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Overseas Chinese Town (Asia) Holdings Limited
華僑城(亞洲)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03366)

2012 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 2012 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2011 as follows.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2012 (unaudited)

(Expressed in Renminbi)

		Six months ended 30 June	
		2012	2011
	Note	RMB'000	RMB'000
Turnover	5	914,368	644,776
Cost of sales		<u>(663,197)</u>	<u>(518,748)</u>
Gross profit		251,171	126,028
Other revenue		7,027	5,871
Other net (loss)/gain	6	(6,299)	12,827
Distribution costs		(65,711)	(39,560)
Administrative expenses		(51,833)	(41,621)
Other operating income/(expenses)		<u>1,001</u>	<u>(854)</u>
Profit from operations		135,356	62,691
Finance costs	7	(32,483)	(26,031)
Share of profit or loss from an associate		<u>1,604</u>	<u>(1,766)</u>
Profit before taxation	7	104,477	34,894
Income tax	8	<u>(61,500)</u>	<u>(19,524)</u>
Profit for the period		<u>42,977</u>	<u>15,370</u>
Attributable to:			
Equity shareholders of the company		20,977	13,906
Non-controlling interests		<u>22,000</u>	<u>1,464</u>
Profit for the period		<u>42,977</u>	<u>15,370</u>
Earnings per share (RMB)	9		
Basic		<u>0.041</u>	<u>0.027</u>
Diluted		<u>0.041</u>	<u>0.027</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2012 (unaudited)

(Expressed in Renminbi)

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Profit for the period	<u>42,977</u>	<u>15,370</u>
Other comprehensive income for the period (after tax and reclassification adjustments):		
Exchange differences on translation of:		
– financial statements of overseas subsidiaries	<u>5</u>	<u>(335)</u>
Total comprehensive income for the period	<u><u>42,982</u></u>	<u><u>15,035</u></u>
Attributable to:		
Equity shareholders of the company	20,982	13,571
Non-controlling interests	<u>22,000</u>	<u>1,464</u>
Total comprehensive income for the period	<u><u>42,982</u></u>	<u><u>15,035</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2012 (unaudited)

(Expressed in Renminbi)

		At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
	<i>Note</i>		
Non-current assets			
Fixed assets			
– Investment properties		554,713	565,953
– Other property, plant and equipment		1,396,889	1,400,463
– Interests in leasehold land held for own use under operating lease		715,892	726,263
Intangible assets		441	221
Goodwill		267,193	266,625
Interest in an associate		82,538	80,934
Other financial assets		4,320	4,320
Deferred tax assets		83,169	95,761
		<u>3,105,155</u>	<u>3,140,540</u>
Current assets			
Inventories		13,400,519	2,015,536
Trade and other receivables	10	301,835	300,055
Cash and cash equivalents	11	969,982	748,393
		<u>14,672,336</u>	<u>3,063,984</u>
Current liabilities			
Trade and other payables	12	2,100,432	1,918,981
Receipts in advance		1,014,120	601,037
Bank loans		102,114	92,068
Related party loans		4,358,000	–
Current taxation		20,792	124,160
		<u>7,595,458</u>	<u>2,736,246</u>
Net current assets		<u>7,076,878</u>	<u>327,738</u>
Total assets less current liabilities		<u>10,182,033</u>	<u>3,468,278</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*at 30 June 2012 (unaudited)**(Expressed in Renminbi)*

		At 30 June 2012	At 31 December 2011
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current liabilities			
Bank loans		61,140	81,070
Related party loans		5,325,676	1,044,548
Deferred tax liabilities		298,761	52,522
		<u>5,685,577</u>	<u>1,178,140</u>
NET ASSETS		<u>4,496,456</u>	<u>2,290,138</u>
CAPITAL AND RESERVES			
Share capital	<i>13</i>	48,332	48,274
Reserves	<i>13</i>	<u>1,526,644</u>	<u>1,529,627</u>
Total equity attributable to equity shareholders of the company		1,574,976	1,577,901
Non-controlling interests		<u>2,921,480</u>	<u>712,237</u>
TOTAL EQUITY		<u>4,496,456</u>	<u>2,290,138</u>

NOTES TO THE INTERIM FINANCIAL REPORT (UNAUDITED)

(Expressed in Renminbi)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 6 August 2012.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The condensed consolidated financial statements for the period ended 30 June 2012 comprise Overseas Chinese Town (Asia) Holdings Limited (the “company”) and its subsidiaries (collectively referred to as the “group”) and the group’s interest in an associate. 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 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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

The financial information relating to the financial year ended 31 December 2011 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 2011 are available from the company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 February 2012.

