# 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: 3366)**

## 2008 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 2008, together with the comparative figures for the corresponding period in 2007 as follows.

## CONSOLIDATED INCOME STATEMENT
**for the six months ended 30 June 2008 (unaudited)**
*(Expressed in Renminbi)*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2008** | 2007 |
| | *Note* | ***RMB'000*** | *RMB*'000 |
| **Turnover** | *3* | **374,408** | 343,702 |
| Cost of sales | | **(350,158)** | (299,397) |
| **Gross profit** | | **24,250** | 44,305 |
| Other revenue | | **13,451** | 11,251 |
| Other net gain/(loss) | *4* | **30,987** | (659) |
| Distribution costs | | **(17,104)** | (14,725) |
| Administrative expenses | | **(30,346)** | (12,571) |
| Other operating expenses | | **(895)** | (284) |
| **Profit from operations** | | **20,343** | 27,317 |
| Finance costs | *5* | **(1,285)** | (2,223) |
| Share of loss from an associate | | **(1,122)** | – |
| **Profit before taxation** | *5* | **17,936** | 25,094 |
| Income tax | *6* | **(2,367)** | (3,279) |
| **Profit for the period** | | **15,569** | 21,815 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **15,569** | 21,757 |
| Minority interests | | **–** | 58 |
| **Profit for the period** | | **15,569** | 21,815 |
| **Earnings per share *(RMB)*** | *8* | | |
| Basic | | **0.063** | 0.109 |
| Diluted | | **0.061** | 0.103 |

**CONSOLIDATED BALANCE SHEET**
**at 30 June 2008 (unaudited)**
*(Expressed in Renminbi)*

| | Note | **At 30 June 2008** *RMB'000* | At 31 December 2007 *RMB'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **179,605** | 191,468 |
| Construction in progress | | **9,603** | 921 |
| Goodwill | | **24,937** | 24,937 |
| Lease prepayments | | **71,326** | 72,169 |
| Interest in an associate | | **88,785** | 89,907 |
| Deferred tax assets | | **10,447** | 6,444 |
| | | **384,703** | 385,846 |
| **Current assets** | | | |
| Non-current assets held for sale | *4* | **–** | 12,361 |
| Inventories | | **131,892** | 91,866 |
| Trade and other receivables | *9* | **218,675** | 210,296 |
| Cash and cash equivalents | *10* | **98,275** | 119,292 |
| | | **448,842** | 433,815 |
| **Current liabilities** | | | |
| Trade and other payables | *11* | **(247,568)** | (259,789) |
| Bank loans | | **(32,232)** | (32,735) |
| Current taxation | | **(7,107)** | (4,333) |
| | | **(286,907)** | (296,857) |
| **Net current assets** | | **161,935** | 136,958 |
| **Total assets less current liabilities** | | **546,638** | 522,804 |

| | Note | **At 30 June 2008** *RMB'000* | At 31 December 2007 *RMB'000* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bank loans | | **(26,376)** | (11,986) |
| **NET ASSETS** | | **520,262** | 510,818 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | *12* | **25,780** | 25,260 |
| Reserves | *12* | **494,482** | 485,558 |
| **Total equity attributable to equity shareholders of the Company** | | **520,262** | 510,818 |
| **TOTAL EQUITY** | | **520,262** | 510,818 |

## 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, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements. Please refer to note 2 for the discussion of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") adopted by the Group in 2008.

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.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2007.

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 annual financial statements for the year ended 31 December 2007. 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 HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations.

The interim financial report is unaudited and not reviewed by the auditors, but has been reviewed by the Audit Committee of the Company. It was approved and authorised for issue on 21 August 2008.

The financial information relating to the financial year ended 31 December 2007 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 2007 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 20 March 2008.

### 2 New and revised HKFRSs

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies applied in these financial statements for the periods presented.

