

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

2018 INTERIM RESULTS ANNOUNCEMENT

RESULTS

The board (the “Board”) of directors (the “Directors”) 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 2018 (the “Period under Review”), together with the comparative figures for the corresponding period in 2017 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2018 – unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2018	2017
	<i>Note</i>	<i>RMB'000</i>	<i>(Note)</i> <i>RMB'000</i>
Revenue	3	930,444	1,942,472
Cost of sales		<u>(648,486)</u>	<u>(1,384,434)</u>
Gross profit		281,958	558,038
Other income		62,752	18,509
Other net gain/(loss)		29,259	(3,728)
Distribution costs		(73,815)	(61,933)
Administrative expenses		(111,945)	(110,218)
Other operating income/(expenses)		<u>4</u>	<u>(2,183)</u>
Profit from operations		188,213	398,485
Finance costs		(59,162)	(115,036)
Share of profits of associates		29,572	33,351
Share of loss of a joint venture		<u>(3,026)</u>	<u>(3,563)</u>
Profit before taxation	4	155,597	313,237
Income tax	5	<u>(79,014)</u>	<u>(139,108)</u>
Profit for the period		<u>76,583</u>	<u>174,129</u>
Attributable to:			
Equity holders of the Company		60,268	40,822
Non-controlling interests		<u>16,315</u>	<u>133,307</u>
Profit for the period		<u>76,583</u>	<u>174,129</u>
(Loss)/earnings per share (RMB)	6		
Basic		<u>(0.092)</u>	<u>0.036</u>
Diluted		<u>(0.092)</u>	<u>0.036</u>

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018 – unaudited

(Expressed in Renminbi)

Six months ended 30 June

2018 2017

(Note)

RMB'000 RMB'000

Profit for the period	76,583	174,129
Other comprehensive income for the period (after tax and reclassification adjustments)		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences	(31,979)	144,830
Share of other comprehensive income of associates	(3,969)	–
Net loss on revaluation of available-for-sale financial assets under other financial assets	–	(9,770)
Other comprehensive income for the period	(35,948)	135,060
Total comprehensive income for the period	40,635	309,189
Attributable to:		
Equity holders of the Company	24,320	175,882
Non-controlling interests	16,315	133,307
Total comprehensive income for the period	40,635	309,189

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018 – unaudited

(Expressed in Renminbi)

		At 30 June 2018	At 31 December 2017 (Note)
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Investment property		2,902,727	2,744,745
Other property, plant and equipment		3,192,251	1,232,586
Interests in leasehold land held for own use		470,910	579,654
		<u>6,565,888</u>	<u>4,556,985</u>
Intangible assets		1,423	1,597
Goodwill		570	570
Interests in associates		2,678,223	2,638,854
Interest in a joint venture		10,270	11,222
Other financial assets		1,810,230	599,711
Deferred tax assets		172,480	164,096
		<u>11,239,084</u>	<u>7,973,035</u>
Current assets			
Inventories and other contract costs		6,537,546	8,237,853
Trade and other receivables	7	430,671	365,154
Cash and cash equivalents	8	4,104,364	6,927,464
		<u>11,072,581</u>	<u>15,530,471</u>
Assets of disposal groups classified as held for sale		12,916	242,010
		<u>11,085,497</u>	<u>15,772,481</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018 – unaudited (continued)

(Expressed in Renminbi)

		At 30 June 2018	At 31 December 2017 (Note)
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Trade and other payables	9	2,144,493	3,074,121
Contract liabilities		242,936	–
Bank and other loans		3,391,228	3,989,954
Related party loans		1,945,700	1,385,700
Current taxation		626,324	722,847
		<u>8,350,681</u>	<u>9,172,622</u>
Liabilities directly associated with assets of disposal groups classified as held for sale		–	43,878
		<u>8,350,681</u>	<u>9,216,500</u>
Net current assets		<u>2,734,816</u>	<u>6,555,981</u>
Total assets less current liabilities		<u>13,973,900</u>	<u>14,529,016</u>
Non-current liabilities			
Bank and other loans		861,758	1,019,751
Deferred tax liabilities		195,382	196,324
		<u>1,057,140</u>	<u>1,216,075</u>
NET ASSETS		<u>12,916,760</u>	<u>13,312,941</u>
CAPITAL AND RESERVES			
Share capital		67,337	67,337
Perpetual capital securities	10(b)	5,292,780	5,293,313
Reserves		3,914,292	4,311,677
Total equity attributable to equity holders of the Company		<u>9,274,409</u>	<u>9,672,327</u>
Non-controlling interests		<u>3,642,351</u>	<u>3,640,614</u>
TOTAL EQUITY		<u>12,916,760</u>	<u>13,312,941</u>

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

NOTES

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, 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 30 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any 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 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 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) issued by the HKICPA.

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

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

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

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 15.

	At 31 December 2017	Impact on initial application of HKFRS 15 (Note 2(c))	At 1 January 2018
	RMB'000	RMB'000	RMB'000
Interests in associates	2,638,854	3,256	2,642,110
Interests in a joint venture	11,222	2,074	13,296
Non-current assets	7,973,035	5,330	7,978,365
Inventories and other contract costs	8,237,853	824	8,238,677
Total current assets	15,772,481	824	15,773,305
Trade and other payables	3,074,121	(371,815)	2,702,306
Contract liabilities	–	371,815	371,815
Total current liabilities	9,216,500	–	9,216,500
Net current assets	6,555,981	824	6,556,805
Total assets less current liabilities	14,529,016	6,154	14,535,170
Net assets	13,312,941	6,154	13,319,095
Reserves	4,311,677	4,732	4,316,409
Total equity attributable to equity shareholders of the company	9,672,327	4,732	9,677,059
Non-controlling interests	3,640,614	1,422	3,642,036
Total equity	13,312,941	6,154	13,319,095

Further details of these changes are set out in sub-sections (b) and (c) of this note.