2 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKAS 12, *Income taxes – deferred tax: Recovery of underlying assets*

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

Amendments to HKAS 12 Income taxes

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, *Investment property*, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Previously, where investment properties were held under leasehold interests, the group assumed that the property's value would be recovered through use and measured deferred tax accordingly. As a result of adopting the amendments to HKAS 12, the group reviewed its investment property portfolio which are all located in Mainland China, the group determined that these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time and consequently the presumption in the amended HKAS 12 is rebutted for these properties. As a result, the group continues to measure the deferred tax relating to these other properties using the tax rate that would apply as a result of recovering their value through use.

3 ACQUISITION OF A SUBSIDIARY

On 5 January 2012, Great Tec Investment Limited ("Great Tec"), an indirect wholly-owned subsidiary of the company, entered into the Capital Investment Agreement with Overseas Chinese Town Real Estate Company Limited ("OCT Properties"), pursuant to which Great Tec conditionally agreed to make capital injection of RMB2,232,000,000 to Overseas Chinese Town (Shanghai) Land Company Limited ("OCT Shanghai Land"). Upon completion of the capital investment, the registered capital of OCT Shanghai Land would be RMB3,030,000,000 and the equity interest of OCT Shanghai Land would be owned as to 50.5% by Great Tec and as to 49.5% by OCT Properties. The capital injection shall be contributed by Great Tec by phases within 2 years from the date of the approval of the joint venture contract. Prior to Completion, dividend declared by OCT Shanghai Land shall be distributed between Great Tec and OCT Properties in the ratio of (i) actual amount contributed to OCT Shanghai Land by Great Tec and OCT Properties at the relevant balance sheet date at which the dividend is related to, to (ii) the mutually agreed net assets value of RMB2,188,000,000 as at 31 December 2011 of OCT Shanghai Land prior to the Capital Injection. By 30 June 2012, RMB901,300,000 had been injected in OCT Shanghai Land.

On 20 June 2012, the Capital Investment Agreement became binding and unconditional after the capital injection was approved by the independent shareholders of the company at the extraordinary general meeting held on 12 April 2012 and the group obtained all the necessary approvals from the PRC government authorities for the capital injection. Consequently, OCT Shanghai Land has become an indirect non-wholly owned subsidiary of the company.

Consideration *RMB'000*

Cash 2,232,000

Identifiable assets acquired and liabilities assumed

The acquisition has the following effect on the group's assets and liabilities:

	Pre-acquisition carrying amounts <i>RMB'000</i>	Fair value adjustments <i>RMB'000</i>	Recognised values on acquisition <i>RMB'000</i>
Fixed assets	4,098	–	4,098
Intangible assets	256	–	256
Deferred tax assets	17,593	–	17,593
Inventories	10,505,177	996,823	11,502,000
Trade receivables and other receivables	2,711	–	2,711
Cash and cash equivalents	79,454	–	79,454
Trade payables and other payables	(856,933)	–	(856,933)
Loans and borrowings	(7,412,000)	–	(7,412,000)
Deferred tax liabilities	–	(249,206)	(249,206)
	<u>2,340,356</u>	<u>747,617</u>	<u>3,087,973</u>
Net identifiable assets and liabilities of OCT Shanghai Land	<u><u>2,340,356</u></u>	<u><u>747,617</u></u>	<u><u>3,087,973</u></u>

Goodwill

Total consideration 2,232,000
Net identifiable assets and liabilities attributable to the group 2,231,430

Goodwill on the acquisition 570

Pre-acquisition carrying amounts were determined based on applicable HKFRS immediately before the acquisition. The value of assets and liabilities recognised on acquisition are their fair values measured as follows: for the identifiable assets with an active market, the fair value was measured according to its market price; for the identifiable assets without an active market, the fair value was measured based on the market price of the same or similar kind of assets; if no active market exists for the same or similar assets, the fair value was measured by appraisal technique.