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

### 3 Turnover

The principal activity of the Group is the manufacture and sale of paper boxes and products. Turnover represents the sales value of goods supplied to customers, net of value-added tax.

## 4 Other net gain/(loss)

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***RMB'000*** | *RMB'000* |
| Gain on disposal of a subsidiary | **–** | 696 |
| Net gain/(loss) on disposal of property, plant and equipment *(Note)* | **35,391** | (42) |
| Exchange loss | **(5,130)** | (1,313) |
| Others | **726** | – |
| | **30,987** | (659) |

*Note:* Included in the net gain/(loss) on disposal of property, plant and equipment was gain on disposal of non-current assets held for sale of RMB35,592,000. On 11 July 2007, a subsidiary of the Group, Shenzhen Huali Packing & Trading Co., Ltd. ("Shenzhen Huali"), entered into an agreement with Shenzhen Overseas Chinese Town Real Estate Company Limited ("OCT Properties"), a connected Company, to sell the land use right of a piece of land located in Shenzhen and two factory buildings erected on the land (the "Properties"), at a cash consideration of RMB50,600,000. Shenzhen Huali also entered into a tenancy agreement with OCT Properties to lease back the Properties at a monthly rental of approximately RMB264,000. The Properties with a value of RMB12,361,000 were reclassified to non-current assets held for sale in 2007. The lease term has commenced from 1 June 2008 when the transfer of title of the Properties was completed.

## 5 Profit before taxation

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

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***RMB'000*** | *RMB'000* |
| (a) Finance costs: | | |
| Interest on bank loans | **1,285** | 2,223 |
| (b) Staff costs: | | |
| Salaries, wages and other benefits | **30,078** | 25,866 |
| Contributions to defined contribution retirement schemes | **1,780** | 1,541 |
| | **31,858** | 27,407 |
| (c) Other items: | | |
| Amortisation of lease prepayments | **843** | 621 |
| Depreciation of property, plant and equipment | **14,000** | 14,160 |
| Impairment losses made/(written back) on trade and other receivables | **423** | (2) |
| Inventory write-down and losses | **472** | 258 |
| Net gain on disposal of a subsidiary | **–** | (696) |
| Provision for relocation expenses *(Note)* | **15,000** | – |

*Note:* The Group plans to move its production plant in Shenzhen to Huizhou and has provided the relevant costs in relation to the relocation.

**6 Income tax**

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***RMB'000*** | *RMB'000* |
| **Current tax – Provision for PRC income tax** | | |
| Provision for the period | **6,370** | 3,279 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(4,003)** | – |
| | **2,367** | 3,279 |

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 (2007: Nil).

On 27 February 2008, the Financial Secretary of the Hong Kong SAR Government announced his annual Budget which proposes a cut in the profits tax rate from 17.5% to 16.5% with effect from the fiscal year 2008-09 and a one-off reduction of 75% of the tax payable for the 2007-08 assessment subject to a ceiling of HK$25,000. In accordance with the Group's accounting policy, the financial effect has been made to these financial statements.

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 18%-25% (2007: 15%-33%). 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.

**7 Dividends**

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

| | Six months ended 30 June | |
|---|---|---|
| | **2008** | 2007 |
| | ***RMB'000*** | *RMB'000* |
| Final dividend in respect of the financial year ended 31 December 2007, approved and paid during the following interim period, of HK$5.70 cents per share (equivalent RMB5.011 cents per share) (year ended 31 December 2006: HK$6.40 cents per share) (equivalent RMB6.337 cents per share) | **12,618** | 12,675 |

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

**8 Earnings per share**

**(a) Basic earnings per share**

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the profit attributable to equity shareholders of the Company of RMB15,569,000 (2007: RMB21,757,000) and the weighted average of 248,207,238 (2007: 200,000,000) ordinary shares in issue during the six months ended 30 June 2008.