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. Therefore, comparative information continues to be reported under HKAS 39. There is no impact to retained earnings and reserves at 1 January 2018 upon the transition to HKFRS 9.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December			HKFRS 9 carrying amount at 1 January	
	2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	2018 RMB'000	
Financial assets carried at FVPL					
Unlisted equity securities not held for trading (<i>note</i>)	–	599,711	–	599,711	
Financial assets classified as available-for-sale under HKAS 39 (<i>note</i>)	<u>599,711</u>	<u>(599,711)</u>	<u>–</u>	<u>–</u>	

Note: Under HKAS 39, unlisted equity securities not held for trading were classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

(ii) Credit losses

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the expected credit loss (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates); and
- contract assets as defined in HKFRS 15 (see note 2(c)).

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

The Group has concluded that there would be no significant impact for the initial application of the new impairment requirements.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. No differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):
 - The determination of the business model within which a financial asset is held; and
 - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to HKFRS 15 on retained earnings and non-controlling interests at 1 January 2018:

	<i>RMB'000</i>
Net increase in retained earnings at 1 January 2018	
Capitalisation of sales commissions	4,732
	<hr/> <hr/>
Net increase in non-controlling interests at 1 January 2018	
Capitalisation of sales commissions	1,422
	<hr/> <hr/>

The related tax impact of transition to HKFRS 15 on opening balances as at 1 January 2018 was not significant.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) *Timing of revenue recognition*

Previously, revenue arising from construction contracts was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods, ticket sales from theme parks and construction contracts. However, the timing of revenue for sales of properties is affected as follows:

- Sales of properties: the Group's property development activities are mainly carried out in the PRC. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment in which the property development activities are taken place, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the properties, which is taken to be the point in time when the risks and rewards of ownership of the property have been transferred to the customer. Under the transfer-of-control approach in HKFRS 15, revenue from property sales is generally recognised when the property is delivered to the customers, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefit of the property.

This change in accounting policy had no material impact on opening balances as at 1 January 2018. However, in future periods it may have a material impact, depending on the timing of completion of the Group's property development projects.

(ii) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing, rather than on the completion of the properties.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*.

The Group considers, at the contract inception, that the period between when the entity transfers a promised property to a customer and when the customer pays for that property is less than one year, or the financing component of a specific contract is not significant. As a practical expedient, the Group needs not adjust the promised amount of consideration for the effects of a significant financing component. Therefore, this change in accounting policy had no significant impact on opening balances as at 1 January 2018.

(iii) Sales commissions payable related to property sales contracts

The Group previously recognised sales commissions payable related to property sales contracts as distribution costs when they were incurred. Under HKFRS 15, the Group is required to capitalise these sales commissions as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as distribution costs at that time.

As a result of this change in accounting policy, the Group has made adjustments which increased interests in associates, interests in a joint venture and inventories and other contract costs by RMB3,256,000, RMB2,074,000 and RMB824,000 respectively, and increased retained earnings and non-controlling interests by RMB4,732,000 and RMB1,422,000 respectively at 1 January 2018.

(iv) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to construction contracts in progress were presented in the statement of financial position under “trade and other receivables” or “trade and other payables” respectively, and work in progress in respect of the Group’s made-to-order manufacturing arrangements was included within inventory until the products were delivered to the customer and the revenue was recognised for the reasons explained in paragraph (i) above.

To reflect these changes in presentation, receipts in advance amounting to RMB371,815,000, which was previously included in trade and other payables are now separately classified as contract liabilities at 1 January 2018, as a result of the adoption of HKFRS 15.

(d) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)22 does not have any significant impact on the financial position and the financial result of the Group.

3 REVENUE AND SEGMENT REPORTING

(a) Disaggregating of revenue

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

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

	Six months ended 30 June	
	2018	2017
	RMB’000	RMB’000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by business lines		
– Comprehensive development business	602,239	1,502,437
– Paper packaging business	250,586	380,061
– Investment and fund business	–	–
	852,825	1,882,498
Revenue from other source		
– Gross rentals from investments properties		
– Comprehensive development business	77,619	59,974
	930,444	1,942,472

The Group’s customer base is diversified and there was no customer with whom transactions exceeded 10% of the Group’s revenue in 2018.

Further details regarding the Group’s principal activities are disclosed in note 3(b).

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the most senior executive management of the Group for the purposes of resource allocation and performance assessment, the Group has the following three reportable segments.

- Comprehensive development business: this segment engaged in the development and operation of tourism theme park, development and sale of residential properties, construction services, development and management of properties, and property investment.
- Paper packaging business: this segment engaged in the manufacture and sale of paper cartons and products.
- Investment and fund business: this segment engaged in the investment in new urbanisation industrial ecosphere, such as domestic and overseas direct investments, industrial fund, education and finance leasing.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the manufacturing and sales activities of the individual segments and borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment result is "net profit" after taxation. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2018 and 2017 is set out below.

