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**China Uptown Group Company Limited**
**中國上城集團有限公司**
*(Incorporated in the Cayman Islands with limited liability)*
**(Stock code: 2330)**

# INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "Board") of directors (the "Directors") of China Uptown Group Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 (the "Period").

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *NOTES* | ***RMB'000*** | *RMB'000* |
| | | **(unaudited)** | (unaudited) |
| Revenue | *3* | **567,303** | 23,177 |
| Cost of sales | | **(436,715)** | (21,377) |
| Gross profit | | **130,588** | 1,800 |
| Other income | *5* | **276** | 119 |
| Fair value change on investment properties | | **–** | 1,213 |
| Fair value change on financial asset at fair value through profit or loss | | **(3)** | 2 |
| Selling and marketing expenses | | **(3,069)** | (6,369) |
| Administrative expenses | | **(14,377)** | (15,497) |
| Finance costs | | **(532)** | (2,228) |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
*(CONTINUED)*
*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2019** | 2018 |
| | *NOTES* | ***RMB'000*** | *RMB'000* |
| | | **(unaudited)** | (unaudited) |
| Profit (loss) before taxation | | **112,883** | (20,960) |
| Income tax expense | *6* | **(42,985)** | (1,503) |
| Profit (loss) for the period | *7* | **69,898** | (22,463) |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | **62,051** | (21,467) |
| Non-controlling interests | | **7,847** | (996) |
| | | **69,898** | (22,463) |
| Earnings (loss) per share (in RMB cents) | *9* | | |
| – Basic | | **3.40** | (1.41) |
| – Diluted | | **3.40** | (1.41) |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2019*

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Profit (loss) for the period | **69,898** | (22,463) |
| **Other comprehensive income (expense):** | | |
| *Item that will not be reclassified to profit or loss:* | | |
| Exchange differences arising on translation of functional currency to presentation currency | **6,772** | 4,060 |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange differences arising on translation of financial statements of foreign operations | **(7,106)** | (5,186) |
| | **(334)** | (1,126) |
| Total comprehensive income (expense) for the period | **69,564** | (23,589) |
| Total comprehensive income (expense) for the period attributable to: | | |
| Owners of the Company | **61,717** | (22,593) |
| Non-controlling interests | **7,847** | (996) |
| | **69,564** | (23,589) |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30 JUNE 2019*

| | *NOTES* | **At 30 June 2019** ***RMB'000*** **(unaudited)** | At 31 December 2018 *RMB'000* (audited) |
|---|---|---|---|
| **Non-current Assets** | | | |
| Investment properties | | **88,962** | 88,962 |
| Property, plant and equipment | | **18,578** | 19,051 |
| Right-of-use assets | | **1,937** | – |
| Deferred tax assets | | **3,003** | – |
| | | **112,480** | 108,013 |
| **Current Assets** | | | |
| Properties held for sale | | **957,120** | 1,311,519 |
| Other receivables | *10* | **13,089** | 10,875 |
| Financial asset at fair value through profit or loss | | **18** | 21 |
| Trade deposit to a related party | | **34,375** | – |
| Tax recoverable | | **6,448** | 6,512 |
| Restricted bank deposit | | **891** | 8,169 |
| Pledged bank deposits | | **36,409** | 38,085 |
| Bank balances and cash | | **98,186** | 52,422 |
| | | **1,146,536** | 1,427,603 |
| **Current Liabilities** | | | |
| Trade and other payables | *11* | **77,831** | 71,455 |
| Contract liabilities | | **379,833** | 766,958 |
| Loan payables | | **11,788** | 33,225 |
| Lease liabilities | | **982** | – |
| Amounts due to directors | | **18,782** | 2,862 |
| Amount due to a related party | | **4,816** | – |
| Tax payable | | **44,017** | – |
| Secured bank borrowings | | **11,162** | 11,776 |
| | | **549,211** | 886,276 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*(CONTINUED)*

*AT 30 JUNE 2019*

| | **At 30 June 2019** *RMB'000* **(unaudited)** | At 31 December 2018 *RMB'000* (audited) |
|---|---|---|
| **Net Current Assets** | **597,325** | 541,327 |
| **Total Assets Less Current Liabilities** | **709,805** | 649,340 |
| **Non-current Liabilities** | | |
| Lease liabilities | **858** | – |
| Deferred tax liabilities | **45,884** | 55,841 |
| | **46,742** | 55,841 |
| **Net Assets** | **663,063** | 593,499 |
| **Capital and Reserves** | | |
| Share capital | **161,569** | 161,569 |
| Reserves | **457,170** | 395,453 |
| Equity attributable to owners of the Company | **618,739** | 557,022 |
| Non-controlling interests | **44,324** | 36,477 |
| **Total Equity** | **663,063** | 593,499 |

*Notes:*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 16 | Leases |
| HK(IFRIC) – Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015 – 2017 Cycle |

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 2.1 Impacts and changes in accounting policies of application on HKFRS 16 *Leases*

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases*, and the related interpretations.