**(b) Diluted earnings per share**

The calculation of diluted earnings per share for the six months ended 30 June 2008 is based on the profit attributable to equity shareholders of the Company of RMB15,569,000 (2007: RMB21,757,000) and the weighted average of 254,135,506 (2007: 210,377,705) ordinary shares (diluted) during the six months ended 30 June 2008, calculated as follows:

***Weighted average number of ordinary shares (diluted)***

| | **Six months ended 30 June** | |
|---|---|---|
| | **2008** | 2007 |
| Weighted average number of ordinary shares at 30 June | **248,207,238** | 200,000,000 |
| Effect of deemed issue of shares under the Company's share option scheme | **7,500,406** | 10,377,705 |
| Weighted average number of ordinary shares (diluted) at 30 June | **255,707,644** | 210,377,705 |

## 9 Trade and other receivables

| | **At 30 June 2008** | At 31 December 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables and bills receivable: | | |
| Amounts due from fellow subsidiaries | **238** | 173 |
| Amounts due from other related companies | **4,102** | 982 |
| Amounts due from third parties | **168,899** | 162,724 |
| Less: allowance for doubtful debts | **(3,738)** | (3,146) |
| | **169,501** | 160,733 |
| Prepayment, deposits and other receivables: | | |
| Amounts due from fellow subsidiaries | **820** | 293 |
| Amounts due from an associate | **41,320** | 44,008 |
| Others | **7,034** | 5,262 |
| | **218,675** | 210,296 |

Included in trade and other receivables are trade and bills receivables (net of impairment losses for bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

| | **At 30 June 2008** | At 31 December 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current | **135,007** | 146,657 |
| Less than 3 months past due | **34,416** | 13,997 |
| 3 to 6 months past due | **78** | 79 |
| Amount past due | **34,494** | 14,076 |
| Trade receivables and bills receivable, net of impairment loss | **169,501** | 160,733 |

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 2008 *RMB'000* | At 31 December 2007 *RMB'000* |
|---|---|---|
| Cash at bank and in hand | **98,275** | 119,292 |

## 11 Trade and other payables

| | At 30 June 2008 *RMB'000* | At 31 December 2007 *RMB'000* |
|---|---|---|
| Trade payables and bills payable: | | |
| Amounts due to fellow subsidiaries | **–** | 72 |
| Amounts due to other related companies | **–** | 20 |
| Amounts due to third parties | **195,260** | 227,360 |
| | **195,260** | 227,452 |
| Other payables: | | |
| Amounts due to other related companies | **243** | 194 |
| Amounts due to third parties | **52,065** | 32,143 |
| | **247,568** | 259,789 |

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

| | At 30 June 2008 *RMB'000* | At 31 December 2007 *RMB'000* |
|---|---|---|
| Due within 3 months or on demand | **191,783** | 166,638 |
| Due after 3 months but less than 1 year | **3,446** | 60,812 |
| Due after 1 year | **31** | 2 |
| | **195,260** | 227,452 |

## 12 Reserves

### (a) Issue of shares

On 23 April 2008, 5,790,000 share options of the Company at par value of HK$0.1 were exercised at exercise price of HK$1.41 per share. The excess of the exercise price over the par value of the shares issued has been credited to the share premium account of the Company.

### (b) Transfer to reserve

There was no transfer to reserve for the six months ended 30 June 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATING RESULTS AND BUSINESS REVIEW

During the period under review, the Group continued to expand the paper packaging business and announced the acquisition of 51% interests and shareholder's loan in OCT Investments Limited ("OCT Investments"). Upon completion of the transaction, the Company will indirectly hold 25% interests in Chengdu Tianfu OCT Industry Development Co., Ltd. ("Chengdu OCT") whereby the Company intended to explore new potential profits sources through the expansion of the Group's business scope. During the first half year of 2008, notwithstanding the substantial growth of raw material price and the pressure from external environment, the Group still achieved stable growth in its principal business by continually strengthening its internal management, increasing bargaining power by bulk purchase of raw materials and enhancing innovative production technology to reduce costs and increase production efficiency. During the period under review, raw material prices grew significantly and energy prices and labor costs rose to different extents over the same period of last year. Market competition was especially intense in the relatively mature paper packaging industry in the Pearl River Delta and Yangtze River Delta in the PRC where the Group operated, which exposed the operation and development of the main business of the Group to challenges.