For the six months ended	Comprehensive development business		Paper packaging business		Investment and fund business		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000 (Restated)*	RMB'000	RMB'000 (Restated)*	RMB'000	RMB'000 (Restated)*	RMB'000	RMB'000 (Restated)*
Disaggregated by timing of revenue recognition								
Point in time	574,545	1,562,411	250,586	380,061	-	-	825,131	1,942,472
Over time	105,313	-	-	-	-	-	105,313	-
Revenue from external customers	679,858	1,562,411	250,586	380,061	-	-	930,444	1,942,472
Inter-segment revenue	-	-	-	-	-	-	-	-
Reportable segment revenue	<u>679,858</u>	<u>1,562,411</u>	<u>250,586</u>	<u>380,061</u>	<u>-</u>	<u>-</u>	<u>930,444</u>	<u>1,942,472</u>
Reportable segment profit/(loss)	<u>18,012</u>	<u>193,573</u>	<u>9,521</u>	<u>6,754</u>	<u>43,352</u>	<u>(9,932)</u>	<u>70,885</u>	<u>190,395</u>
Attributable to:								
Equity holders of the Company	1,697	60,266	9,521	6,754	43,352	(9,932)	54,570	57,088
Non-controlling interests	16,315	133,307	-	-	-	-	16,315	133,307
Reportable segment profit/(loss)	<u>18,012</u>	<u>193,573</u>	<u>9,521</u>	<u>6,754</u>	<u>43,352</u>	<u>(9,932)</u>	<u>70,885</u>	<u>190,395</u>
As at 30 June/31 December								
Reportable segment assets	17,686,440	17,332,385	296,902	630,783	2,223,949	995,239	20,207,291	18,958,407
Reportable segment liabilities	4,791,481	6,415,520	67,331	107,350	1,265,209	24	6,124,021	6,522,894

(ii) **Reconciliations of reportable segment profit or loss**

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000 (Restated)*
Reportable segment profit	70,885	190,395
Elimination of inter-segment profits	-	-
Reportable segment profit derived from group's external customers	70,885	190,395
Unallocated head office and corporate gains/(expenses)	5,698	(16,266)
Consolidated profit	<u>76,583</u>	<u>174,129</u>

* As a result of the fair value changes on financial assets measured at fair value through profit or loss during six months ended 30 June 2018 (see note 4(b)), which leads to the reported profit of the investment and fund business segment more than 10% of the combined reported profit of all operating segments in absolute amount and the segment meeting the quantitative thresholds as defined in HKFRS 8, the Group has changed the composition of its reportable segments. Accordingly, the Group has restated the operating segment information for the comparative period.

(iii) *Geographic information*

The following table sets out information about the geographical location of the Group's revenue from external. The geographical location of customers is based on the location at which the services were provided or the goods and properties sold.

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Mainland China	930,444	1,939,822
Hong Kong	–	2,650
	<u>930,444</u>	<u>1,942,472</u>

4 **PROFIT BEFORE TAXATION**

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

(a) **Finance costs**

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Interest on bank and other loans	54,381	86,121
Interest on related party loans	49,288	75,614
	<u>103,669</u>	<u>161,735</u>
Total interest expense		
	103,669	161,735
Less: amount capitalised	(44,507)	(46,699)
	<u>59,162</u>	<u>115,036</u>

(b) **Other items**

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Interest income	(57,316)	(18,278)
Amortisation of intangible assets	187	188
Depreciation	125,227	110,642
(Reversal of impairment losses)/net impairment losses on trade and other receivables and contract assets	(4)	781
Inventory write-down and losses net of reversals	(109)	1,516
Operating lease charges in respect of properties	11,058	12,258
Fair value changes on financial assets measured at fair value through profit or loss	(34,048)	–
	<u>(34,048)</u>	<u>–</u>

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current tax		
Corporate income tax (“CIT”) provision for the year	16,636	102,880
Under-provision in respect of prior years	48,390	2,648
	65,026	105,528
PRC LAT	23,314	41,645
	88,340	147,173
Deferred tax		
Origination and reversal of temporary differences	(9,326)	(8,065)
	79,014	139,108

(i) CIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the period (six months ended 30 June 2017: Nil).

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the six months ended 30 June 2018. No provision for Hong Kong Profits Tax has been made in the financial statements since the Group has sufficient tax losses brought forward to set off against the assessable profit of the six months ended 30 June 2017.

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 2017: 25%).

Additionally, a 10% withholding tax is levied for income derived from or accruing in PRC. However, as for the dividend income, due to the tax treaty between Hong Kong Special Administrative Region and PRC for avoidance of double taxation and prevention of tax evasion, dividends declared from PRC subsidiaries, associates and the joint venture to Hong Kong holding companies of the Group are subject to 5% withholding income tax since 1 January 2008 and onwards.

(ii) PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including lease charges of land use rights and all property development expenditures, which is included in the consolidated 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.

6 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

(i) (Loss)/profit attributable to ordinary equity shareholders of the Company (basic)

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Profit attributable to equity holders of the Company	60,268	40,822
Less: Profit attributable to the holders of perpetual capital securities (note 10(b))	(108,006)	–
Profit attributable to the holders of convertible preference shares (note 10(a))	<u>(15,576)</u>	<u>(17,259)</u>
(Loss)/profit attributable to ordinary equity shareholders (basic)	<u><u>(63,314)</u></u>	<u><u>23,563</u></u>

(ii) Weighted average number of ordinary shares

	Six months ended 30 June	
	2018 '000	2017 '000
Issued ordinary shares	<u><u>687,372</u></u>	<u><u>652,366</u></u>

(b) Diluted (loss)/earnings per share

As the conversion of the Company's convertible preference shares would be anti-dilutive, there was no dilutive potential ordinary shares for the Company's convertible preference shares during the six months ended 30 June 2018 and 2017 respectively.

7 TRADE AND OTHER RECEIVABLES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trade debtors and bills receivable		
Amounts due from fellow subsidiaries	23,167	28,041
Amounts due from third parties	50,695	91,644
Less: allowance for doubtful debts	(7,883)	(8,107)
	<u>65,979</u>	<u>111,578</u>
Other receivables:		
Amounts due from associates	25,576	37,015
Amounts due from intermediate parents	1,167	1,167
Amounts due from fellow subsidiaries	28,186	30,104
Amounts due from third parties	250,304	133,670
	<u>371,212</u>	<u>313,534</u>
Financial assets measured at amortised cost	371,212	313,534
Deposits and prepayments	59,459	51,620
	<u>430,671</u>	<u>365,154</u>

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

Apart from deposits of RMB29,783,000 (2017: RMB24,433,000) which are expected to be recovered after one year, all of the trade and other receivables, net of impairment losses for bad and doubtful debts are expected to be recovered within one year.

