



Overseas Chinese Town (Asia) Holdings Limited

華僑城(亞洲)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 03366



Interim Report

2016

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Corporate
Information

Registered Office

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

**Head Office and Principal
Place of Business**

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

Board of Directors**Executive Directors**

Mr. Yao Jun (*Chairman*)
Ms. Xie Mei (*CEO*)
Mr. Lin Kaihua

Non-executive Director

Mr. Zhou Ping

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. Zhou Ping

Nomination Committee

Mr. Yao Jun (*Chairman*)
Ms. Wong Wai Ling
Professor Lam Sing Kwong Simon

**Qualified Accountant and
Company Secretary**

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

Corporate Information

Auditors	RSM Hong Kong Certified Public Accountants 29th Floor, Lee Garden Two 28 Yun Ping Road Hong Kong
Legal Advisers as to Hong Kong Law	Loong & Yeung Room 1603, 16/F, China Building 29 Queen's Road Central Central, Hong Kong
Principal Share Registrar and Transfer Office	Estera Trust (Cayman) Limited PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Computershare Hong Kong Investor Services Limited Shops 1712-16, 17/F, Hopewell Centre 183 Queen's Road East, Hong Kong
Principal Bankers	China Construction Bank (Asia) Corporation Limited DBS Bank (Hong Kong) Limited Hang Seng Bank Limited Nanyang Commercial Bank OCBC Wing Hang Bank Limited Standard Chartered Bank (HK) Ltd.
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

In the first half of 2016, the global economy remained complicated and grim, economic recovery in the United States is slower than expected and the referendum of exit from the Europe by the United Kingdom made Europe the new risk point for the global economy. The PRC government maintained a prudent approach in its monetary and fiscal policies, and deepened structural reforms on the supply side. While the domestic economy reached the bottom and signs of stability could be seen, it was still exposed to substantial downward pressure. Under these complex domestic and international economic conditions, Overseas Chinese Town (Asia) Holdings Limited (the “Company”) together with its subsidiaries (the “Group”) steadily implemented its established strategy and achieved satisfactory operating results leveraging on its extensive experience and high quality products.

For the six months ended 30 June 2016 (the “Period Under Review”), the Group recorded a revenue of approximately RMB2.14 billion, representing an increase of approximately 7.1% from the corresponding period of 2015. Further, the profit attributable to owners of the Company was approximately RMB211.57 million, representing an increase of approximately 101.5% from the corresponding period of 2015.

Comprehensive Development Business

In the first half of 2016, benefited from the property destocking policy since 2015 and stimulated by various attempts at cutting interest rates and the required reserve ratio, the real estate market in the PRC continued its upward trend since the end of last year. Nevertheless, the segregation of cities intensified, differentiation was seen among cities as different regulatory policies were introduced to suit their local markets. Demands in the first-tier cities and several key second-tier cities continued to soar and the property market recorded a growth in both sales volume and price, while most third-tier and fourth-tier cities faced severe inventory pressure and their emphasis remains in accelerating the destocking process. The Group has always upheld the strategy of deep plowing in the first-tier and second-tier cities to achieve steady development in comprehensive development business.

Management Discussion and Analysis

For the Period Under Review, the comprehensive development business of the Group recorded a revenue of approximately RMB1.77 billion, representing an increase of approximately 11.7% from the corresponding period of 2015. Further, the profit attributable to owners of the Company was approximately RMB213.11 million, representing an increase of approximately 125.4% from the corresponding period of 2015.

During the Period Under Review, the Shanghai Suhewan Project was mainly engaged in the sales of waterfront multi-storey residential properties which are highly scarce in the market, luxury high-rise residential tower with excellent views, low-density residential properties, apartment-style offices and some boutique business premises. For the Period Under Review, the contracted sales area and amount of the Shanghai Suhewan Project were approximately 22,900 sq.m. and approximately RMB2.02 billion, respectively, with contracted sales amount increased by approximately 54.6% as compared with the same period of last year, and the settled area and amount were approximately 17,300 sq.m. and approximately RMB1.41 billion, respectively, with settled amount increased by approximately 51.1% compared with the same period of last year. During the Period Under Review, Shanghai Suhewan East No.88 has won “Real Estate Design Award 2015-2016 • China – Gold Award for Residential Property Comprehensive Project”, and 41 Jiefang of Shanghai Suhewan West has won “Real Estate Design Award 2015-2016 • China – Commercial & Office Comprehensive Property Project Award”. The Shanghai Suhewan Project has received numerous awards, which was a high recognition for the overall project planning and product design, as well as a general acknowledgement to the development capability and product development of our brand OCT.

Management Discussion and Analysis

During the Period Under Review, Chengdu Tianfu OCT Industry Development Company Limited (“Chengdu OCT”) focused on the sales of high-end office properties, high-rise residential properties, multi-storey residential properties and some low-density residential properties. During the Period Under Review, the contracted sales area and amount of residential and office properties of Chengdu OCT were approximately 38,000 sq.m. and approximately RMB279.00 million, respectively, and the settled area and amount were approximately 33,500 sq.m. and approximately RMB270.00 million, respectively. The current rentable area for commercial use is approximately 83,900 sq.m., of which 99% has been leased. Swan Castle residential property of Chengdu OCT has won the National High Quality Project Award granted by China Association of Construction Enterprise Management (中國施工企業管理協會) in early 2016. During the Period Under Review, Chengdu Happy Valley achieved a revenue of approximately RMB109.00 million, which recorded a decrease of approximately 11% compared with the same period of last year, with a visitor flow of approximately 1.00 million, which remained broadly flat as compared with the same period of last year.