### *2.1.1 Key changes in accounting policies resulting from application of HKFRS 16*

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

*Definition of a lease*

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

*As a lessee*

<u>Leases of low-value assets</u>

The Group applies the recognition exemption for lease of low-value assets. Lease payments on leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

<u>Right-of-use assets</u>

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

<u>Refundable rental deposits</u>

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

<u>Lease liabilities</u>

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;

- amounts expected to be paid under residual value guarantees;

- the exercise price of a purchase option reasonably certain to be exercised by the Group; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

*As a lessor*

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group applies HKFRS 15 *Revenue from Contracts with Customers* to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

### *2.1.2 Transition and summary of effects arising from initial application of HKFRS 16*

*Definition of a lease*

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

*As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, after considering the above practical expedients, the Group is not required to make any adjustments upon application of HKFRS 16 as there is no material impact to the Group.

*As a lessor*

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective from 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

## 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

**Disaggregation of revenue from contracts with customers**

An analysis of the Group's revenue for the period is as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Sales of properties | **566,301** | 22,225 |
| Rental income | **1,002** | 952 |
| | **567,303** | 23,177 |

4. **SEGMENT INFORMATION**

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the executive directors of the Company) in order to allocate resources to the segment and to assess its performance.

The Group's operating segments under HKFRS 8 *Operating Segments* are identified as the follows:

- Property development and investment: this segment primarily develops and sells office premises, commercial and residential properties. This segment also generates rental income from investment properties and achieves gain from the appreciation in the properties' values in the long term. All the Group's activities in this segment are carried out in the People's Republic of China (the "PRC").

- Trading of raw sugar: this segment trades raw sugar on a worldwide basis.

Property development and investment and trading of raw sugar also represent the Group's reportable segments.

**Segment revenue and results**

The following is the analysis of the Group's revenue and results by operating segment.

***Six months ended 30 June 2019 (unaudited)***

| | Property development and investment *RMB'000* | Trading of raw sugar *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| Revenue | **567,303** | **–** | **567,303** |
| Segment profit (loss) | **121,283** | **(666)** | **120,617** |
| Bank interest income | | | **276** |
| Fair value change on financial asset at fair value through profit or loss | | | **(3)** |
| Finance costs | | | **(524)** |
| Unallocated expenses | | | **(7,483)** |
| Profit before taxation | | | **112,883** |

*Six months ended 30 June 2018 (unaudited)*

| | Property development and investment *RMB'000* | Trading of raw sugar *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| Revenue | 23,177 | – | 23,117 |
| Segment loss | (8,570) | (4,121) | (12,691) |
| Bank interest income | | | 118 |
| Fair value change on financial asset at fair value through profit or loss | | | 2 |
| Finance costs | | | (721) |
| Unallocated expenses | | | (7,668) |
| Loss before taxation | | | (20,960) |

## 5. OTHER INCOME

| | **Six months ended 30 June** | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Bank interest income | **276** | 118 |
| Sundry income | **–** | 1 |
| | **276** | 119 |

## 6. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Current tax | | |
| PRC Enterprise Income Tax ("EIT") | **27,280** | 1,181 |
| PRC Land Appreciation Tax ("LAT") | **28,665** | 1,300 |
| | **55,945** | 2,481 |
| Deferred taxation | | |
| Current period | **(12,960)** | (978) |
| Income tax expense | **42,985** | 1,503 |

The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at progressive rates ranging from 30% to 60% on the appreciation of land value, with certain allowable exemptions and deductions.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 7. PROFIT (LOSS) FOR THE PERIOD

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Profit (loss) for the period has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | **476** | 468 |
| Depreciation of right-of-use assets | **173** | – |
| Net foreign exchange loss | **–** | 66 |
| Compensation on the cancellation of contract for trading of sugar | **–** | 2,393 |

## 8. DIVIDEND

No dividends were declared and proposed by the Company during the six months ended 30 June 2019 and 2018.