Goodwill is generated as a result of difference between the fair value of the net assets acquired and consideration.

Included in turnover and profit of the group for the period is nil turnover and loss of RMB1,219,000 attributable to the business generated by OCT Shanghai Land since it was acquired by the group in June 2012.

Had this business combination been effected at the beginning of the period, the turnover of the group would not have been affected and the profit for the period would have been decreased by RMB3,402,000.

4 SEGMENT REPORTING

(a) Information about reportable segments

For the six months ended	Comprehensive development business		Manufacture and sale of paper carton and products		Total	
	2012	2011	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	564,444	248,666	349,924	396,110	914,368	644,776
Inter-segment revenue	—	—	—	—	—	—
Reportable segment revenue	564,444	248,666	349,924	396,110	914,368	644,776
Reportable segment net profit/(loss)	6,131	(2,929)	14,846	16,835	20,977	13,906

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Profit		
Reportable segment profit	20,977	13,906
Elimination of inter-segment profits	—	—
Reportable segment profit derived from group's external customers	20,977	13,906
Consolidated net profit	20,977	13,906

5 TURNOVER

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

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

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Comprehensive development business	564,444	248,666
Sales of paper cartons and products	349,924	396,110
	<u>914,368</u>	<u>644,776</u>

6 OTHER NET (LOSS)/GAIN

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Net (loss)/gain on disposal of fixed assets	(562)	3,396
Exchange (loss)/gain	(6,069)	9,183
Others	332	248
	<u>(6,299)</u>	<u>12,827</u>

7 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
(a) Finance costs:		
Interest on bank loans	3,181	423
Interest on related party loans	<u>44,848</u>	<u>31,743</u>
Interest on borrowings	48,029	32,166
Less: interest expense capitalised into properties under development	<u>(15,546)</u>	<u>(6,135)</u>
	<u>32,483</u>	<u>26,031</u>
(b) Other items:		
Amortisation	43	14
Depreciation	84,930	82,942
Impairment losses made on trade and other receivables	(954)	714
Inventory write-down	(48)	46
Rentals receivable from investment properties less direct outgoings RMB11,069,000 (Six months ended 30 June 2011: RMB9,413,000)	<u>938</u>	<u>2,418</u>

8 INCOME TAX

	Six months ended 30 June	
	2012	2011
	RMB'000	RMB'000
Current tax		
– PRC Corporate Income Tax	(3,260)	12,496
– PRC Land Appreciation Tax	<u>45,252</u>	<u>14,985</u>
	<u>41,992</u>	<u>27,481</u>
Deferred tax		
Origination and reversal of temporary differences	<u>19,508</u>	<u>(7,957)</u>
	<u>61,500</u>	<u>19,524</u>

(i) PRC Corporate Income Tax

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the group is not subject to any income tax in the Cayman Islands and the British Virgin Islands during the period (2011: Nil).

No provision for Hong Kong Profits Tax has been made as the group did not have any assessable profits subject to Hong Kong Profits Tax during the period (2011: Nil).

Pursuant to the income tax rules and regulations of the PRC, taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant cities in the PRC, which increased to 25% (2011: range between 24% – 25%). Certain subsidiaries are entitled to a tax concession period in which it is fully exempted from PRC income tax for 2 years starting from its first profit-making year, followed by a 50% reduction in the PRC income tax for the next 3 years (“two years free and three years half”). If a PRC subsidiary has not become profit-making and enjoyed the two years free and three years half tax concession period before 2008, the PRC subsidiary can enjoy the tax concession period from 2008 and onward.