On 7 March 2016, 成都華僑城創盈企業管理有限公司 (Chengdu OCT Chuang Ying Enterprise Management Company Limited) (“Chengdu Chuang Ying”), a wholly-owned subsidiary of Chengdu OCT, acquired 50% equity interests in 成都市保鑫泉盛房地產開發有限公司 (Chengdu Baoxin Quansheng Real Estate Development Company Limited) (“Chengdu Baoxin Quansheng”) from 成都保鑫投資有限公司 (Chengdu Baoxin Investment Company Limited) (“Chengdu Baoxin Investment”) at a consideration of RMB25.00 million. Chengdu Baoxin Quansheng owns a land located in Jinniu District in Chengdu city with a total site area of approximately 58,300 sq.m. and total gross floor area of not more than 174,900 sq.m. which will mainly be used for the development of high-rise residential property, ground-floor shops, commercial duplexes, apartment buildings and underground car parking space. At the end of June 2016, the first phase of Chengdu Baoxin Quansheng project has been offered on the market for pre-sale.

Management Discussion and Analysis

Located at the core business district of Bell Tower at the centre of Xi'an city and adjacent to the Yongningmen metro station, the OCT Chang'an Metropolis Project enjoys superior location and convenient transportation as well as strong business atmosphere. During the Period Under Review, the Group successfully completed all transfer of ownership rights for the offices and certain car parking spaces under the OCT Chang'an Metropolis Project with an aggregate gross floor area of approximately 104,700 sq.m and completed the amendments to the contracts for all tenants of Building 2 and put forward the retrofitting of Building 3.

During the Period Under Review, the Beijing Unique Garden Project focused on the sales of high-rise residential properties. The contracted sales area and amount were approximately 10,400 sq.m. and approximately RMB568.00 million, respectively, and the settled area and amount were approximately 65,800 sq.m. and approximately RMB3.09 billion, respectively. During the Period Under Review, the Beijing Unique Garden Project contributed an investment return of approximately RMB250.00 million to the Company.

Paper Packaging Business

The Group enjoys 30 years of experience of operations and development in the packaging and printing industry, built up the "Huali" brand with a good customer base and market reputation, and has developed five environmental friendly packaging production bases and several branches in the economically vital region such as Pearl River Delta and Yangtze River Delta regions, located in Huizhou, Zhongshan, Shanghai, Chuzhou, Suzhou and other places respectively.

Management Discussion and Analysis

During the Period Under Review, due to the downturn in macro-economy, pressure had been accumulating within the domestic manufacturing industry and the ancillary packaging enterprises, including shrinking export orders, weak growth in domestic orders, fierce market competition and continuous increase in operating costs. Facing such unfavorable business conditions, the Group, on one hand, ramped up its efforts in exploring sales in domestic market, and adjusted order structure to achieve stable sales volume; and on the other hand, the Group lowered the cost and improved the efficiency of its practice, and vigorously promoted the reform of equipment and logistics automation to enhance the comprehensive operational efficiency of the Company. During the first half of the year, the new factory of Suzhou Huali has been put into operation, which will further enhance the productivity of the paper packaging business of the Group and is estimated to further consolidate its market share in Yangtze River Delta region.

During the Period Under Review, the paper packaging business of the Group recorded a revenue of approximately RMB367.00 million, representing a decrease of approximately 10.8% as compared with the same period of 2015, and the loss attributable to owners of the Company of approximately RMB1.55 million, as compared with a profit of approximately RMB10.44 million for the same period of 2015.

Management Discussion and Analysis

OUTLOOK

Looking forward to the second half of 2016, global economy is fraught with uncertainties and risk-off sentiment in global economy may deteriorate. Due to the combined effect continuously brought by the further deepening of reforms and innovations and the impact of macro-control, the domestic economy is running smoothly in general. However, given the poor external conditions and sluggish demand growth, downward pressure will still exist in the domestic economy for the second half of the year. It is the real estate policy of the PRC to persist in its risk control and destocking measure. The market-oriented adjustments in the industry are expected to accelerate while the market segregation will intensify. The property market in the first-tier and second-tier cities is expected to record a steady growth, and high-quality real estate companies will maintain long-term development potentials. All projects of the Group are situated in the first-tier and second-tier core cities, which is beneficial to the business development of the Group. In addition, the Group will quicken the pace of innovative development, explore and attempt to realize the organic combination of financial innovation and industrial strength and lay stress on the enhancement of the corporate value in the future.

Comprehensive Development Business

For the second half of 2016, in response to the property destocking target of the PRC, the Group will accelerate the speed of turnover of its assets, in order to speed up the recovery of funds. As the property market continues its steady momentum, by leveraging on the long-accumulated customer base and high quality products and services of the Group, we believed that we can achieve satisfactory sales results in the projects.

Management Discussion and Analysis

The Shanghai Suhewan Project will introduce Bulgari Residence for the first time which possesses the scarce landscape resources, continue to sell waterfront multi-storey residential properties, high-rise residential towers and boutique business premises, and accelerate the construction and pre-opening preparation of Bulgari Hotel. As the strategic planning of “One Shaft Three Belts (一軸三帶)” in new Jing’an District in Shanghai is freshly announced, the Suhewan Segment, being a core segment of the new Jing’an District, is expected to be the new development core of Shanghai. As an iconic commercial complex project of the Suhewan Segment, the Shanghai Suhewan Project has gradually matured and turned the segment into a new luxury accommodation district in the city centre of Shanghai. The Chengdu OCT Project will launch the high-end custom villa in the only eyot of the downtown of Chengdu, continue its sale of high-end office products and high-rise residential properties and boost the development of business properties. It is expected that the construction of the Chongqing OCT Land Project will be commenced in the second half of the year. Retrofitting of Building 3 of the OCT Chang’an Metropolis Project will be completed and the leasing will be launched in the second half of the year.

For the second half of the year, we will continue to adhere to the industry-leading development concept and clear market orientation, explore regions with geographical advantages and growth potential in the first-tier and second-tier cities, make active efforts in seeking land resources and project merger and acquisition opportunities which are in line with the Group’s strategic positioning, and enrich our portfolio of quality project reserve. In the meantime, we will fully utilize our advantages, to constantly explore and innovate products, and reinforce future development potentials of the Company.