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 years	63,799	109,353
1 to 2 years	1,411	1,418
2 to 3 years	739	728
Over 3 years	30	79
	<u>65,979</u>	<u>111,578</u>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

8 CASH AND CASH EQUIVALENTS

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Cash at bank and on hand	3,376,340	6,898,256
Cash at bank restricted for securing the loans and issuance of bills payable	728,024	29,208
	<u>4,104,364</u>	<u>6,927,464</u>

9 TRADE AND OTHER PAYABLES

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Trade creditors and bills payable:		
Amounts due to an associate	106	–
Amounts due to fellow subsidiaries	24,012	21,717
Amounts due to third parties	903,250	844,580
	<u>927,368</u>	<u>866,297</u>
Other payables and accruals:		
Amounts due to associates	134,986	632,445
Amounts due to a joint venture	195,087	125,587
Amounts due to ultimate parent	4	4
Amounts due to intermediate parents	17	17
Amounts due to fellow subsidiaries	38,893	114,988
Amounts due to third parties	760,477	894,354
	<u>2,056,832</u>	<u>2,633,692</u>
Interest payables:		
Amounts due to an associate	14,018	–
Amounts due to intermediate parents	23,717	22,536
Amounts due to fellow subsidiaries	33,777	30,533
Amounts due to third parties	16,149	15,545
	<u>2,144,493</u>	<u>2,702,306</u>
Financial liabilities measured at amortised cost	2,144,493	2,702,306
Receipts in advance (<i>note</i>)	–	371,815
	<u>2,144,493</u>	<u>3,074,121</u>

Note: As a result of the adoption of HKFRS 15, receipts in advance are separately classified as contract liabilities on the consolidated statements of financial position.

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	At 30 June 2018 RMB'000	At 31 December 2017 RMB'000
Within 1 year	786,023	725,179
1 to 2 years	79,869	109,301
2 to 3 years	33,399	12,211
Over 3 years	28,077	19,606
	927,368	866,297

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the period, of HK48.00 cents per ordinary share (equivalent to RMB40.47 cents per ordinary share) (2017: HK16.00 cents per ordinary share (equivalent to RMB13.89 cents per ordinary share))	302,855	90,590
Final dividend in respect of the previous financial year, approved and paid during the period, of HK20.25 cents per convertible preference share (equivalent to RMB16.23 cents per convertible preference share) (2017: HK20.25 cents per convertible preference share (equivalent to RMB17.98 cents per convertible preference share))	15,576	17,259
	318,431	107,849

(b) Perpetual capital securities

On 10 October 2017, the Company issued senior guaranteed perpetual capital securities with an principal amount of US\$800,000,000 (equivalent to approximately RMB5,242,199,000).

The securities confer a right to receive distributions at the applicable distribution rate of 4.3% per annum from and including 10 April 2018, payable semi-annually on 10 April and 10 October of each year. The Company may, at its sole discretion, elect to defer a distribution pursuant to the terms of the securities. The securities may be redeemed at the option of the Company, in whole but not in part.

In the opinion of the management, the Company is able to control the delivery of cash or other financial assets to the holders of the perpetual capital securities due to redemption other than an unforeseen liquidation of the Company. Accordingly, the perpetual capital securities are classified as equity instruments. The perpetual capital securities are guaranteed by the Company's ultimate parent, Overseas Chinese Town Group Company Limited (華僑城集團有限公司).

(c) Convertible preference shares

On 26 April 2018, the holders of convertible preference shares of the Company converted all the 96,000,000 convertible preference shares to ordinary shares of the Company. After the conversion, the Company did not have any outstanding convertible preference shares.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS AND BUSINESS REVIEW

In the first half of 2018, the global economy experienced a significant increase in volatility and uncertainty in the midst of severe political risk in the European Union, the accelerated Federal Reserve interest rate hike, rising trade protectionism and greater risk in emerging economies. Against this backdrop, the Chinese economy continued its steady growing trend in the first half of the year as in-depth structural adjustments were being facilitated. Meanwhile, however, more difficulties and challenges are evident given increasing external adverse factors and continuously tightening currency and credit environment in China. Faced with increasingly complex economic situations at home and abroad, the Group accelerated its pace in innovation, continued the divestiture of its paper packaging business, proactively expanded its investment project reserve and pushed forward in-depth strategic transformation with its new development mode of “comprehensive development + investment in the urbanisation industrial ecosystem”.

During the Period under Review, the Group recorded a revenue of approximately RMB930.44 million, representing a decrease of approximately 52.1% as compared with the same period of 2017, which was mainly due to the significant decrease in revenue from the Shanghai Suhewan Project under the impact of the real estate regulatory policies. Profit attributable to equity holders of the Company was approximately RMB60.27 million, representing an increase of approximately 47.6% as compared with the same period of 2017. The increase was mainly due to the gain from fair value change of fund investments and share of profit of Minsheng Education Group Company Limited, an associate of the Company.

Comprehensive Development Business

In the first half of 2018, against the backdrop of deleveraging on the macroeconomic level, the policies for the real estate market in the PRC have continued to curb irrational demand, for which the housing market adopted the approach of specific policies for different cities. The industry was then forced to make short-term adjustments following multiple precise adjustments and control. However, incentives brought by the implementation of a series of financial policies have created a favourable financing environment for the residential leasing market, and both the office property and commercial retail markets have seen rising rental income and decreasing vacancy rate. With respect to regions, the gap among different tiers of cities continued to widen as a result of the customised policies of the real estate market and the market environment in the PRC. The Group has always upheld the strategy of keeping a positive and prudent attitude to achieve steady development in comprehensive development business in various key cities by leveraging OCT’s brand equity and financial strength.