## 9. EARNINGS (LOSS) PER SHARE

The calculations of the basic and diluted earnings (loss) per share attributable to the owners of the Company are based on the following data:

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| **Earnings (loss)** | | |
| Earnings (loss) attributable to the owners of the Company for the purposes of calculation of basic and diluted earnings (loss) per share | **62,051** | (21,467) |

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of calculation of basic and diluted earnings (loss) per share | **1,824,691** | 1,524,479 |

The computations of diluted (loss) earnings per share for the six months ended 30 June 2018 and 2019 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares during the corresponding period.

## 10. OTHER RECEIVABLES

| | **At 30 June 2019** | At 31 December 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Other receivables | **12,807** | 10,554 |
| *Less:* impairment loss recognised | **(429)** | (429) |
| | **12,378** | 10,125 |
| Deposits and prepayments | **552** | 750 |
| Rental deposit | **159** | – |
| | **13,089** | 10,875 |

Included in prepayments, deposits and other receivables mainly represented prepaid other taxes.

## 11. TRADE AND OTHER PAYABLES

| | At 30 June 2019 *RMB'000* (unaudited) | At 31 December 2018 *RMB'000* (audited) |
|---|---|---|
| Trade payables | **379** | 445 |
| Accrued expenditure on construction | **26,468** | 43,192 |
| Other payables and accrued charges | **50,984** | 27,818 |
| | **77,831** | 71,455 |

Credit periods granted to the Group by suppliers range from 0 to 90 days.

The following is an aging analysis of trade payables based on the invoice date at the end of the reporting period:

| | At 30 June 2019 *RMB'000* (unaudited) | At 31 December 2018 *RMB'000* (audited) |
|---|---|---|
| Within 90 days | **–** | 108 |
| 91 – 365 days | **108** | 213 |
| Over 365 days | **271** | 124 |
| | **379** | 445 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The review of the major business segments of the Group for the Period is as follows:

### Property Development and Investment

During the Period, the revenue attributed to the property development and investment business amounted to approximately RMB567,303,000 (2018: RMB23,177,000) representing sales of properties of approximately RMB566,301,000 (2018: RMB22,225,000) and rental income of approximately RMB1,002,000 (2018: RMB952,000). The Group owns a property development project located in Maoming City (the "Maoming Project"), Guangdong Province, the People's Republic of China (the "PRC"). The Maoming Project would be developed into a composite of residential and commercial properties in three phases.

Majority of commercial and residential properties of phase 1 and 2 of the Maoming Project were delivered and recognised as the revenue of the Group in previous years. Phase 3 properties started to be delivered and recognised as sales in December 2018 and continued during the Period. A portion of the commercial properties of phase 1 and 2 of the Maoming Project of approximately 4,000 square metres was leased and classified as investment properties of the Group. There is no change in the fair value of the investment properties during the Period.

During the Period, the total area of residential and commercial properties recognised as sales are approximately 74,627 square metres and 741 square metres respectively. As at 30 June 2019, residential and commercial properties contracted for pre-sale are as follows:

| | **Sales amounts** *RMB'000* | **Percentage** *(Note)* |
|---|---|---|
| Phase 1 & 2 | 56,488 | 54% |
| Phase 3 | 229,795 | 55% |

*Note:* Refer to the percentage of area of residential and commercial properties contracted for pre-sales over the total unsold area of residential and commercial properties.

**Trading of raw sugar**

The Group has commenced its business in trading of raw sugar since late 2014. In 2018, the Group has entered into a master agreement with China Sugar Holdings Limited ("China Sugar") to purchase raw cane sugar from China Sugar for a period of 34 months ending 31 December 2020. With the strong and improved procurement network, supply from China Sugar and previous business experience in raw sugar trading, the sugar trading business will be up scaled in 2019.

The Group has entered into sales contracts on raw sugars with customers in the Period. In order to fulfil the sales, the Group has also entered into an agreement to purchase raw cane sugar from China Sugar and paid a prepayment to secure the supply in accordance with the terms of the master agreement. Details of the master agreement are stated in the circular of the Company dated 6 March 2018. Part of the shipment of the sales of raw cane sugar is expected to be completed before the end of September 2019 while the remaining will be arranged afterward.

The management will continue to explore business opportunities of trading of raw sugar in second half year of 2019.