Management Discussion and Analysis

Paper Packaging Business

Led and put forward by the national industrial strategies such as “Industry 4.0” and “Intellectual manufacturing”, the pace of industrial transformation and upgrading has been speeded up further. Meanwhile, benefited from the fast-growing e-business and stimulated by the demand in logistics market, the Group is of the view that the paper packaging business will enjoy new development opportunities in the future. However, the Group will still face fierce market competition within this sector. For the second half of the year, the Group will make greater efforts in exploring domestic market, actively tapping into market segments such as e-business and logistics, optimize order structure; while putting greater efforts in the reform of equipment and logistics automation with a view to enhance operational efficiency. In addition, the Group will also actively explore innovation in products, technology and management, as well as the enhancement of R&D and design capabilities in packing and integrated services.

The Group will strive to bring satisfactory returns to its shareholders with the support by its parent company, Overseas Chinese Town Enterprise Company (華僑城集團公司) and by leveraging the brands, resources and experience advantages of its parent company in the composite project development areas and through innovation development and win-win cooperation.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Group employed approximately 2,624 full-time staff. The basic remuneration 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 with reference to a variety of factors including market conditions and responsibilities assumed by each director. Apart from the basic remuneration and statutory benefits, the Group also provides discretionary bonuses to the staff based upon the Group's results and their individual performance.

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 the senior management have been working for the Group for many years.

Management Discussion and Analysis

FINANCIAL REVIEW

As at 30 June 2016, the Group's total assets were approximately RMB22.00 billion, whereas the Group's total equity amounted to approximately RMB6.90 billion. The Group recorded a revenue of approximately RMB2.14 billion for the six months ended 30 June 2016, representing an increase of approximately 7.1% over the same period of 2015, among which the revenue from comprehensive development business was approximately RMB1.77 billion, representing an increase of approximately 11.7% over the same period of 2015, mainly due to the increase in the revenue contributed by OCT Shanghai Land; the revenue from paper packaging business was approximately RMB367.00 million, representing a decrease of approximately 10.8% over the same period of 2015, mainly due to the intensified market competition, decrease in customer orders and drop in selling price. Profit attributable to owners of the Company was approximately RMB212.00 million for the six months ended 30 June 2016, representing an increase of approximately 101.5% over the same period of 2015, among which profit attributable to owners of the Company arising from comprehensive development business was approximately RMB213.00 million, representing an increase of approximately 125.4% over the same period of 2015, which was mainly due to a significant increase in share of profits of associates; loss attributable to owners of the Company arising from paper packaging business was approximately RMB1.55 million, while profit over the same period of 2015 was approximately RMB10.44 million, mainly due to the intensified market competition, decrease in customer orders and drop in gross profit margin. For the six months ended 30 June 2016, basic earnings per share were RMB0.299 (same period in 2015: RMB0.138), representing an increase of approximately 116.7% over the same period of 2015.

Management Discussion and Analysis

For the six months ended 30 June 2016, the Group's gross profit margin was approximately 24.8% (same period in 2015: approximately 29.1%), representing a decrease of approximately 4.3 percentage points over the same period of 2015, among which the gross profit margin of its comprehensive development business was approximately 27.7%, representing a decrease of approximately 5.5 percentage points over the same period of 2015, which was mainly due to the decrease of revenue recognized during the Period Under Review from units with high gross profit; the gross profit margin of its paper packaging business was approximately 10.9%, representing a decrease of approximately 2.3 percentage points over the same period of 2015, which was mainly due to the fall in selling price and increase in cost of sales.

Distribution Costs and Administrative Expenses

Distribution costs of the Group for the six months ended 30 June 2016 were approximately RMB113.00 million (same period in 2015: approximately RMB81.00 million), representing an increase of approximately 38.4% over the corresponding period in 2015, of which distribution costs of comprehensive development business were approximately RMB91.43 million, representing an increase of approximately 57.0% over the corresponding period of 2015, which was mainly due to the increase in the promotion expenses and sales commissions as compared with the same period in last year; distribution costs from paper packaging business were approximately RMB21.17 million, representing a decrease of approximately 8.4% over the corresponding period of 2015, which was mainly due to the decrease in sales commissions and transportation costs resulted from the decrease in the revenue from paper packaging business.

The Group's administrative expenses for the six months ended 30 June 2016 were approximately RMB88.30 million (same period in 2015: approximately RMB81.69 million), representing an increase of approximately 8.1% over the corresponding period in 2015, of which administrative expenses of comprehensive development business

Management Discussion and Analysis

were approximately RMB71.60 million, representing an increase of approximately 12.3% over the same period of 2015, which was mainly due to Xi'an OCT Land commenced operation and incurred expenses of approximately RMB2.55 million (same period in 2015: RMB Nil) and the increase in labor costs during the Period Under Review; administrative expenses of paper packaging business were approximately RMB16.70 million, representing a decrease of approximately 7.0% over the same period of 2015, which was mainly due to the tightened control of the management over the operational costs of paper packaging business.

Interest Expenses

The interest expenses of the Group were approximately RMB127.00 million for the six months ended 30 June 2016 (same period in 2015: approximately RMB113.00 million), representing an increase of approximately 12.5% over the same period in 2015, of which interest expenses of comprehensive development business were approximately RMB125.00 million, representing an increase of approximately 13.2% over the same period in 2015, mainly due to the increased amount of loans for developing new projects; interest expenses of paper packaging business were approximately RMB2.65 million, which is substantially the same comparing to the corresponding period in 2015.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016, taking into account the long-term development of the Company and its active participation in potential investment opportunities.

Inventories, Debtors' and Creditors' Turnover

The inventory turnover days of the Group's paper packaging business were 33 days for the six months ended 30 June 2016, which was substantially the same as compared with 32 days for the year ended

Management Discussion and Analysis

31 December 2015. The debtors' turnover days of the Group's paper packaging business were 135 days for the six months ended 30 June 2016, representing an increase of 19 days as compared with 116 days for the year ended 31 December 2015, mainly due to the longer settlement period resulted from the change of payment method by some customers. The creditors' turnover days of the Group's paper packaging business were 52 days for the six months ended 30 June 2016, which was 10 days less than 62 days for the year ended 31 December 2015, mainly due to the shortened credit period granted by the suppliers.