For the six months ended 30 June 2008, the Group recorded a turnover of approximately RMB374 million, representing an increase of approximately 9.0% over the same period of last year; the gross profit margin was approximately 6.5%, representing a decrease of 6.4% over the same period of 2007, which was mainly attributable to higher cost of sales due to increase in raw material prices; profits attributable to shareholders were approximately RMB15.57 million, representing a decrease of approximately 28.4% over the same period of last year, which was mainly due to the drop of gross profit in the period.

In the period under review, the Group continued to promote the concept of environmental protection and hi-tech innovation. Anhui Huali Packaging Company Limited ("Anhui Huali") passed the quality audit of ISO9000 and the audit of environmental management systems of ISO14000. The new paper pallet and "sealing patch for carton handle hole(s)" developed by Shanghai Huali Packaging Co., Ltd. ("Shanghai Huali") and Shenzhen Huali Packing & Trading Co., Ltd. ("Shenzhen Huali") have respectively been approved by the State Intellectual Property Office of the PRC and received the "Certificates of patent for utility model". The colour printing equipment of Shanghai Huali ran smoothly and all kinds of technology have been well grasped to satisfy the needs of new business and new customers, by which Shanghai Huali expanded its products from watermarks to colour printing products. The new production base of Huizhou Huali Packing Co., Ltd. ("Huizhou Huali") was still under construction and production facilities of Shenzhen Huali is planned to be gradually relocated to the new production base of Huizhou Huali from late 2008.

In June 2008, the Company announced the acquisition of 51% interests and shareholder's loan in OCT Investments, which was then approved in the extraordinary general meeting held on 10 July 2008. Upon completion of the transaction, the Company will wholly own OCT Investments and thus indirectly hold 25% interests in Chengdu OCT. As Chengdu OCT is one of the major projects of Overseas Chinese Town Enterprises Company ("OCT Group"), the ultimate controlling shareholder of the Group, the Company believes that the project will have good development prospects in the future. During the period under review, the Company received the net proceeds of RMB35.59 million from the disposal of properties held by Shenzhen Huali in 2007 and made provision for the relocation fee of Shenzhen Huali of RMB15.00 million (see note 4 and note 5 to the financial statements).

### Outlook

As at the date of this announcement, raw material and energy prices and labor costs of the Group remained at high level and competition became more intense. It is expected the situation can hardly improve in the short term. In the second half of 2008, the Group will continue to enhance the innovative technology of its products to satisfy customers' needs, increase production efficiency and continually enhance the production and sales of high margin products like color printed packaging. The management is confident towards the long term development of China's economy and the continual increase in domestic consumption, and believes that the Group will be able to get over difficult times of the slacken economy riding on the Group's quality products and innovative capability, stable growth of customers and the continual optimization of strategies.

## RE-ELECTION OF DIRECTOR

At the 2007 Annual General Meeting of the Company (the "AGM") held on 25 April 2008, a resolution was passed in respect of the re-election of Mr. Zheng Fan, Mr. Ni Zheng, Ms. Xie Mei and Mr. Zhou Guangneng as the executive Directors of the Company for a term of three years commencing on the date of the AGM which approved the appointments. Ms. Wong Wai Ling was re-elected as an independent non-executive Director of the Company for a term commencing on the date of the AGM which approved her appointment and ending at the conclusion of the 2009 annual general meeting of the Company to be held in 2010. Mr. Chen Xiangdong and Mr. Xiao Yongping were re-elected as independent non-executive Directors of the Company for a term commencing on the date of the AGM which approved their appointments and ending at the conclusion of the 2008 annual general meeting of the Company to be held in 2009.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2008, the Group employed approximately 1,877 full-time staff members. The basic remunerations of the employees are mainly determined with reference to the industrial 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 required by laws, the Group also provides discretionary bonuses based upon the Group's results and the individual staff's performance. The Group has adopted a share option scheme with a view to attracting and retaining high calibre personnel.