## MARKET OUTLOOK AND PROSPECTS

Looking forward to the second half year of 2019, the world and the PRC economy remained complicated. There is no signal on relief of trade dispute and tension between the PRC and the United States of America. Moreover, more indicators of downturn of global economy were recorded recently that the economic performance will be very unpredictable in 2019. The operating environment of the nationwide real estate market will remain restricted. However, in response to these uncertainties, the PRC government is expected to adopt more policies in supporting economic growth and maintain a less strict monetary policy.

On the other hand, PRC market is enormous and urbanisation in the PRC is far from completion. The management of the Company is confident that our real estate project in Maoming City will not be materially affected as: (1) good reputation of the Maoming Project; (2) average selling price of phase 3 of the Maoming Project gradually increased as compared to phase 1 and 2; and (3) the local city transformation created a strong end-user housing demands in the district of the Maoming Project.

Regarding the Maoming Project, the Company will continue to complete remaining procedures and deliver the residential and commercial properties to its customers.

The remaining unsold residential units (without pre-sale contract) of phase 3, represented approximately 13% of total residential units of phase 3 (by area), are mainly with better quality. The management will continue to adopt a premium selling price for these properties, and it is anticipated that the average selling price of these properties will be increased by approximately 10% to 15%. Several sales campaigns will be carried throughout 2019 and 2020 to achieve these targets.

More than 50% commercial properties remain unsold nor contracted for pre-sale. The management will focus on commercial shops sales in second half year of 2019 and early 2020 as the demand of commercial facilities in the community is increasing upon delivery of phase 3 residential properties and the owners start to move into the community in 2019.

Regarding the car parks, the individual titles of the car parks will be ready in second half year of 2019 and 2020. The management is of the view that the car park demands will increase as a result of increased number of vehicles and improved living standard in Maoming City. As a result, the Company is planning to launch major sales activities of car parks in 2020 on the remaining of car parks representing more than 70% of total car parks.

The Group is also performing some improvements and additions of public facilities in the community in order to enhance the marketability of the remaining properties.

Besides the major sales activities of commercial shops, car park and clearance sales on residential units in 2019 and 2020, the Company will continue to actively explore new investments opportunities in properties development business, particularly in other third tier and satellite cities since these will be mostly benefited by the urbanisation in the PRC and less affected by real estate market policies. After repayment of all construction bank loan and payment of majority construction fee, the cash flow of the Group has strongly improved and the Group will be able to reinvest on other property projects investments. The management is actively exploring other new property projects and will notify its shareholders and public as appropriate.

Regarding the trading of raw sugar business, it is the goal of the Group to expand its supply chain worldwide and to diversify its customers base in the coming years. As described above, the operational scale of trading of raw sugar will be increased in 2019. With the steady supply from China Sugar, the Group is optimistic on the raw sugar business in the future.

## FINANCIAL REVIEW

For the Period, the Group's revenue amounted to approximately RMB567,303,000 (2018: RMB23,177,000). The profit attributable to owners of the Company was approximately RMB62,051,000 (2018: loss of RMB21,467,000). The surge of the revenue and profit were mainly due to the delivery and sales recognition of certain properties of phase 3 of the Maoming Project as stated above.

As at 30 June 2019, bank balances and cash were approximately RMB98,186,000 (31.12.2018: RMB52,422,000), restricted bank deposit was approximately RMB891,000 (31.12.2018: RMB8,169,000) and pledged bank deposits were approximately RMB36,409,000 (31.12.2018: RMB38,085,000).

As at 30 June 2019, the total assets of the Group was approximately RMB1,259,016,000 (31.12.2018: RMB1,535,616,000), representing a decrease of approximately 18%. The decrease was mainly due to the delivery of certain properties of phase 3 of the Maoming Project.

As at 30 June 2019, the Group's total secured bank borrowings and loan payables amounted to approximately RMB22,950,000 (31.12.2018: RMB45,001,000). As at 30 June 2019, the gearing ratio, expressed as a percentage of total secured bank borrowings and loan payables over net assets was approximately 3% (31.12.2018: 8%) and the current ratio was approximately 2.1 (31.12.2018: 1.6).

## FINANCE COSTS

For the Period, the finance costs were approximately RMB532,000 (2018: RMB2,228,000). For the Period, no interest expense on banking borrowings was capitalised to properties under development (2018: RMB5,398,000). Finance costs mainly comprised of interest expenses on bank borrowings of approximately RMB264,000 (2018: RMB233,000), on loan payables of approximately RMB260,000 (2018: RMB487,000) and on lease liabilities of approximately RMB8,000 (2018: Nil). For the Period, there are no interest expenses on receipt in advance (2018: RMB1,508,000).