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 30 June 2016 was approximately RMB6.90 billion (31 December 2015: approximately RMB6.77 billion). As at 30 June 2016, the Group had current assets of approximately RMB16.15 billion (31 December 2015: approximately RMB17.67 billion) and current liabilities of approximately RMB8.12 billion (31 December 2015: approximately RMB6.97 billion). The current ratio was 1.99 as at 30 June 2016, decrease by 0.54 as compared to that as at 31 December 2015 (31 December 2015: 2.53), which was mainly due to the repayment of certain long-term related party loans and the transfer of part of the loans from non-current liabilities to current liabilities during the Period Under Review. The Group generally finances its operations with internally generated cash flow and credit facilities provided by banks and shareholder's loan.

As at 30 June 2016, the Group had outstanding bank and other loans of approximately RMB3.91 billion, without any fixed rate loans (31 December 2015: outstanding bank and other loans of approximately RMB4.13 billion, without any fixed rate loans). The interest rates of bank and other loans

Management Discussion and Analysis

of the Group ranged from 2.12% to 6.38% per annum for the six months ended 30 June 2016 (from 2.14% to 6.64% per annum for the year ended 31 December 2015). Some of these bank loans were secured by floating charges of certain assets of the Group and 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 48.8% as at 30 June 2016, which was substantially the same as compared with 48.9% as at 31 December 2015.

As at 30 June 2016, approximately 40.9% of the total amount of outstanding bank and other loans of the Group was denominated in Renminbi (31 December 2015: approximately 38.7%), approximately 34.4% of its outstanding bank and other loans was denominated in Hong Kong Dollars (31 December 2015: approximately 36.9%) and approximately 24.7% of its outstanding bank and other loans was denominated in United States Dollars (31 December 2015: approximately 24.4%). As at 30 June 2016, approximately 85.2% of the total amount of cash and cash equivalents of the Group was denominated in Renminbi (31 December 2015: approximately 78.2%), approximately 9.6% of its cash and cash equivalents was denominated in Hong Kong Dollars (31 December 2015: approximately 19.2%) and approximately 5.2% of its cash and cash equivalents was denominated in United States Dollars (31 December 2015: approximately 2.6%).

The Group's liquidity position remains stable. The Group's transactions and monetary assets are principally denominated in Renminbi, Hong Kong Dollars and United States Dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result

Management Discussion and Analysis

of fluctuations in currency exchange rates for the six months ended 30 June 2016. The Group did not enter into any foreign exchange forward contracts and other material financial instruments for hedging foreign exchange risks purpose for the six months ended 30 June 2016.

Contingent Liabilities

The Group has no contingent liabilities as at 30 June 2016 (31 December 2015: Nil).

IMPORTANT EVENTS

Acquisition of Chengdu Baoxin Quansheng

On 7 March 2016, Chengdu Chuang Ying acquired 50% equity interests in Chengdu Baoxin Quansheng from Chengdu Baoxin Investment at a consideration of RMB25.00 million. Chengdu Chuang Ying and Chengdu Baoxin Investment shall provide shareholders' loan and corporate guarantees for the bank loans to Chengdu Baoxin Quansheng in proportion to their respective equity interests, the total amount of which shall not exceed RMB1.95 billion. Chengdu Baoxin Quansheng owns a land located in Jinniu District in Chengdu city with a total site area of approximately 58,300 sq.m. and total gross floor area not more than 174,900 sq.m. At the end of June 2016, the first phase of Chengdu Baoxin Quansheng project has been offered on the market for pre-sale. For more details, please refer to the announcement of the Company dated 7 March 2016 and the circular of the Company dated 5 May 2016.

Directors' Interests

As at 30 June 2016, no interests and short positions in the ordinary shares of HK\$0.10 each in the share capital of the Company (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”)) were held by the Directors and chief executives of the Company which have been notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix X of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange (the “Model Code”).

Interests and Short Positions of Substantial Shareholders and Other Persons

As at 30 June 2016, 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 Shares

Name of substantial shareholders	Capacity/Nature	No. of Shares held	Approximate percentage of shareholding
Pacific Climax Limited ("Pacific Climax") (note 1)	Beneficial owner	434,894,000 (long position)	66.66%
Overseas Chinese Town (HK) Company Limited ("OCT (HK)")	Interest of a controlled corporation (note 2)	434,894,000 (long position)	66.66%
	Beneficial owner (note 5)	96,000,000 (long position)	14.72%
Shenzhen Overseas Chinese Town Company Limited ("OCT Ltd.")	Interest of a controlled corporation (note 3)	530,894,000 (long position)	81.38%
Overseas Chinese Town Enterprises Company ("OCT Group")	Interest of a controlled corporation (note 4)	530,894,000 (long position)	81.38%
New China Life Insurance Company Ltd. ("NC Life Insurance")	Beneficial owner (note 5)	40,000,000 (long position)	6.13%
China Re Asset Management Co., Ltd ("CRAMC")	Beneficial owner (note 5)	40,000,000 (long position)	6.13%

Interests and Short Positions of Substantial Shareholders and Other Persons

Name of substantial shareholders	Capacity/Nature	No. of Shares held	Approximate percentage of shareholding
Others			
UBS Group AG	Person having a security interest in shares (note 6)	3,200,000 (long position)	0.49%
	Interest of a controlled corporation (note 6)	49,274,000 (long position)	7.55%
		278,000 (short position)	0.04%
UBS AG	Person having a security interest in shares (note 6)	3,200,000 (long position)	0.49%
	Interest of a controlled corporation (note 6)	48,996,000 (long position)	7.51%
	Beneficial owner (note 6)	278,000 (long position)	0.04%
		278,000 (short position)	0.04%