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

(ii) PRC Land Appreciation Tax

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

9 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the company of RMB20,977,000 (six months ended 30 June 2011: RMB13,906,000) and the weighted average of 509,372,320 ordinary shares (2011: 506,692,320 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the company of RMB20,977,000 (six months ended 30 June 2011: RMB13,906,000) and the weighted average number of ordinary shares (diluted) of 509,579,876 (2011: 509,299,623 shares).

10 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Current	198,090	207,954
Less than 3 months past due	12,130	16,437
3 to 12 months past due	279	230
Trade debtors and bills receivable, net of impairment losses	210,499	224,621
Prepayment, deposits and other receivables	91,336	75,434
	301,835	300,055

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

11 CASH AND CASH EQUIVALENTS

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Cash at bank and in hand	969,982	748,393

12 TRADE AND OTHER PAYABLES

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

	At 30 June 2012 RMB'000	At 31 December 2011 RMB'000
Due within 3 months or on demand	551,229	866,615
Due after 3 months but less than 1 year	—	—
Total creditors and bills payable	551,229	866,615
Other creditors and accrued charges	1,549,203	1,052,366
	2,100,432	1,918,981

13 RESERVES AND DIVIDENDS

(a) Dividends

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

	Six months ended 30 June	
	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend in respect of the financial year ended 31 December 2011, approved and paid during the interim period, of HK\$7.30 cents per share (equivalent RMB5.93 cents per share) (year ended 31 December 2010: HK\$3.00 cents per share (equivalent RMB2.61 cents per share))	<u>30,211</u>	<u>13,190</u>

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2012 (2011: Nil).

(b) Issue of shares

On 28 April 2011 and 16 April 2012, 3,710,000 and 720,000 share options of the company at par value of HK\$0.1 were exercised at exercise price of HK\$1.41 per share, respectively. 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.

(c) Transfer to reserve

There was no transfer to reserve for the six months period ended 30 June 2012.

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

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

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

(d) Equity settled share-based transactions

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

The 2006 Share Option Scheme was terminated and a new share option scheme ("2011 Share Option Scheme") was adopted on 3 March 2011. The remaining outstanding 720,000 options granted under the 2006 Share Option Scheme were exercised on 16 April 2012. The weighted average closing price of the securities on 13 April 2012 was HK\$3.00.

On 3 March 2011, 2,700,000 and 27,400,000 share options were granted to directors and employees of the group respectively under the company's 2011 Share Option Scheme. Each option gives the holder the right to subscribe for one ordinary share of HK\$0.1 each of the company with an exercise price of HK\$4.04 which will be settled by physical delivery of shares. The share options shall be exercisable during a period of 5 years from the date of acceptance of the offer of the grant up to 5 years from the date of grant subject to the certain term.

No option under the 2011 Share Option Scheme was exercised, forfeited or expired during the six-month period ended 30 June 2012.

The total expense recognised for the six-month period ended 30 June 2012 arising from the share option schemes was RMB5,479,000 (Six months ended 30 June 2011: RMB2,969,000).

MANAGEMENT DISCUSSION AND ANALYSIS

In early 2012, Overseas Chinese Town (Asia) Holdings Limited (the “Company”) made a clear strategic position. The Company strives to become an outstanding developer and operator of commercial complex by gradually increasing its investment in commercial comprehensive development business and maintaining stable growth in its paper packaging business.

Operating Results And Business Review

During the period under review, the Company together with its subsidiaries (the “Group”), leveraging on its extensive experience and quality products, achieved the best operating results since the financial crisis in 2008 despite the macro economic control in the PRC and the faltering European and US economies. For the six months ended 30 June 2012, the Company recorded a turnover of approximately RMB914 million, representing an increase of approximately 41.7% from the same period last year; gross profit margin was approximately 27.5%, representing an increase of 7.9 percentage points from the same period of 2011; and profits attributable to shareholders were approximately RMB20.98 million, representing an increase of approximately 50.8% from the same period of 2011.

Comprehensive Development Business

During the period under review, our comprehensive development business recorded a turnover of approximately RMB564 million, representing an increase of approximately 126.5% from the same period last year; and profits attributable to shareholders were approximately RMB6.13 million, representing an increase of approximately 309.2% from the same period of 2011.