During the Period under Review, the comprehensive development business of the Group recorded a revenue of approximately RMB679.86 million. Profit attributable to equity holders of the Company was approximately RMB1.70 million.

The Shanghai Suhewan Project, with a total gross floor area of approximately 430,000 sq.m., is situated at the junction of Suzhou River and Huangpu River banks, adjoining the Bund and facing Lujiazui across the river and within the core district of the Inner Ring, Shanghai and possesses highly scarce landscape resources. 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. The contracted sales area and amount were approximately 1,100 sq.m. and approximately RMB271 million, respectively, and the settled area and amount were approximately 1,300 sq.m. and approximately RMB272 million, respectively. Restoration work of the Shanghai General Chamber of Commerce, a building of over 100 years of history located within the Shanghai Suhewan Project area, was completed. It is now opened to the public and is expected to serve as the venue for more fashion shows, cross-border exhibitions and other international exchange activities in the future. Meanwhile, the much anticipated Shanghai Suhewan Bulgari Hotel has officially commenced operation on 20 June 2018. During the Period under Review, Shanghai Suhewan Bulgari Hotel was awarded two golden awards for interior design and lighting design in the “China International Real Estate Design Awards 2017-2018”* (2017-2018中國地產行業國際性設計大獎).

The Chengdu OCT Project, with a total gross floor area of approximately 2,250,000 sq.m., is a large comprehensive development project located at both sides of Shaxi Line of Outer Sanhuan Road, Jinniu District, Chengdu City, Sichuan Province. The project comprises a premium residential community, urban entertainment and commercial complex and a Happy Valley theme park. During the Period under Review, Chengdu Tianfu OCT Industry Development Company Limited (“Chengdu OCT”) focused on the sales of high-rise residential properties and car parking spaces. The contracted sales area and amount were approximately 4,300 sq.m. and approximately RMB28 million, respectively, and the settled area and amount were approximately 15,600 sq.m. and approximately RMB231 million, respectively. The current rentable area for commercial use was approximately 117,600 sq.m., of which 92.4% was leased. During the Period under Review, Chengdu Happy Valley achieved a revenue of approximately RMB118 million, representing an increase of approximately 21.8% as compared with the same period of last year, with a visitor flow of approximately 1,030,000, which increased by approximately 12% as compared with the same period of last year. The first Sam’s Club in the Western China region is located in Chengdu OCT and officially commenced operation at the end of May 2018.

Located at the core business district of Zhonglou at the centre of Xi’an City, the OCT Chang’an Metropolis Project is a commercial landmark along the Chang’an Road. The project has a total gross floor area of approximately 104,700 sq.m., comprising high-end office properties such as Building 2# and Building 3# as well as part of the car parking spaces, with rental rates ranking at the forefront among Xi’an City office buildings. Being scarce in the market, Building 3# is a Grade A office building which is a major project of the Group, and its image upgrade and reconstruction as well as marketing activities for leasing are underway. The tenants of OCT Chang’an Metropolis currently include many of the top 500 enterprises in the world.

The Chongqing OCT Land Project is located at Lijia Block, New North Zone, Chongqing City, overlooking the panorama of Jialing River with a Happy Valley theme park and large greenbelt in the neighborhood. The project has a total gross floor area of approximately 440,000 sq.m.. Its major components comprise mid-to-high end high-rise residential properties and multi-storey residential properties. The first round of sales of multi-storey residential properties of the project was launched in the first half of 2018 and was well-received by the market. During the Period under Review, the contracted sales area and amount of the project reached approximately 30,000 sq.m. and approximately RMB516 million respectively. The Chongqing OCT Land Project was honored with the Residential Property Elegance Award* (優雅人居樓盤獎) at “The 4th Chongqing Property Value”* (「重慶第四屆樓市價值發佈」) published by people.cn in April 2018.

Chengdu Baoxin Quansheng Project is located in Jinniu District in Chengdu city with a total gross floor area of 174,900 sq.m. which comprises properties including high-rise residential properties, ground-floor shops, commercial duplexes, apartment buildings and underground car parking space. During the Period under Review, the contracted sales area and amount of the Chengdu Baoxin Quansheng Project reached approximately 196,900 sq.m. and approximately RMB2,283 million respectively, which are expected to be booked in the second half of 2018 as income for the first time.

During the Period under Review, OCT (Changshu) Investment and Development Co., Ltd.* (華僑城(常熟)投資發展有限公司) obtained the land use rights of an industrial land parcel with a total site area of approximately 53,652 sq.m. located in the Tonggang Industrial Park* (通港工業園) within the Economic Development Zone of Changshu City at the consideration of approximately RMB18.78 million, and plans to develop the land parcel into industrial parks.

Investment in the Urbanisation Industrial Ecosphere Business

As the only offshore listed platform of Overseas Chinese Town Group Company Limited (“OCT Group”), the Group will continue to explore and attempt ways to combine financial innovation with our industrial strength through various ways including domestic and overseas investments and mergers and acquisitions as well as industrial investment, which has led to investments in Tongcheng-Elong Holdings Limited (“Tongcheng-Elong”), Tianli Education International Holdings Limited (“Tianli Education”) and in turn actualised a starting point for the finance leasing business in the first half of 2018. During the Period under Review, profit attributable to the Group’s investment in the urbanisation industrial ecosphere business was approximately RMB43.35 million.

During the Period under Review, the Group acquired 5.11% shares in Tongcheng-Elong, an online travel agent corporation. at the consideration of RMB1,176 million. Tongcheng-Elong has applied to the Hong Kong Stock Exchange for its listing on the Main Board on 20 June 2018.

During the Period under Review, the Group, as a cornerstone investor, invested HK\$266 million to subscribe 4.82% equity interest in Tianli Education (Stock Code: 1773.HK). Tianli Education primarily offers K-12 educational services in China.