Notes:

- (1) Ms. Xie Mei and Mr. Lin Kaihua, both being executive Directors, and Mr. Zhou Ping, being a non-executive Director, are also directors of Pacific Climax.
- (2) OCT (HK) is the beneficial owner of all the issued share capital in Pacific Climax. Therefore, OCT (HK) is deemed, or taken to be interested in all the Shares beneficially held by Pacific Climax for the purpose of the SFO. Mr. Yao Jun and Ms. Xie Mei, both being executive Directors, and Mr. Zhou Ping, being a non-executive Director, are also directors of OCT (HK).
- (3) OCT Ltd. is the beneficial owner of all the issued share capital in OCT (HK), which in turn the beneficial owner of all the issued share capital in Pacific Climax. Therefore, OCT Ltd. 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. OCT Ltd. is a company established in the PRC, the shares of which are listed on the Shenzhen Stock Exchange. OCT Ltd. is a subsidiary of OCT Group.

Interests and Short Positions of Substantial Shareholders and Other Persons

- (4) OCT Group is the beneficial owner of 53.47% of the issued shares in OCT Ltd., which is the beneficial owner of all the issued shares 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 OCT Ltd., OCT (HK) and Pacific Climax for the purpose of the SFO.
- (5) On 24 July 2013, the Company allotted and issued 40,000,000, 40,000,000 and 16,000,000 Convertible Preference Shares to NC Life Insurance, CRAMC and Integrated Asset Management (Asia) Limited ("Integrated Asset") respectively according to the preference shares subscription agreements entered into by the Company with each of NC Life Insurance, CRAMC and Integrated Asset on 6 June 2013. In addition, 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 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).
- (6) The interests of UBS AG consist of the interests (long position) in 39,088,000 Shares, 5,756,000 Shares and 4,152,000 Shares and 278,000 Shares (total: 49,274,000 Shares) held by UBS Fund Services (Luxembourg) SA, UBS Global Asset Management (Hong Kong) Ltd, UBS Global Asset Management (Singapore) Ltd and UBS AG. UBS Fund services (Luxembourg) SA, UBS Global Asset Management (Hong Kong) Ltd and UBS Global Asset Management (Singapore) Ltd are wholly-owned by UBS AG while UBS AG is directly owned as to 98.02% by UBS Group AG, and the interests (short position) in 278,000 Shares held by UBS AG. UBS Group AG is also interested in 3,200,000 Shares (long position) in the capacity as a person having a security interest in the shares. Therefore UBS Group AG is deemed, or taken to be interested in the total of 52,474,000 Shares (long position) and 278,000 Shares (short position) for the purpose of the SFO.

Save as disclosed above, as at 30 June 2016, 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”). The purpose of the 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 at general meeting.

The 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 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 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.



Share Option Scheme

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 any other share option schemes of the Company in total 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 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 2016, the total number of outstanding options available for grant under the New Scheme was 20,436,000 options, which represented approximately 3.13% of the issued share capital of the Company as at 30 June 2016. 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. 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 then in issue.

Under the terms of the New Scheme, 30,100,000 options were granted to certain eligible participants (including some Directors and employees) by the Company on 3 March 2011 with the exercise price of HK\$4.04, and the amount payable for the grant of an option was HK\$1.00. Details of the options granted under the New Scheme mentioned above are disclosed in the Company's announcement dated 3 March 2011. As at 2 March 2016, all of the options already granted under the New Scheme had expired. As at 30 June 2016, the total number of Shares available for issue under the options already granted under the New Scheme was nil Shares.

Share Option Scheme

The status of the share options granted up to 30 June 2016 is as follows:

Number of unlisted share options (physically settled equity derivatives)

Name and category of participants	As at 1 January 2016	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 30 June 2016	Date of grant of share options	Exercise period of share options	Exercise price of share options*	Share price of the Company as at	Share price of the Company as at
									the date of grant of share options**	the date of exercise of share options***
								HK\$	HK\$	HK\$
Director										
Zhou Ping	160,000	-	-	160,000	-	3 March 2011****	3 March 2011 to 2 March 2016	4.04	4.04	-
Other employees	26,264,000	-	-	26,264,000	-	3 March 2011****	3 March 2011 to 2 March 2016	4.04	4.04	-
Total	26,424,000	-	-	26,424,000	-					

* 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.



Share Option Scheme

**** 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 2016, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code. The Board confirms that, having made specific enquiry with all Directors, for the six months ended 30 June 2016 the Directors have complied with the required standards as 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 2016 and have discussed the internal control, accounting principles and practices adopted by the Group with the management of the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has redeemed any of its shares during the six months ended 30 June 2016. During the same period, neither the Company nor any of its subsidiaries has purchased or sold any of its shares.

By Order of the Board
Overseas Chinese Town (Asia) Holdings Limited
Yao Jun
Chairman

Hong Kong, 11 August 2016

Interim Financial Report

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Revenue	5	2,137,362	1,996,253
Cost of sales		(1,607,303)	(1,415,318)
Gross profit		530,059	580,935
Other revenue		21,995	19,154
Other net losses	6	(285)	(1,117)
Distribution costs		(112,604)	(81,332)
Administrative expenses		(88,302)	(81,689)
Other operating expenses		(29,167)	(303)
Profit from operations		321,696	435,648
Finance costs	7	(127,209)	(113,087)
Share of profits of associates		272,325	75,295
Share of loss of a joint venture		(471)	–
Profit before tax	7	466,341	397,856
Income tax expenses	8	(166,661)	(190,317)
Profit for the period		299,680	207,539
Attributable to:			
Owners of the Company		211,566	105,003
Non-controlling interests		88,114	102,536
		299,680	207,539
Earnings per share (RMB)	9		
Basic		0.299	0.138
Diluted		0.283	0.137

The notes on pages 35 to 52 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 2016