Chengdu OCT

The equity interest of Chengdu Tianfu OCT Industry Development Company Limited (“Chengdu OCT”) was held as to 51% by the Company. Chengdu OCT, located in Jinniu District, Chengdu City, Sichuan Province, the PRC, is a unique composite project comprising residential and commercial properties and a theme park, occupying a gross floor area of approximately 2,250,000 sq.m.. The residential property projects of Chengdu OCT with a gross saleable floor area of approximately 1,260,000 sq.m., focused on the sale of Phase III and Phase IV for the first half of 2012. Despite the market conditions characterised by economic slowdown and stringent real estate policies, Chengdu OCT achieved satisfactory results in property sales during the first half of 2012, of which its sales of low-density and high-rise residential properties ranked the 1st and the 4th^{Note 1} among the sales of similar products in Chengdu City for the first half of 2012 in terms of the sales area respectively. As of 30 June 2012, the property projects of Chengdu OCT recorded a turnover of approximately RMB464 million; the contracted sales area and revenue reached approximately 68,000 sq.m. and approximately RMB880 million respectively; and the settled area and revenue were approximately 32,000 sq.m. and approximately RMB480 million respectively. In addition, the rentable area of the commercial properties of Chengdu OCT is approximately 47,000 sq.m. at present, of which 99% have been occupied. Chengdu Happy Valley,

one of the most influential theme parks in western China operated by Chengdu OCT, ranked top 20 among the theme parks in Asia^{Note 2} in terms of its number of visitors in 2011 and is the only theme park in western China awarded with the rank. It attracted approximately 980,000 visitors throughout the period under review, which was substantially the same compared with the same period of 2011; and recorded a turnover of approximately RMB100 million, representing an increase of approximately 14% from the same period of 2011.

Notes:

¹ According to the statistics from Chengdu Urban-Rural Real Estate Bureau for the first half of the year.

² According to the “Global Attraction Attendance Report 2011” jointly released by the Themed Entertainment Association (TEA), a world theme park authority, and the Economics Research Associates, US (ERA).

OCT Shanghai Land

The Group entered into an agreement in relation to the capital contribution of RMB2,232 million (the “Capital Contribution”) to Overseas Chinese Town (Shanghai) Land Company Limited (“OCT Shanghai Land”) on 5 January 2012 (the “Capital Investment Agreement”).

Following the Capital Investment Agreement becoming binding and unconditional on 20 June 2012, OCT Shanghai Land has become an indirect non-wholly owned subsidiary of the Company. As a result, an existing arrangement between OCT Shanghai Land and a connected person of the Company entered into prior to the Capital Investment Agreement becoming binding and unconditional has become a continuing connected transaction of the Company.

OCT Shanghai Land is currently engaged in the Suhewan project, which is advantageously situated at the cross of Suzhou River and Huangpu River shores in Zhabei District, Shanghai and possesses the scarce landscape resources. The project comprises 1 Jiefang, 41 Jiefang and 42 Jiefang with a total site area of approximately 71,000 sq.m., a gross floor area (above ground) of approximately 280,000 sq.m. and a total gross floor area of approximately 430,000 sq.m.. It will be developed in phases based on the respective planning of each Jiefang. Upon completion, the project will include multi-storied riverside residential buildings, high-rise residential properties, apartment-style offices, luxury hotels, boutique business premises and studios of artists. The first pre-sale of the project is expected to be launched during the second half of 2012.

Xi'an OCT

The Company currently holds 25% of the equity interest in Overseas Chinese Town (Xi'an) Industry Company Limited ("Xi'an OCT"). Xi'an OCT is located in Qujiang New District, Xi'an City, Shaanxi Province with a total site area of approximately 137,000 sq.m.. Its major products are low-density residential properties such as duplex, compound and detached buildings. During the period under review, Xi'an OCT launched 44 compound buildings with a gross floor area of approximately 37,700 sq.m. available for sale. As of 30 June 2012, the settled area and revenue were approximately 1,861 sq.m. and approximately RMB52 million respectively.