During the Period under Review, Shanghai Libao Huachen Fund, of which the Group is one of the founding shareholders, invested in a number of projects including those in the culture and sports industries.

Paper Packaging Business

The Group has facilitated the divestiture of its original paper packaging business since 2017. With the Group’s gradual withdrawal from the paper packaging business, during the Period under Review, the paper packaging business of the Group recorded a revenue of approximately RMB250.58 million, profit attributable to equity holders of the Company was approximately RMB9.52 million.

Following the completion of transfer of 85% equity interest in Huali Packaging (Huizhou) Co., Ltd. in April 2018, the Group has completed the transfer of its remaining 15% equity interest in July. The paper packaging business has hence realised its further divestiture. The Group has kept the land and the plants of the original paper packaging companies and transformed them into industrial parks to continue operations.

OUTLOOK

Looking ahead to the second half of 2018, the international economic and political environment will be more complicated, the momentum of global economic recovery will be weakened, and the volatility in emerging markets will intensify. The domestic supply side reform will be deepened at an accelerated pace, while precise and long-term reform will form a solid base for the long term economic recovery in China. Seeking progress while maintaining stability will be the guiding principles in China for the second half of 2018, with steady economy and steady growth being the utmost concern. The real economy will continue its growing momentum with China's efforts in maintaining financial stability. Meanwhile, as the dark clouds of global trade war are looming on the horizon, China will adhere to its strategic objective to create a fully open economic environment.

INNOVATIVE DEVELOPMENT CONCEPTS

OCT Group, the controlling shareholder of the Group, participates in the national new urbanisation construction with the development mode of “culture + tourism + urbanisation”, the compensation mode of “tourism + internet + finance”, and through its five industries focus, namely “cultural industry sector, tourism industry sector, new urbanisation, financial investment and electronic industry sector”.

As OCT Group's only offshore listed platform, the Group's new development mode will be “comprehensive development + investment in the urbanisation industrial ecosphere”. The Group will develop the comprehensive development business with added vigour and on a larger scale by fully leveraging OCT's brand equity and financial strength, and by securing high-quality projects from the areas of prime cities and OCT urbanisation projects. The Group will also actively leverage and take advantage of the domestic and overseas capital markets and financial products and develop business through domestic and overseas investments and mergers and acquisitions, industrial funds, financial leasing and others, helping OCT Group to create a new urbanisation industrial ecosphere.

Comprehensive Development Business

In the second half of 2018, the central government clearly unveiled its determined objectives of solving real estate market issues, as well as adhering to the concept of “specific policies for different cities” to achieve the balance between supply and demand, lead expectations in a reasonable manner, restructure market order and firmly curb house-price booms. Regulatory policies in real estate will remain in force, while industrial finance may be further tightened. As the “long-term mechanisms” in the domestic real estate industry will be introduced at a faster pace, regional markets will witness divergence in different aspects such as demand, supply and policy.

In the second half of 2018, the existing work plans of the comprehensive development projects of the Group are as follows: For the Shanghai Suhewan Project, we will continue the sales activities of waterfront multi-storey residential properties and high-rise residential towers that boast highly sought-after landscape resources. It will also launch Bulgari Apartments for lease while at the same time roll out the leasing of commercial properties. Regarding the Chengdu OCT Project, high-end customised villas in the only eyot of the Chengdu downtown will be launched, and sales activities of low-density residential properties and high-end office products will proceed along as well. In the second half of 2018, total saleable area will reach approximately 56,600 sq.m. As to the Chongqing OCT Land Project, three batches of high-rise and multi-storey residential products with a total saleable area of approximately 185,900 sq.m. will be launched in the second half of the year. For the OCT (Changshu) project, the planning and design work is expected to be completed and the construction is expected to commence in the second half of the year. With combined location advantages and integrated surrounding resources, the Group will continue to proactively research innovative development modes for existing industrial lands, in order to explore and push forward timely planning, development and construction of idle lands.

The Company will also continue to adhere to advanced development philosophy and clear market orientation, deep plowing in the urbanization project with a focus on culture & tourism, hot spring and health, and stay on the outlook for diversified investment opportunities. More quality lands of low cost will be acquired and the project reserve pool will be expanded through mergers and acquisitions, cooperation, investment and other approaches, with the aim of propelling the growth of the Company's comprehensive development business.

Investment in the Urbanisation Industrial Ecosphere Business

In the second half of 2018, the Group's investment businesses will focus on areas such as cultural tourism, education, healthcare and urbanisation, and will strengthen its project development and explore new investment opportunities through domestic and overseas investments and mergers and acquisitions, industrial fund and financial leasing. The Group will continue to enrich and expand the new urbanisation industrial ecosphere business.

For financial leasing business, the Group will mainly engage in the financial leasing business in sectors such as theme parks and the manufacturing industry with a primary focus on customer base such as large to mid-scale state-owned enterprises and high quality listed companies, improve its risk management and push forward the development of the business in order to achieve stable operating income.

The Board is very confident about the future development prospects of the Group. With the support of OCT Group, the Group will continue to forge ahead with innovative development and endeavor to generate ideal investment returns for shareholders.