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
	<u>299,680</u>	<u>207,539</u>
Profit for the period		
Other comprehensive income for the period, net of tax:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	<u>(81,153)</u>	<u>(7,068)</u>
Total comprehensive income for the period	<u>218,527</u>	<u>200,471</u>
Attributable to:		
Owners of the Company	130,413	97,935
Non-controlling interests	88,114	102,536
	<u>218,527</u>	<u>200,471</u>

The notes on pages 35 to 52 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	Note	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Non-current assets			
Fixed assets	10		
– Investment property under development		763,529	–
– Investment property		1,539,603	770,615
– Property, plant and equipment		1,195,083	1,232,849
– Interests in leasehold land held for own use		627,217	637,396
Intangible assets		2,299	2,125
Goodwill		75,616	103,740
Investments in associates	11	1,440,104	394,588
Investment in a joint venture	12	24,529	–
Other financial assets		4,320	4,320
Deferred tax assets		177,131	160,947
Other long-term deposits		–	1,107,843
		5,849,431	4,414,423
Current assets			
Inventories	13	12,180,683	13,183,088
Trade and other receivables	14	804,361	1,107,857
Cash and cash equivalents	15	3,163,284	3,374,156
		16,148,328	17,665,101
Current liabilities			
Trade and other payables	16	2,930,500	2,912,157
Receipts in advance		908,438	605,260
Bank loans		1,628,901	1,313,139
Related party loans		2,333,964	1,373,752
Current tax liabilities		316,379	766,481
		8,118,182	6,970,789
Net current assets		8,030,146	10,694,312
Total assets less current liabilities		13,879,577	15,108,735

The notes on pages 35 to 52 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	Note	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Non-current liabilities			
Bank and other loans		2,283,730	2,817,516
Related party loans		4,490,625	5,283,346
Deferred tax liabilities		207,317	234,948
		6,981,672	8,335,810
NET ASSETS			
		6,897,905	6,772,925
CAPITAL AND RESERVES			
Share capital		67,337	67,337
Reserves	17	3,005,384	2,968,518
Equity attributable to owners of the Company		3,072,721	3,035,855
Non-controlling interests		3,825,184	3,737,070
TOTAL EQUITY		6,897,905	6,772,925

The notes on pages 35 to 52 form part of this interim financial report.

Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2016

		Attributable to owners of the Company (unaudited)											
		Share capital	Share premium	Contributed surplus	Merger surplus	Capital reserve	Exchange reserve	General reserve	Enterprise expansion fund	Retained profits	Total	Non-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	RMB'000
At 1 January 2015	67,134	28,117	147,711	24,757	53,354	5,850	235,593	5,366	2,430,175	2,998,057	3,085,606	6,383,663	
Total comprehensive income for the period	-	-	-	-	-	(7,068)	-	-	105,003	97,935	102,536	200,471	
Equity settled share-based transactions	17(c)	-	-	-	322	-	-	-	-	322	-	322	
Dividend approved and paid in respect of previous year	17(a)	-	-	-	-	-	-	-	(97,877)	(97,877)	-	(97,877)	
Capital injection in a subsidiary by non-controlling interests		-	-	-	-	-	-	-	-	-	2,000	2,000	
Issue of shares on exercise of share options		203	8,767	-	-	-	-	-	-	8,209	-	8,209	
Changes in equity for the six months ended													
30 June 2015	203	8,767	-	-	(439)	(7,068)	-	-	7,126	8,589	104,536	113,125	
At 30 June 2015	67,337	36,884	147,711	24,757	52,915	(1,218)	235,593	5,366	2,437,301	3,006,646	3,490,142	6,496,788	
At 1 January 2016	67,337	36,884	147,711	24,757	53,277	(140,410)	322,558	5,366	2,518,375	3,035,855	3,737,070	6,772,925	
Total comprehensive income for the period	-	-	-	-	-	(81,153)	-	-	211,566	130,413	88,114	218,527	
Dividend approved and paid in respect of previous year	17(a)	-	-	-	-	-	-	-	(93,547)	(93,547)	-	(93,547)	
Changes in equity for the six months ended													
30 June 2016	-	-	-	-	-	(81,153)	-	-	118,019	36,866	88,114	124,990	
At 30 June 2016	67,337	36,884	147,711	24,757	53,277	(221,563)	322,558	5,366	2,636,394	3,072,721	3,825,184	6,897,905	

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Cash generated from operations		1,094,678	241,251
Tax paid		(616,763)	(506,004)
Net cash generated from/ (used in) operating activities		477,915	(264,753)
Net cash used in investing activities		(824,673)	(563,378)
Net cash generated from/ (used in) financing activities		210,598	(92,444)
Net decrease in cash and cash equivalents		(136,160)	(920,575)
Cash and cash equivalents at 1 January		3,374,156	3,763,918
Effect of foreign exchange rate changes		(74,712)	(2,092)
Cash and cash equivalents at 30 June	15	3,163,284	2,841,251

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

1. BASIS OF PREPARATION

The 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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). It was authorised for issue on 11 August 2016.

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 2016 comprise Overseas Chinese Town (Asia) Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) and the Group’s investments in associates and joint venture. 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 2015 annual financial statements. The condensed consolidated 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 2015 annual financial statements.

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 2016. 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.

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. The Group does not plan to adopt these standards prior to their mandatory effective date.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

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 condensed consolidated statement of financial position approximate their respective fair values.

4. SEGMENT REPORTING

(a) Information about reportable segments

Six months ended 30 June (unaudited)	Comprehensive development business		Paper packaging business		Total	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Revenue from external customers	1,769,886	1,584,380	367,476	411,873	2,137,362	1,996,253
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	1,769,886	1,584,380	367,476	411,873	2,137,362	1,996,253
Reportable segment net profit/(loss) attributable to owners of the Company	213,114	94,568	(1,548)	10,435	211,566	105,003

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Profit		
Reportable segment profit attributable to owners of the Company	211,566	105,003
Elimination of inter-segment profits	-	-
Reportable segment profit derived from Group's external customers	211,566	105,003
Consolidated net profit attributable to owners of the Company	211,566	105,003

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

5. REVENUE

The principal activities of the Group are comprehensive development business and paper packaging business.