## FINANCIAL REVIEW

As at 30 June 2008, the Group's total assets were approximately RMB834 million. Total equity amounted to approximately RMB520 million. The Group's turnover was approximately RMB374 million for the six months ended 30 June 2008, representing an increase of approximately 9.0% over the same period of 2007; gross profit margin was approximately 6.5% (same period in 2007: 12.9%), representing a decrease of 6.4% over the same period of 2007, which was mainly attributable to higher cost of sales due to increases in raw material prices; profits attributable to shareholders were approximately RMB15.57 million, representing a decrease of approximately 28.4% over the same period of 2007, which was mainly due to the drop of gross profit in the period.

**Distribution Costs and Administrative Expenses**

Distribution costs for the six months ended 30 June 2008 were approximately RMB17.10 million (same period in 2007: approximately RMB14.73 million), representing an increase of approximately 16.2% over the corresponding period in 2007. This was mainly attributable to the increase of commission paid to sales persons due to the continual growth of sales revenue and the higher transportation costs due to the surge of oil price in the period.

The Group's administrative expenses for the six months ended 30 June 2008 were approximately RMB30.35 million (same period in 2007: approximately RMB12.57 million), representing an increase of approximately 141.4% over the corresponding period in 2007. Excluding the factor that the relocation fee of Shenzhen Huali was recognized as an expense, administrative expenses increased by approximately RMB2.78 million over the corresponding period in 2007, which was mainly due to the increase of preliminary expenses of RMB2.59 million of Huizhou Huali during the period.

**Interest Expenses**

The interest expenses of the Group were approximately RMB1.29 million for the six months ended 30 June 2008, representing a decrease of approximately RMB0.93 million as compared with RMB2.22 million for the same period ended 30 June 2007. The decrease was mainly due to the decrease of the average outstanding bank loan balance in the period.

**Dividends**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2008.

**Inventories, Debtors' and Creditors' Turnover**

The inventory turnover of the Group was 69 days for the six months ended 30 June 2008 as compared with 51 days for the year ended 31 December 2007. The increase in inventory turnover day over 2007 was mainly attributable to higher inventory level in response to the rise of raw material price. The Group's debtors' turnover days were 83 days for the six months ended 30 June 2008 as compared with 79 days for the year ended 31 December 2007. The above debtors' turnover days are substantially the same as that normally granted by the Group to its customers. The Group's creditors' turnover days were 102 days for the six months ended 30 June 2008 as compared with 127 days for the year ended 31 December 2007. This was mainly due to the change of settlement monetary of procurement to capture the benefits of the appreciation of Renminbi and the enjoyment of cash discount from customers resulting in the shorter creditors' turnover days. The Group settled the accounts payable largely by surplus cash.

**Liquidity, Financial Resources and Capital Structure**

The total equity of the Group as at 30 June 2008 was approximately RMB520 million (31 December 2007: approximately RMB511 million). As at 30 June 2008, the Group had current assets of approximately RMB449 million (31 December 2007: approximately RMB434 million) and current liabilities of approximately RMB287 million (31 December 2007: approximately RMB297 million). The liquidity ratio was 1.56 as at 30 June 2008 as compared with 1.46 as at 31 December 2007. Increase of liquidity ratio was mainly due to the further improvement of the Company's financial position. As at 30 June 2008, the Group had outstanding bank loans of approximately RMB58.61 million, of which approximately RMB15.00 million were fixed rate loans (as at 31 December 2007: outstanding bank loans of approximately RMB44.72 million, of which approximately RMB20.00 million were fixed rate loans). The interest rates of bank loans of the Group was 2.57% to 6.561% per annum for the six months ended 30 June 2008 (from 4.132% to 6.561% per annum for the year ended 31 December 2007). 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) decreased from approximately 21% as at 31 December 2007 to approximately 17% as at 30 June 2008.

