>	<u>3,929,441</u>

The capital and other commitments in 2013 and 2012 mainly represented the commitments in connection with the planned development projects of Chengdu Tianfu OCT Industry Development Company Limited and Overseas Chinese Town (Shanghai) Land Company Limited.

18. MATERIAL RELATED PARTY TRANSACTIONS**(a) Transactions with other state-controlled entities:**

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

Other than those disclosed in note 18(b), transactions with other state-controlled entities include but are not limited to the following:

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

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

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:

	Six months ended 30 June	
	2013	2012
	RMB’000	RMB’000
	(unaudited)	(unaudited)
Interest income	6,201	2,917
Interest expenses	19,903	980
	<u>1,049,884</u>	<u>1,432,841</u>
	<u>1,015,665</u>	<u>1,054,170</u>

	At	At
	30 June	31 December
	2013	2012
	RMB’000	RMB’000
	(unaudited)	(audited)
Cash at banks	1,049,884	1,432,841
Bank loans	1,015,665	1,054,170

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

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Purchase of services	382,019	410,170
	At	At
	30 June	31 December
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade and other payables	15,993	117,340

For the six months ended 30 June 2013, the Group's significant transactions with other state-controlled entities being purchases of services for the development of comprehensive development business.

18. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)**(b) The Group has a related party relationship with the following parties:**

Name of party	Relationship with the Group
Overseas Chinese Town Enterprises Corporation ("OCT Group")	Ultimate parent
Shenzhen Overseas Chinese Town Company Limited	Intermediate parent
Overseas Chinese Town (HK) Company Limited ("OCT (HK)")	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

18. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

Recurring transactions

	Six months ended 30 June	
	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited)
Sales of goods to:		
OCT Group, its subsidiaries and associates	<u><u>19,672</u></u>	<u><u>28,695</u></u>
Purchase of goods from:		
OCT Group, its subsidiaries and associates	<u><u>52</u></u>	<u><u>21,992</u></u>
Interest on loan from:		
OCT Group, its subsidiaries and associates	<u><u>267,226</u></u>	<u><u>44,848</u></u>
Rental paid to:		
OCT Group, its subsidiaries and associates	<u><u>419</u></u>	<u><u>419</u></u>
Utility expenses paid to:		
OCT Group, its subsidiaries and associates	<u><u>6</u></u>	<u><u>27</u></u>
Purchase of service from:		
OCT Group, its subsidiaries and associates	<u><u>4,681</u></u>	<u><u>6,955</u></u>
Sales of service		
OCT Group, its subsidiaries and associates	<u><u>69</u></u>	<u><u>–</u></u>

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

18. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

Balance with related parties

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

	Notes	At 30 June 2013 RMB'000 (unaudited)	At 31 December 2012 RMB'000 (audited)
Trade receivable from fellow subsidiaries	(i)	38,431	38,736
Other receivables from fellow subsidiaries	(ii)	1,359	530
Other payables to fellow subsidiaries	(ii)	(64,577)	(25,579)
Loans from a fellow subsidiary	(iii)	(6,242,000)	(6,342,000)
Loans from intermediate parents	(iv)	(3,800,510)	(3,123,921)
Interest payables to a fellow subsidiary	(v)	(158,486)	–
Interest payables to intermediate parents	(v)	(60,351)	(24,464)

Notes:

- (i) The trade receivable balances are unsecured, non-interest bearing and are expected to be recovered within six months. These refer to receivables in respect of sales of paper cartons and paper boxes to related parties.
- (ii) Other receivables and payables are unsecured, non-interest bearing and repayable on demand.
- (iii) Loans from a fellow subsidiary of RMB771,000,000 and RMB5,471,000,000 are bearing interest at 6.15% and 6.55%, respectively.
- (iv) Loans from intermediate parents of RMB900,000,000 is interest bearing at 3.62%, RMB400,000,000 is bearing at 4.44%, USD17,140,000 is bearing at 4.00%, RMB850,000,000 is bearing at 6.00%, HK\$425,000,000 is bearing at 4.30% and HK\$1,508,132,000 is bearing at 4.00%.
- (v) Interest payables are the accrued interests to be paid to a fellow subsidiary and intermediate parents as mentioned in (iii) and (iv).

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

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

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

	Six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	1,296	1,512
Post employment benefits	161	80
Equity-settled share option payment expenses	84	73
	1,541	1,665

(d) Employee retirement benefits

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Shenzhen, Zhongshan, Shanghai, Anhui, Huizhou, Chengdu and Tianjin whereby the Group is required to make contributions to the Schemes at a rate ranging from 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\$25,000. Contributions to the plan vest immediately.

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

19. EVENTS AFTER THE REPORTING PERIOD

On 6 June 2013, the Company, OCT (HK) and three independent third parties entered four subscription agreements in relation to the subscription of 140,000,000 new ordinary shares of HK\$0.1 each of the Company at a subscription price of HK\$4.05 per share and 96,000,000 new non-voting convertible preference shares of HK\$0.1 each of the Company at a subscription price of HK\$4.05 per share respectively.

Subsequent to the end of the reporting period, the Company increased its authorised share capital from HK\$200,000,000 to HK\$209,600,000 by creation of 96,000,000 non-voting convertible preference shares of HK\$0.1 each and issued 140,000,000 new ordinary shares of HK\$0.1 each of the Company to Pacific Climax Limited, the immediate parent of the Company and a wholly owned subsidiary of OCT (HK), and 96,000,000 non-voting convertible preference shares of HK\$0.1 each of the Company to three independent third parties.