Revenue 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, ticket sales from theme park and sales of paper carton and products.

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Comprehensive development business	1,769,886	1,584,380
Paper packaging business	367,476	411,873
	2,137,362	1,996,253

6. OTHER NET LOSSES

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net loss on disposal of fixed assets	(7)	–
Net exchange losses	(167)	(2,416)
Others	(111)	1,299
	(285)	(1,117)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
(a) Finance costs:		
Interest on bank and other loans	82,999	77,671
Interest on related party loans	144,241	249,529
Total borrowing costs wholly repayable within five years	227,240	327,200
Amount capitalised	(100,031)	(214,113)
	127,209	113,087
	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
(b) Other items:		
Interest income	(17,873)	(19,123)
Amortisation of intangible assets	166	105
Depreciation	99,187	83,982
Impairment of goodwill	28,124	-
(Reversal of impairment loss)/ impairment loss on trade and other receivables	(9)	399
Net write off/(reversal of write off) of inventories	423	(82)
Rentals receivable from investment property less direct outgoings RMB23,577,000 (Six months ended 30 June 2015: RMB12,578,000)	(26,386)	(11,714)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

8. INCOME TAX EXPENSES

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
– People's Republic of China ("PRC") corporate income tax	108,314	94,284
– PRC land appreciation tax	75,407	112,384
	<u>183,721</u>	<u>206,668</u>
Deferred tax		
Origination and reversal of temporary differences	(17,060)	(16,351)
	<u>166,661</u>	<u>190,317</u>

(i) 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 2015: 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 2015: 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 2015: 25%).

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 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 Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

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 statement of profit or loss 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

The calculation of the basic and diluted earnings per share is based on the following:

	Six months ended 30 June	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Earnings		
Earnings attributable to ordinary equity holders for the purpose of calculating basic earnings per share	195,367	89,636
Preference share dividends saving on conversion of convertible preference shares	16,199	15,367
Earnings attributable to ordinary equity holders for the purpose of calculating diluted earnings per share	211,566	105,003

	Six months ended 30 June	
	2016 (unaudited)	2015 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	652,366,000	650,336,000
Effect of dilutive potential ordinary shares arising from convertible preference shares	96,000,000	–
Effect of dilutive potential ordinary shares arising from share options	–	1,761,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	748,366,000	652,097,000

As the conversion of the Company's convertible preference shares and exercise of share options would be antidilutive, there was no dilutive potential ordinary shares for the Company's convertible preference shares and share options during the six months ended 30 June 2016 and 2015 respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

10. FIXED ASSETS

Acquisitions and disposals

During the six months ended 30 June 2016, the Group acquired items of fixed assets with a cost of RMB1,584,346,000 (six months ended 30 June 2015: RMB584,495,000) and transferred items of fixed assets to inventory with a cost of RMB Nil (Six months ended 30 June 2015: RMB513,557,000).

Fixed assets with carrying value of RMB587,000 were disposed during the six months ended 30 June 2016 (six months ended 30 June 2015: RMB Nil), resulting in a loss on disposal of RMB7,000 (six months ended 30 June 2015: a loss on disposal of RMB Nil).

11. INVESTMENTS IN ASSOCIATES

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
成都體育產業有限責任公司 (Chengdu Sports Industry Co., Ltd.)	799,333	–
西安華僑城實業有限公司 (Xi'an OCT Investment Ltd.)	92,455	87,240
北京廣盈房地產開發有限公司 (Beijing Guangying Residential Property Development Limited)	293,789	43,560
成都文化旅遊發展股份有限公司 (Chengdu Culture & Tourism Development Company Limited)	254,527	263,788
	1,440,104	394,588

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

12. INVESTMENT IN A JOINT VENTURE

	At 30 June	At 31 December
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(audited)
成都市保鑫泉盛房地產開發有限公司 (Chengdu Baoxin Quansheng Real Estate Development Company Limited)	<u>24,529</u>	<u>–</u>

13. INVENTORIES

During the six months ended 30 June 2016, there was a write-down of inventories of RMB865,000 and reversal of RMB442,000 in profit or loss (six months ended 30 June 2015: RMB337,000 was written down and RMB419,000 was reversed). The reversal arose due to an increase of the estimated net realisable value of certain goods as a result of changes in customer preference.

14. TRADE AND OTHER RECEIVABLES

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

	At 30 June	At 31 December
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(audited)
Current	<u>292,578</u>	259,291
Less than 3 months past due	5,040	7,861
3 to 12 months past due	1,160	2,022
More than 12 months past due	1,906	1,253
	<u>300,684</u>	<u>270,427</u>

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

15. CASH AND CASH EQUIVALENTS

	At 30 June	At 31 December
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(audited)
Cash at banks and in hand	3,140,936	3,329,537
Cash at banks restricted for secure the issuance of bills payable	22,348	44,619
	3,163,284	3,374,156

16. TRADE AND OTHER PAYABLES

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

	At 30 June	At 31 December
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(audited)
Due within 3 months or on demand	609,696	1,023,353
Over 3 months but less than 12 months	42,430	–
	652,126	1,023,353

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

17. RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
	<hr/>	<hr/>
Final dividend in respect of the financial year ended 31 December 2015, approved and paid during the interim period, of HK14.00 cents per ordinary share (equivalent RMB11.86 cents per ordinary share) (year ended 31 December 2014: HK16.00 cents per ordinary share (equivalent RMB12.65 cents per ordinary share))	77,348	82,510
Final dividend in respect of the financial year ended 31 December 2015, approved and paid during the interim period, of HK20.25 cents per convertible preference share (equivalent RMB16.87 cents per convertible preference share) (year ended 31 December 2014: HK20.25 cents per convertible preference share (equivalent RMB16.01 cents per convertible preference share))	16,199	15,367
	<hr/> 93,547 <hr/>	<hr/> 97,877 <hr/>

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: RMB Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

17. RESERVES AND DIVIDENDS (continued)

(b) Transfer to reserve

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 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 of the options granted on 3 March 2011 is HK\$4.04.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

17. RESERVES AND DIVIDENDS (continued)

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

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

	2016		2015	
	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options
	HK\$	'000	HK\$	'000
Outstanding at 1 January	4.04	26,424	4.04	29,700
Exercised during the period	-	-	4.04	(2,576)
Lapsed during the period	4.04	(26,424)	4.04	(700)
Outstanding at 30 June	-	-	4.04	26,424

The total expense recognised for the six months ended 30 June 2016 arising from the share options granted on 3 March 2011 was RMB Nil (six months ended 30 June 2015: RMB322,000).