As at 30 June 2008, approximately 26% of the total amount of outstanding bank loans of the Group was in Renminbi (31 December 2007: 45%), approximately 74% of its bank loans was in Hong Kong Dollars (31 December 2007: 55%). As at 30 June 2008, approximately 40% of the total amount of cash and cash equivalents of the Group was in Renminbi (31 December 2007: 44%), approximately 53% of its cash and cash equivalents was in Hong Kong Dollars (31 December 2007: 44%) and approximately 7% of its cash and cash equivalents was in US Dollars (31 December 2007: 12%).

The Group's liquidity position remains stable and the Group possesses sufficient cash and available banking facilities to meet its commitments, working capital requirements and future investments for expansion. The Group's transactions and monetary assets are principally denominated in Renminbi, Hong Kong dollars or United States 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 up to 30 June 2008. As at 30 June 2008, the Group did not employ any financial instrument for hedging purposes.

**Contingent Liabilities**

The Group has no contingent liabilities as at 30 June 2008.

## MAJOR ACQUISITION OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 2 June 2008 and 4 June 2008, the Company entered into a share transfer agreement and a supplemental agreement (collectively the "Share Transfer Agreement") with Overseas Chinese Town (HK) Company Limited ("OCT (HK)") respectively, pursuant to which the Company conditionally agreed to acquire and OCT (HK) conditionally agreed to sell the shares representing 51% of the total issued share capital of OCT Investments, and the shareholder's loan at an aggregate consideration of HK$170 million. The consideration will be satisfied by the Company by cash and the issue and allotment of not more than 50 million consideration shares to OCT (HK). As at the date of this announcement, the settlement method has not yet been confirmed. The Company will make an announcement on the settlement method of the consideration for the acquisition when the settlement method is confirmed. The acquisition was approved in the extraordinary general meeting of the Company held on 10 July 2008.

### Major Event

OCT Group entered into a state-assets transfer agreement (the "State-assets Transfer Agreement") on 6 June 2008 with Shenzhen OCT Holding Company Limited ("OCT Holding"), pursuant to which OCT Group conditionally agreed to sell, and OCT Holding conditionally agreed to purchase, inter alia, the entire issued share capital of OCT (HK). Upon completion of the proposed acquisitions under the State-assets Transfer Agreement, OCT Holding will become the sole beneficial owner of all the issued share capital of OCT (HK), which (1) holds the entire issued share capital of Pacific Climax Limited ("Pacific Climax"), which is the beneficial owner of an aggregate of 160,370,000 shares, representing approximately 63.69% of the existing issued share capital of the Company as at the date of this announcement; and (2) has entered into the Share Transfer Agreement with the Company pursuant to which the Company may issue to it not more than 50,000,000 shares as part of the consideration upon completion of the Share Transfer Agreement. Pacific Climax will remain as a wholly owned company of OCT (HK), and there will not be any change of shareholding of Pacific Climax in the Company as a consequence to the completion of the proposed acquisitions under the State-assets Transfer Agreement.

## CORPORATE GOVERNANCE

For the six months ended 30 June 2008, the Company complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 ("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 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 2008 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 2008. 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
**Zheng Fan**
*Chairman*

Hong Kong, 21 August 2008

*As at the date of this announcement, the Board comprises seven Directors, namely: Mr. Zheng Fan, Mr. Ni Zheng, Ms. Xie Mei and Mr. Zhou Guangneng as executive Directors; Ms. Wong Wai Ling, Mr. Chen Xiangdong and Mr. Xiao Yongping as independent non-executive Directors.*