Paper Packaging Business

During the period under review, our paper packaging business recorded a turnover of approximately RMB350 million, representing a decrease of approximately 11.6% from the same period last year; and profits attributable to shareholders were approximately RMB14.85 million, representing a decrease of approximately 11.8% from the same period of 2011.

The paper packaging industry is faced by challenges including the diminishing domestic and overseas market demand and the hiking labour cost under the dual pressures from the mixed international economy and the structural transformation of domestic economy, leading to increasingly intensified competition across the industry. Meanwhile, the declined gross margin of downstream business resulted in an accelerating drop in profitability of the supplementary paper packaging sectors as a whole. As such, the overall sales from the Company's paper packaging business during the first half of 2012 were lower than expected, yet the Company currently maintains generally stable average selling prices for its products despite of the price fluctuations in raw materials.

OUTLOOK

Looking into the second half of 2012, our comprehensive development business and paper packaging business are expected to generate more profit from the gradually stabilised domestic economy with a slower soft-landing pace in the second half year, in view of the fine-tuned domestic macro economic policy, the Company will continue to create quality products in the future, seeking to enhance the market competitiveness of the Group through aggressive innovations.

In the second half of 2012, Chengdu OCT intends to sell 31 townhouses of Phase IV in August 2012 and 2 high-rise towers of Phase V in October 2012, comprising residential properties with floor area of approximately 12,000 sq.m. and 58,500 sq.m. respectively. New commercial premise with a gross floor area of approximately 12,500 sq.m. will be also launched for leasing. Chengdu Happy Valley Phase II is expected to complete main structure work by the end of the year and set to debut on 1 May 2013. Chengdu OCT is confident to maintain the momentum from its desirable results in the first half year.

The Suhewan project in Shanghai is scheduled to launch the first presale of apartment-style offices on 41 Jiefang in the second half of 2012, with a gross floor area of approximately 37,000 sq.m.. The Suhewan project, as a riverside city comprehensive project featuring a fusion of cultural heritage, art, fashion, commercial and residential properties as well as urban recreational facilities, will be built into a brand new landmark in Shanghai.

For the paper packaging business which is in steady operation, the Group is confident to achieve sound profit in the second half of 2012. In the future, we will press ahead with the marketing to new customers in order to expand our market share. Workflow reforms will also be pushed forward, aiming at continuous improvements in internal management for cost efficiency and higher profitability. In view of the economic uncertainty, stricter control will be exercised over trade receivables and credit risks. Furthermore, the Group expects to break through the traditional sales model, taking a chance to offer creative paper packaging products through online marketing channel in the second half of 2012 to expand the market.

The Company remains cautiously optimistic for the sales from its comprehensive development business in the second half year, despite envisaging an absence of material lessening in the macro control policy and the even intensified market competition, the result for the whole year is expected to maintain a better growth compared with last year. The launch of the Suhewan project in Shanghai will provide the Company with a strong profit driver which will lead the Company through its gradual evolution into a developer and operator of commercial complex while securing sustainable stable business growths in the coming years. By virtue of its unique overall planning and advantageous accurate market positioning, the Company is confident to capitalise on the “OCT” brand and resources to adjust its sales policy timely with market changes and project operations and speed up its capital turnover. The Company is positioned to aggressively secure project reserve by developing at least one project in the economically developed cities each year to expand its business scale and growth potential.

The year 2012 marks the first year for the Company to commence its implementation of a clear and new strategic position. The investment in the Suhewan project in Shanghai not only marks the first move by the Company to implement its new strategic goal, but also a milestone for its goal to become a medium scale listed company in Hong Kong in five years.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2012, the Group employed approximately 2,700 full-time staff members. The basic remunerations of the employees are determined with reference to the industry’s remuneration benchmark, the employees’ experience and their performance, and equal opportunities will be offered to all staff. Salaries of employees are maintained at a competitive level and are reviewed annually, with reference to the relevant labour market and economic situation. Apart from the basic remuneration and statutory benefits required by laws, the Group also provides discretionary bonuses to the staff based upon the Group’s results and their individual performance.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees. Most members of senior management have been working for the Group for many years.