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

	At 30 June 2016 RMB'000 (unaudited)	At 31 December 2015 RMB'000 (audited)
Contracted for	2,150,040	2,822,610

The capital and other commitments in 2016 and 2015 mainly represented the commitments in connection with the planned development projects of 成都天府華僑城實業發展有限公司 (Chengdu Tianfu OCT Industry Development Company Limited), and 華僑城(上海)置地有限公司 (Overseas Chinese Town (Shanghai) Land Company Limited) and with the remaining balance of the consideration for the acquisition of commercial properties by 西安華僑城置地有限公司 (Xi'an OCT Real Estate Limited).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

19. 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 19(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	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income	5,740	2,470
Interest expenses	36,458	17,699

	At 30 June	At 31 December
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(audited)
Cash at banks	1,826,050	1,707,411
Bank loans	1,911,080	1,822,906

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

19. 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	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sale of products	10,402	-
Purchase of services	218,368	164,194
	At 30 June	At 31 December
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade and other receivables	7,346	10,836
Trade and other payables	8,169	14,029

For the six months ended 30 June 2016 and 2015 the Group's significant transactions with other state-controlled entities being purchases of services for the development of comprehensive development business.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

19. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

<u>Name of party</u>	<u>Relationship with the Group</u>
華僑城集團公司 (Overseas Chinese Town Enterprises Corporation) (“OCT Group”)	Ultimate parent
深圳華僑城股份有限公司 (Shenzhen Overseas Chinese Town Company Limited)	Intermediate parent
Overseas Chinese Town (HK) Company Limited	Intermediate parent
Konka Group Company Limited, its subsidiaries and associates	Fellow subsidiary
Shenzhen Overseas Chinese Town Water and Electricity Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town Property Management Co., Ltd.	Fellow subsidiary
Shenzhen Overseas Chinese Town City Inn 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
Shenzhen OCT Hake Culture Company Limited	Fellow subsidiary
Shenzhen Overseas Chinese Town Entertainment Investment Company Limited	Fellow subsidiary

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

19. 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	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
	<hr/>	<hr/>
Sales of goods to:		
OCT Group, its subsidiaries and associates	21,000	23,924
	<hr/>	<hr/>
Interest expenses and related charges paid to:		
OCT Group, its subsidiaries and associates	144,423	230,648
	<hr/>	<hr/>
Rental received from:		
OCT Group, its subsidiaries and associates	1,360	1,184
	<hr/>	<hr/>
Rental paid to:		
OCT Group, its subsidiaries and associates	1,669	815
	<hr/>	<hr/>
Purchase of service from:		
OCT Group, its subsidiaries and associates	14,027	16,622
	<hr/>	<hr/>
Purchase of entertainment facilities and service from:		
OCT Group, its subsidiaries and associates	440	-
	<hr/>	<hr/>

The directors of the Company are of the opinion that those 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

19. 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:

		At 30 June	At 31 December
		2016	2015
	Notes	RMB'000	RMB'000
		(unaudited)	(audited)
Trade receivable from an intermediate parent and fellow subsidiaries	(i)	11,220	20,548
Trade payable to fellow subsidiaries	(ii)	(128)	(4,820)
Other receivables from associates	(iii)	25,297	83,459
Other receivables from an intermediate parent and fellow subsidiaries	(iv)	2,899	7,645
Other payables to ultimate parent	(iv)	(4)	(4)
Other payables to associates	(iv)	(759,070)	(379,500)
Other payable to intermediate parents and fellow subsidiaries	(iv)	(206,427)	(240,089)
Loans from a fellow subsidiary	(v)	(2,830,700)	(3,530,700)
Loan from intermediate parents	(vi)	(3,993,889)	(3,126,398)

Notes:

- (i) The trade receivable balances are unsecured, non-interest bearing and are expected to be recovered within six months. These refer to receivables in respect of sales of paper cartons and paper boxes to related parties.
- (ii) The trade payable balances are unsecured, non-interest bearing and are expected to be settled within three months. These refer to payables in respect of purchases of raw material from related parties.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2016

19. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

Balance with related parties *(continued)*

Notes: *(continued)*

- (iii) Other receivables from associates of RMB21,000,000 is unsecured, interest bearing at the 5.775% and repayable within one year. The remaining amount of RMB4,297,000 is unsecured, non-interest bearing, and repayable on demand.
- (iv) Other receivables and payables from/to ultimate parent, intermediate parents and fellow subsidiaries and other payables to associates are unsecured, non-interest bearing, and repayable on demand.
- (v) Loans from fellow subsidiary of RMB2,830,700,000 is bearing an interest at 5.25%.
- (vi) Loans from intermediate parents of RMB900,000,000 is bearing an interest at 3.0%, HK\$425,000,000 is bearing at 4.0%, USD17,140,000 is bearing at 2.5%, HK\$331,132,000 is bearing at 2.5%, HK\$128,740,000 is bearing at 3.62%, HK\$100,000,000 is bearing at 2.1%, HK\$1,200,000,000 is bearing at 3.0%, HK\$600,000,000 is bearing at 2.8% and RMB600,000,000 is bearing at 4.75%.

(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	
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Short-term employee benefits	2,956	1,952
Post employment benefits	490	202
	3,446	2,154