## CAPITAL STRUCTURE

The issued ordinary share capital of the Company as at 30 June 2019 was approximately HK$182,469,000 divided into 1,824,690,520 shares of HK$0.10 each.

## FOREIGN CURRENCY EXPOSURE

The Group mainly earns revenues and incurs costs in Renminbi, United States dollars and Hong Kong dollars. The Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars. The Group currently does not have a foreign currency hedging policy. However, the management will monitor foreign exchange exposure closely and consider the use of hedging instruments when the need arises.

## CHARGE ON ASSETS

As at 30 June 2019, certain of the Group's leasehold land and buildings with an aggregate carrying values of approximately RMB16,076,000 (31.12.2018: RMB16,292,000) were pledged to banks for securing general banking facilities granted to certain subsidiaries of the Company. As at 30 June 2019, banking facilities of approximately RMB11,162,000 (31.12.2018: RMB11,776,000) were utilised and approximately RMB8,788,000 (31.12.2018: RMB8,780,000) were unutilised and available for the Group's future financing.

## SEGMENT INFORMATION

The details of segment information are set out in note 4 of notes to the condensed consolidated financial statements of this announcement.

## CAPITAL COMMITMENTS

As at 30 June 2019, the Group has no material capital commitment (31.12.2018: Nil).

## EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2019, the Group employed 47 (31.12.2018: 54) full time employees in Hong Kong and the PRC. Total remuneration of the Group for the Period was approximately RMB7,249,000 (2018: RMB7,387,000). The Group's emolument policies are formulated on the basis of market trends, future plans and the performance of individuals, which will be reviewed periodically. Apart from provident fund scheme and state-managed social welfare scheme, share options will also be awarded to employees according to assessment of individuals' performance.

## CONTINGENT LIABILITIES

As at 30 June 2019, the Group's maximum obligation in respect of the mortgage facilities provided to certain purchasers of the Group's properties amounted to approximately RMB627,765,000 (31.12.2018: RM632,271,000).

## DIVIDEND

No dividend was declared or proposed during the Period. The Board does not recommend the payment of any dividend for the Period (2018: Nil).

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held as at 30 June 2019 nor material acquisitions and disposals of subsidiaries during the Period (2018: Nil). There is no plan for material investments or capital assets as at the date of this announcement (2018: Nil).

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). Throughout the Period, the Company has complied with all the Code Provisions of the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, the Company confirms that all Directors have complied with the required standard set out in the Model Code during the Period.

## PURCHASE, SALE AND REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

## AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code. On 1 January 2019, the Board adopted a set of the revised terms of reference of the Audit Committee, which has brought it in line with the new requirement of the Listing Rules. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange. The existing Audit Committee has the following three members:

**Independent Non-executive Directors**

Mr. POON Lai Yin Michael *(Chairman)*
Mr. CHAR Shik Ngor Stephen
Ms. LI Jiansheng

The principal responsibilities of the Audit Committee include making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing the interim and annual reports and accounts of the Group; and supervising the financial reporting process and effectiveness of the risk management and internal control systems of the Group.

The Audit Committee reviewed and made recommendations to the Board for approval of the unaudited condensed consolidated financial statements of the Group for the Period, discussed the accounting policies and practices which may affect the Group with the management and auditor of the Company, reviewed the fees charged by the external auditor and reviewed the effectiveness of risk management and internal control systems of the Group.

## REVIEW OF THIS INTERIM RESULTS ANNOUNCEMENT

The unaudited condensed consolidated financial statements for the six months ended 30 June 2019 were prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the HKICPA, and have been reviewed by Deloitte Touche Tohmatsu, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is available for viewing at the website of the Stock Exchange at www.hkexnews.hk and at the website of the Company at www.chinauptown.com.hk. The interim report will be dispatched to the shareholders of the Company and published on the above websites as soon as practicable.

By order of the Board
**China Uptown Group Company Limited**
**Fu Lui**
*Company Secretary*

Hong Kong, 29 August 2019

*As at the date of this announcement, the Board comprises executive Directors, Mr. Liu Feng, Mr. Chen Xian, Mr. Lau Sai Chung and Mr. Liu Zhongxiang and independent non-executive Directors, Mr. Poon Lai Yin Michael, Mr. Char Shik Ngor Stephen and Ms. Li Jiansheng.*