FINANCIAL REVIEW

As at 30 June 2012, the Group's total assets were approximately RMB17.78 billion. Total equity amounted to approximately RMB4.50 billion. The Group's turnover was approximately RMB914 million for the six months ended 30 June 2012, representing an increase of approximately 41.7% over the same period of 2011, among which the revenue from comprehensive development business was approximately RMB564 million, representing an increase of approximately 126.5% over the same period of 2011; the revenue from paper packaging business was approximately RMB350 million, representing a decrease of approximately 11.6% over the same period of 2011. Profits attributable to shareholders were approximately RMB20.98 million, representing an increase of approximately 50.8% over the same period of 2011, among which profits attributable to shareholders arising from comprehensive development business were approximately RMB6.13 million, representing an increase of approximately 309.2% over the same period of 2011, which is mainly owing to that profits attributable to shareholders arising from Chengdu OCT and Xi'an OCT for the period were approximately RMB20.93 million, representing an increase over the same period of last year, meanwhile the Group recorded a corresponding expense of approximately RMB11.87 million allocated from OCT Shanghai Land arising from the capital increase for the acquisition of OCT Shanghai Land during the Reporting Period; profits attributable to shareholders arising from paper packaging business were approximately RMB14.85 million, representing a decrease of approximately 11.8% over the same period of 2011.

During the period under review, gross profit margin was approximately 27.5% (same period in 2011: approximately 19.6%), representing an increase of 7.9 percentage points over the same period of 2011, among which the gross profit margin of comprehensive development business was approximately 35.4%, representing an increase of 3.9 percentage points over the same period of 2011, which was mainly due to the revenue recognized during the period was mainly generated from units with high gross profit; the gross profit margin of paper packaging business was approximately 14.6%, representing an increase of 2.6 percentage points over the same period of 2011, which was mainly due to a decrease in the cost of sales as a result of the drop in the price of raw materials over the same period last year.

Distribution Costs and Administrative Expenses

Distribution costs of the Group for the six months ended 30 June 2012 were approximately RMB65.71 million (same period in 2011: approximately RMB39.56 million), representing an increase of approximately 66.1% over the corresponding period in 2011, of which distribution costs of comprehensive development business were approximately RMB43.21 million, representing an increase of approximately 123.9% over the corresponding period of 2011, which was mainly due to our increased efforts in market development because of the intensified market regulation; distribution costs from paper packaging business were approximately RMB22.50 million, representing an increase of approximately 11.1% over the corresponding period of 2011, which was mainly due to an increase in transportation cost as a result of delivery in batches upon request by clients during the period.

The Group's administrative expenses for the six months ended 30 June 2012 were approximately RMB51.83 million (same period in 2011: approximately RMB41.62 million), representing an increase of approximately 24.5% over the corresponding period in 2011, of which administrative expenses of comprehensive development business were approximately RMB39.31 million, representing an increase of approximately 30.9%, which was mainly due to the share option expenses recognized during the period and the agent fee arising from the Capital Contribution in OCT Shanghai Land; administrative expenses of paper packaging business was approximately RMB12.52 million, representing an increase of approximately 8.1% over the corresponding period of 2011, which was mainly due to the share option expenses recognized during the period.

Interest Expenses

The interest expenses of the Group were approximately RMB32.48 million for the six months ended 30 June 2012 (same period in 2011: approximately RMB26.03 million), representing an increase of approximately 24.8% over the same period of 2011, of which interest expense of comprehensive development business was approximately RMB29.04 million, representing an increase of approximately 13.4% over the same period of 2011, which was mainly due to the rising interest expenses of the Capital Contribution in OCT Shanghai Land; interest expense of paper packaging business was approximately RMB3.44 million, representing an increase of approximately 719.0% over the same period of 2011, which was mainly due to the increase in outstanding loan during the period.

Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2012, taking into account the long-term development of the Company and its active participation into potential investment opportunities.

