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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)

2011 INTERIM RESULTS ANNOUNCEMENT

RESULTS

The board of directors (the “Board”) of Overseas Chinese Town (Asia) Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2011, together with the comparative figures for the corresponding period in 2010 as follows.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2011 (unaudited)

(Expressed in Renminbi)

		Six months ended 30 June	
		2011	2010
	<i>Note</i>	RMB'000	RMB'000
Turnover	4	644,776	380,628
Cost of sales		<u>(518,748)</u>	<u>(333,219)</u>
Gross profit		126,028	47,409
Other revenue		5,871	1,682
Other net gain/(loss)	5	12,827	(764)
Distribution costs		(39,560)	(20,289)
Administrative expenses		(41,621)	(15,476)
Other operating expenses		<u>(854)</u>	<u>(2,304)</u>

CONSOLIDATED INCOME STATEMENT (CONTINUED)*for the six months ended 30 June 2011 (unaudited)**(Expressed in Renminbi)*

		Six months ended 30 June	
		2011	2010
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit from operations		62,691	10,258
Finance costs	6	(26,031)	(1,149)
Share of profit or loss from associates		<u>(1,766)</u>	<u>5,351</u>
Profit before taxation	6	34,894	14,460
Income tax	7	<u>(19,524)</u>	<u>(3,161)</u>
Profit for the period		<u>15,370</u>	<u>11,299</u>
Attributable to:			
Equity shareholders of the company		13,906	11,299
Non-controlling interests		<u>1,464</u>	<u>—</u>
Profit for the period		<u>15,370</u>	<u>11,299</u>
Earnings per share (RMB)	8		
Basic		<u>0.027</u>	<u>0.031</u>
Diluted		<u>0.027</u>	<u>0.030</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*for the six months ended 30 June 2011 (unaudited)**(Expressed in Renminbi)*

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2011 (unaudited)

(Expressed in Renminbi)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*at 30 June 2011 (unaudited)**(Expressed in Renminbi)*

		At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
	<i>Note</i>		
Non-current liabilities			
Bank loans		104,303	28,562
Related party loans		1,100,000	1,100,000
Deferred tax liabilities		54,870	56,267
		<u>1,259,173</u>	<u>1,184,829</u>
NET ASSETS		<u><u>2,052,694</u></u>	<u><u>2,043,506</u></u>
CAPITAL AND RESERVES			
Share capital	12	48,273	47,964
Reserves	12	1,378,447	1,371,032
Total equity attributable to equity shareholders of the company		1,426,720	1,418,996
Non-controlling interests		625,974	624,510
TOTAL EQUITY		<u><u>2,052,694</u></u>	<u><u>2,043,506</u></u>

NOTES TO THE INTERIM FINANCIAL REPORT (UNAUDITED)

(Expressed in Renminbi)

1 BASIS OF PREPARATION

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

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

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

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

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

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

2 CHANGES IN ACCOUNTING POLICIES

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

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

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

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

3 SEGMENT REPORTING

(a) Information about reportable segments

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

(b) Reconciliations of reportable segment profit or loss

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

4 TURNOVER

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

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

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

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

5 OTHER NET GAIN/(LOSS)

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

6 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
(a) Finance costs:		
Interest on bank loans	423	770
Interest on related party loans	31,743	379
Interest on borrowings	32,166	1,149
Less: interest expense capitalised into properties under development	(6,135)	—
	<u>26,031</u>	<u>1,149</u>

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
(b) Other items:		
Amortisation	14	—
Depreciation	82,942	19,402
Impairment losses made on trade and other receivables	714	1,640
Inventory write-down	46	392
Rentals receivable from investment properties less direct outgoings RMB9,413,000	<u>2,418</u>	<u>—</u>

7 INCOME TAX

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

(i) PRC Corporate Income Tax

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the period (2010: Nil).

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

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

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

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

(ii) PRC Land Appreciation Tax

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

8 EARNINGS PER SHARE

(a) Basic earnings per share

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

(b) Diluted earnings per share

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

9 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 2011 RMB'000	At 31 December 2010 RMB'000
Current	213,429	162,406
Less than 3 months past due	31,150	27,923
3 to 6 months past due	587	5,760
Trade debtors and bills receivable, net of impairment losses	245,166	196,089
Prepayment, deposits and other receivables	120,286	70,082
	365,452	266,171

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

10 CASH AND CASH EQUIVALENTS

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

11 TRADE AND OTHER PAYABLES

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

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

12 RESERVES AND DIVIDENDS

(a) Dividends

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

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

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

(b) Issue of shares

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

(c) Transfer to reserve

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

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

(d) Equity settled share-based transactions

(i) *Share options granted on 7 February 2006*

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

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

(ii) Share options granted on 3 March 2011

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

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

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

Inputs for measurement of grant date fair values

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

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

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

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Results and Business Review

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

Paper Packaging Business

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

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

Travel, property and its related businesses

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

Chengdu OCT owns parcels of land located at both sides of Shaxi line of Outer Sanhuan Road, Jinniu District, Chengdu City, Sichuan Province, the PRC which are to be developed into a composite project for travel and property purpose, comprising a theme park, residential and commercial properties, occupying a gross floor area of approximately 2,250,000 sq.m. Chengdu Happy Valley, a theme park of Chengdu OCT, is a popular travel destination in the southwestern part of China. It has attracted approximately one million visitors throughout the period under review. With the raise in the entrance fee of Chengdu Happy Valley from May this year, sales revenue is expected to further increase in the

second half of the year. In addition, the large-scale show performance Paradise Ethos was launched in the first half of the year and was well-received, which shall attract more visitors to the theme park. The residential property project of Chengdu OCT has a gross saleable floor area of approximately 1,260,000 sq.m.. As at 30 June 2011, the pre-sale area of Phase III (which is currently on sale and has a gross floor area of approximately 230,000 sq.m.) reached approximately 114,000 sq.m.. At the mid of February this year, the government of Chengdu Municipality promulgated a series of house purchase limit policies. In response to the new market condition, Chengdu OCT had expanded promotion network and adjusted its sales policy in a timely manner. Thanks to these efforts, the sales volume had steadily climbed up during the recent months. The commercial properties of Chengdu OCT currently has an area of approximately 47,000 sq.m. available for rent, with an occupancy rate of 99%.

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

Outlook

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

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

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

Employees and Remuneration Policy

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

Financial Review

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

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

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

168.9% over the corresponding period in 2010, of which administrative expenses of Chengdu OCT were approximately RMB27.35 million and the decrease in administrative expenses of paper packaging business was approximately RMB1.21 million.

INTEREST EXPENSES

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

DIVIDENDS

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

INVENTORIES, DEBTORS' AND CREDITORS' TURNOVER

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

CONTINGENT LIABILITIES

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

IMPORTANT EVENT

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

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

CORPORATE GOVERNANCE

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

SECURITIES TRADING BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules (the “Model Code”). The Board confirms that, having made specific enquiry of all Directors, the Directors have complied with the required standards set out in the Model Code and its own code of conduct regarding the Directors’ securities transactions.

AUDIT COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

By order of the Board

Wang Xiaowen

Chairman

Hong Kong, 16 August 2011

As at the date of this announcement, the Board comprises seven Directors, namely: Ms. Wang Xiaowen, Ms. Xie Mei and Mr. Zhou Guangneng as executive Directors; Mr. He Haibin as non-executive Director; Ms. Wong Wai Ling, Mr. Xu Jian and Mr. Lam Sing Kwong Simon as independent non-executive Directors.