Financial Review

As at 30 June 2018, the Group's total assets were approximately RMB22.32 billion, whereas the Group's total equity amounted to approximately RMB12.92 billion. For the six months ended 30 June 2018, the Group realised revenue of approximately RMB930.44 million, representing a decrease of approximately 52.1% over the same period of 2017, of which, revenue of the comprehensive development business was approximately RMB679.86 million, representing a decrease of approximately 56.5% over the same period of 2017, primarily due to the decrease in revenue from the Shanghai Suhewan Project; and revenue of the paper packaging business was approximately RMB250.58 million, representing a decrease of approximately 34.1% over the same period of 2017, primarily due to the reduction in the operation scale of the paper packaging business. For the six months ended 30 June 2018, profit attributable to equity holders of the Company was approximately RMB60.27 million, representing an increase of approximately 47.6% over the same period of 2017, of which, profit attributable to the comprehensive development business was approximately RMB1.70 million, representing a decrease of approximately 97.2% over the same period of 2017, mainly due to the decrease in share of profit from the Shanghai Suhewan Project and Beijing Guangying Residential Property Development Limited, an associate of the Company; profit attributable to the paper packaging business was approximately RMB9.52 million, representing an increase of approximately 41.0% over the same period of 2017, mainly due to the rise in gross profit margin of products and recognition of the gain on disposal of equity interests and equipment of subsidiaries during the period; and profit attributable to the investment and fund business was approximately RMB43.35 million as compared with loss of approximately RMB9.93 million over the same period of 2017, mainly due to the increase in the gain from fair value change of fund investments and share of profit of Minsheng Education Group Company Limited, an associate of the Company. For the six months ended 30 June 2018, the basic loss per share attributable to shareholders of the Company was approximately RMB0.092 as compared with earnings of approximately RMB0.036 over the same period of 2017, due to the deduction of profit attributable to the holders of perpetual capital securities from the calculation of the basic earnings per share for the period.

For the six months ended 30 June 2018, the Group's gross profit margin was approximately 30.3% (same period of 2017: approximately 28.7%), representing an increase of 1.6 percentage points over the same period of 2017, of which, the gross profit margin of the comprehensive development business was approximately 34.1%, representing an increase of 1.8 percentage points over the same period of 2017, mainly due to the decrease in revenue from units with low gross profit margin recognised during the period; and the gross profit margin of the paper packaging business was approximately 20.1%, representing an increase of 6.2 percentage points over the same period of 2017, mainly due to the rise in selling price of products during the period.

Distribution Costs and Administrative Expenses

For the six months ended 30 June 2018, distribution costs of the Group were approximately RMB73.82 million (same period of 2017: approximately RMB61.93 million), representing an increase of approximately 19.2% over the same period of 2017, of which, distribution costs of the comprehensive development business were approximately RMB57.60 million, representing an increase of approximately 42.3% over the same period of 2017, primarily due to the reversal of accrued property fees during the same period of last year and the increase in the advertising expenses during the period for Chengdu OCT; and distribution costs of the paper packaging business were approximately RMB16.22 million, representing a decrease of approximately 24.4% over the same period of 2017, primarily due to the decrease in labour and transportation costs as a result of the reduction in the operation scale of the paper packaging business.

For the six months ended 30 June 2018, the Group's administrative expenses were approximately RMB111.94 million (same period of 2017: approximately RMB110.22 million), representing an increase of approximately 1.6% over the same period of 2017, of which, administrative expenses of the comprehensive development business were approximately RMB79.00 million, representing an increase of approximately 12.2% over the same period of 2017, which was mainly due to the expenses arising from the commencement of operation of OCT Bulgari Hotel held by OCT Shanghai Land during the period; and administrative expenses of the paper packaging business were approximately RMB18.94 million, representing a decrease of approximately 13.7% over the same period of 2017, primarily due to the decrease in labour costs as a result of the reduction in the operation scale of the paper packaging business.

Interest Expenses

For the six months ended 30 June 2018, interest expenses of the Group were approximately RMB59.16 million (same period of 2017: approximately RMB115.04 million), representing a decrease of approximately 48.6% over the same period of 2017, of which, interest expenses of the comprehensive development business were approximately RMB49.05 million, representing a decrease of approximately 52.6% over the same period of 2017, mainly due to the decrease in the amount of the loans related to the comprehensive development business; there were no interest expenses of the paper packaging business during the period (same period of 2017: approximately RMB1.73 million), due to the loans related to the paper packaging business having been repaid in the second half of 2017; and interest expenses of the investment and fund business were approximately RMB10.11 million, representing an increase of approximately 3.3% over the same period of 2017, mainly due to the increase in the amount of the loans related to the investment and fund business.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018, 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 49 days for the six months ended 30 June 2018, representing an increase of 11 days as compared with 38 days for the year ended 31 December 2017, mainly due to the increase in inventory of Zhongshan Huali Packing Co., Ltd.. The Group's debtors' turnover days for the paper packaging business were 103 days for the six months ended 30 June 2018, representing a decrease of 16 days as compared with 119 days for the year ended 31 December 2017, which was mainly due to the enhancement of management for debtors. The Group's creditors' turnover days for the paper packaging business were 59 days for the six months ended 30 June 2018, representing an increase of 15 days as compared with 44 days for the year ended 31 December 2017, which was mainly due to the termination of the cash discount transaction arrangement with suppliers since the end of last year as a result of the reduction in the operation scale of the paper packaging business.

Liquidity, Financial Resources and Capital Structure

The total equity of the Group as at 30 June 2018 was approximately RMB12.92 billion (31 December 2017: approximately RMB13.31 billion). As at 30 June 2018, the Group had current assets of approximately RMB11.09 billion (31 December 2017: approximately RMB15.77 billion) and current liabilities of approximately RMB8.35 billion (31 December 2017: approximately RMB9.22 billion). The current ratio was approximately 1.33 as at 30 June 2018, representing a decrease of 0.38 as compared with that as at 31 December 2017 (31 December 2017: approximately 1.71), mainly due to inventory of approximately RMB2.00 billion being transferred from current assets to non-current assets and payment in cash of approximately RMB1.18 billion for the acquisition of the equity interests of Tongcheng-Elong during the period. The Group generally finances its operations with internally generated cash flow, credit facilities provided by banks and shareholder's loans.

As at 30 June 2018, the Group had outstanding bank and other loans of approximately RMB4.25 billion, without any fixed rate loans (31 December 2017: outstanding bank and other loans of approximately RMB5.01 billion, without any fixed rate loans). As at 30 June 2018, the interest rates of bank and other loans of the Group ranged from 2.86% to 6.38% per annum (31 December 2017: ranged from 1.28% to 6.38% per annum). Some of those 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 27.8% as at 30 June 2018, which was approximate to 27.0% as at 31 December 2017.