Inventories, Debtors' and Creditors' Turnover

The inventory turnover days of the Group's paper packaging business was 70 days for the six months ended 30 June 2012, longer than 49 days for the year ended 31 December 2011. The increase in inventory turnover days was mainly attributable to the decrease in sales volume during the period. The debtors' turnover days of the Group's paper packaging business was 109 days for the six months ended 30 June 2012, longer than 100 days for the year ended 31 December 2011. The increase in the debtors' turnover days was mainly attributable to a more relaxed credit period granted to the customers in order to increase the sales volume for the period. The creditors' turnover days of the Group's paper packaging business was 61 days for the six months ended 30 June 2012, shorter than 71 days for the year ended 31 December 2011. The decrease in creditors' turnover days was mainly attributable to the advance payment to goods in order to obtain discount for cash payments.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The total equity of the Group as at 30 June 2012 was approximately RMB4.50 billion (31 December 2011: approximately RMB2.29 billion). As at 30 June 2012, the Group had current assets of approximately RMB14.67 billion (31 December 2011: approximately RMB3.06 billion) and current liabilities of approximately RMB7.60 billion (31 December 2011: approximately RMB2.74 billion). The current ratio was 1.93 as at 30 June 2012, representing a significant increase as compared with 1.12 as at 31 December 2011.

As at 30 June 2012, the Group had outstanding bank loans of approximately RMB163 million, without any fixed rate loans (31 December 2011: outstanding bank loans of approximately RMB173 million, without any fixed rate loans). The interest rates of bank loans of the Group ranged from 1.5% to 2.46% per annum for the six months ended 30 June 2012 (from 0.99% to 2.33% per annum for the year ended 31 December 2011). Some 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 loans divided by total assets) was approximately 56% as at 30 June 2012, which was increased by approximately 36 percentage points as compared with approximately 20% as at 31 December 2011.

As at 30 June 2012, 100% of the total amount of outstanding bank loans of the Group was denominated in Hong Kong Dollars (31 December 2011: 100% in Hong Kong Dollars). As at 30 June 2012, approximately 95% of the total amount of cash and cash equivalents of the Group was denominated in Renminbi (31 December 2011: 91%), approximately 5% of its cash and cash equivalents was denominated in Hong Kong Dollars (31 December 2011: 8%) and approximately 0% of its cash and cash equivalents was denominated in US Dollars (31 December 2011: 1%).

The Group's liquidity position remains stable and the Group possesses sufficient cash and available banking facilities to meet its commitments, working capital requirements and future investments for expansion. The Group's transactions and monetary assets are principally denominated in Renminbi, Hong Kong Dollars or US Dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates for the period ended 30 June 2012. As at 30 June 2012, the Group did not employ any financial instrument for hedging purposes.

Contingent Liabilities

The Group has no contingent liabilities as at 30 June 2012.

IMPORTANT EVENTS

Establishment of a nomination committee and appointments to the nomination committee

On 28 February 2012, the Board established a nomination committee (the “Nomination Committee”). The members of the Nomination Committee shall comprise such directors of the Company appointed by the Board. The Board has appointed Ms. Wang Xiaowen, Ms. Wong Wai Ling and Mr. Lam Sing Kwong Simon, as members of the Nomination Committee and Ms. Wang Xiaowen has been appointed and shall act as the Chairman of the Nomination Committee.

Resignation of executive director

Mr. Zhou Guangneng resigned as an executive director of the Company with effect from 28 March 2012 due to his attainment of the age of retirement according to the Group’s policy.

Appointment of executive director

Mr. Yang Jie has been appointed as the executive director of the Company with effect from 11 April 2012. Mr. Yang has entered into a director’s service agreement with the Company as the executive director for a term commencing from 11 April 2012 until the conclusion of the 2012 annual general meeting of the Company to be held in 2013.

CORPORATE GOVERNANCE

For the six months ended 30 June 2012, the Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

Securities Trading by Directors

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

Audit Committee

The Audit Committee of the Company and the management have reviewed the unaudited interim report of the Group for the six months ended 30 June 2012 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 2012. 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 of
Overseas Chinese Town (Asia) Holdings Limited
Wang Xiaowen
Chairman

Hong Kong, 6 August 2012

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