As at 30 June 2018, approximately 80.5% of the total amount of outstanding bank and other loans of the Group was denominated in Hong Kong Dollars (31 December 2017: approximately 81.6%), approximately 19.5% of which was denominated in Renminbi (31 December 2017: approximately 18.4%). As at 30 June 2018, approximately 47.0% of the total amount of cash and cash equivalents of the Group was denominated in Renminbi (31 December 2017: approximately 34.4%), approximately 45.4% of which was denominated in United States Dollars (31 December 2017: approximately 54.4%) and approximately 7.6% of which was denominated in Hong Kong Dollars (31 December 2017: approximately 11.2%).

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. For the six months ended 30 June 2018, the Group has not experienced any material difficulties in or effects on its operations or liquidity as a result of fluctuations in currency exchange rates. For the six months ended 30 June 2018, the Group did not enter into any foreign exchange forward contracts and other material financial instruments for hedging foreign exchange risks purpose.

CONTINGENT LIABILITIES

The Group has entered into agreements with certain banks with respect to mortgage loans provided to buyers of the property units. Pursuant to the mortgage agreements signed between the Group and the banks, the guarantee will be released upon the issuance of the individual property ownership certificate. Should the mortgagors fail to pay the mortgage monthly installment before the issuance of the individual property ownership certificate; the banks can draw down the security deposits up to the amount of outstanding mortgage installments and demand the Group to repay the outstanding balance to the extent that the deposit balance is insufficient.

The amount of guarantee deposits required varies among different banks, but usually within a range of 0% to 5% of the mortgage loans granted to buyers, with prescribed capped amount.

The management does not consider it probable that the Group will sustain a loss under these guarantees as the bank has the rights to sell the property and recovers the outstanding loan balance from the sale proceeds if the property buyers default payment. The management also considers that the market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group. No liabilities therefore are recognised in respect of these guarantees.

As at 30 June 2018, guarantees given to financial institutions for mortgages facilities granted to buyers of the Group's properties amounts to RMB874,677,000 (at 31 December 2017: RMB427,788,000).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group employed approximately 791 full-time staff in total. The basic remunerations of the employees of the Group 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 members. Salaries of the employees are maintained at a competitive level and are reviewed annually, with reference to the relevant labour market and economic situation. Directors' remuneration is determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. Apart from the basic remuneration and statutory benefits, the Group also provides 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 senior management have been working for the Group for many years.

IMPORTANT EVENTS

Acquisition of 5.11% equity interest in Tongcheng-Elong

On 10 May 2018, City Legend International Limited ("City Legend"), an indirect wholly-owned subsidiary of the Company, and Suzhou Wan Cheng Sheng Da Travel Development Limited* (蘇州萬程晟達旅遊發展有限公司) ("Suzhou Wancheng") entered into equity transfer agreements, pursuant to which City Legend agreed to acquire 5.11% equity interest in Tongcheng-Elong at the consideration of approximately RMB1.18 billion. For further details, please refer to the announcement of the Company dated 10 May 2018.

Acquisition of Changshu Land

On 25 June 2018, OCT (Changshu) Investment and Development Co., Ltd. ("OCT Changshu"), a non wholly-owned subsidiary of the Company, won the bid for the land use rights of a land parcel located in Changshu City (the "Changshu Land") at the base bid price of RMB18,778,200. OCT Changshu entered into a land transfer agreement with the Land and Resources Bureau to acquire the Changshu Land at the consideration of RMB18,778,200. For further details, please refer to the announcement of the Company dated 27 June 2018.

Cornerstone Investment in Tianli Education

On 26 June 2018, City Legend, an indirect wholly-owned subsidiary of the Company, entered into a cornerstone investment agreement with Tianli Education and China International Capital Corporation Limited (“CICC”), pursuant to which City Legend agreed to subscribe for the Investor Shares of Tianli Education at the offer price as part of the international offering. The subscription was completed on 12 July 2018 at a total effective subscription price of approximately HK\$266 million, representing 4.82% of the issued share capital of Tianli Education after full exercise of over-allotment option. For further details, please refer to the announcement of the Company dated 26 June 2018.

SUBSEQUENT EVENT(S)

Cornerstone Investment in E-House Enterprise

On 5 July 2018, City Legend, an indirect wholly-owned subsidiary of the Company, entered into a cornerstone investment agreement with E-House (China) Enterprise Holdings Limited (“E-House Enterprise”) and CICC, pursuant to which City Legend agreed to acquire the Investor Shares of E-House Enterprise at the offer price as part of the international offering. The subscription was completed on 20 July 2018 at a total effective subscription price of approximately HK\$1,055 million, representing 4.99% of the issued share capital of E-House Enterprise. For further details, please refer to the announcement of the Company dated 5 July 2018.

CORPORATE GOVERNANCE

For the six months ended 30 June 2018, 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 2018 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 2018, and 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 2018. During the same period, neither the Company nor any of its subsidiaries has purchased or sold any of its shares.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Company (www.oct-asia.com) and the Stock Exchange (www.hkexnews.hk). The 2018 interim report will be despatched to the shareholders of the Company and available on the above websites in due course.

By Order of the Board
Overseas Chinese Town (Asia) Holdings Limited
He Haibin
Chairman

Hong Kong, 30 August 2018

As at the date of this announcement, the Board of the Company comprises seven Directors, namely: Mr. He Haibin, Ms. Xie Mei and Mr. Lin Kaihua as executive Directors; Mr. Zhang Jing as non-executive Director; Mr. Lu Gong, Ms. Wong Wai Ling, and Professor Lam Sing Kwong Simon as independent non-executive Directors.

* *For identification purpose only*