

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



INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “Board”) of directors (the “Directors”) of China Uptown Group Company Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022 (the “Period”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
		2022	2021
	NOTES	RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3	50,272	53,023
Cost of sales		(42,401)	(40,810)
Gross profit		7,871	12,213
Other income	5	113	79
Other gains and losses		(949)	78
Impairment losses recognised under expected credit loss (“ECL”) model on other receivables		–	(44)
Impairment loss recognised on properties held for sales		(5,190)	–
Impairment loss recognised on properties under development		(44,151)	–
Selling and marketing expenses		(1,649)	(1,496)
Administrative expenses		(11,660)	(13,404)
Finance costs	6	(397)	(405)
Loss before taxation		(56,012)	(2,979)
Income tax expense	7	(3,445)	(3,387)
Loss for the period	8	(59,457)	(6,366)

		Six months ended 30 June	
		2022	2021
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Loss for the period attributable to:			
Owners of the Company		(42,531)	(6,224)
Non-controlling interests		(16,926)	(142)
		<u>(59,457)</u>	<u>(6,366)</u>
Loss per share			
(in Renminbi (“RMB”) cents)	<i>10</i>		
– Basic		<u>(16.71)</u>	<u>(2.45)</u>
– Diluted		<u>(16.71)</u>	<u>(2.45)</u>

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

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Loss for the period	<u>(59,457)</u>	<u>(6,366)</u>
Other comprehensive income (expense)		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences arising on translation of functional currency to presentation currency	33,900	2,241
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of financial statements of foreign operations	<u>(34,388)</u>	<u>(2,839)</u>
	<u>(488)</u>	<u>(598)</u>
Total comprehensive expense for the period	<u>(59,945)</u>	<u>(6,964)</u>
Total comprehensive expense for the period attributable to:		
Owners of the Company	(43,969)	(6,822)
Non-controlling interests	<u>(15,976)</u>	<u>(142)</u>
	<u>(59,945)</u>	<u>(6,964)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2022

	<i>NOTES</i>	At 30 June 2022 RMB'000 (unaudited)	At 31 December 2021 RMB'000 (audited)
Non-current Assets			
Investment properties		1,700	4,400
Property, plant and equipment		15,809	15,543
Right-of-use assets		807	1,229
		<u>18,316</u>	<u>21,172</u>
Current Assets			
Properties under development		341,000	364,000
Properties held for sale		179,411	233,744
Investment properties held for sale		746	10,057
Deposits, other receivables and prepayments		47,636	44,300
Financial assets at fair value through profit or loss		4,610	4,313
Restricted bank deposit		4,042	–
Pledged bank deposits		3,919	4,482
Bank balances and cash		21,209	40,142
		<u>602,573</u>	<u>701,038</u>
Current Liabilities			
Trade and other payables	<i>11</i>	142,858	146,203
Contract liabilities		13,026	56,718
Other borrowing		8,537	8,150
Lease liabilities – current portion		812	921
Amounts due to non-controlling interests		105,750	98,250
Amounts due to directors		10,936	2,325
Amount due to a former director		–	14,589
Tax payable		102,448	95,016
Bank overdrafts		3,688	1,959
Secured bank borrowing		7,951	8,020
		<u>396,006</u>	<u>432,151</u>
Net Current Assets		<u>206,567</u>	<u>268,887</u>
Total Assets Less Current Liabilities		<u>224,883</u>	<u>290,059</u>

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Non-current Liabilities		
Lease liabilities – non-current portion	10	321
Deferred tax liabilities	<u>6,741</u>	<u>11,661</u>
	<u>6,751</u>	<u>11,982</u>
Net Assets	<u>218,132</u>	<u>278,077</u>
Capital and Reserves		
Share capital	222,157	222,157
Reserves	<u>17,981</u>	<u>61,950</u>
Equity attributable to owners of the Company	240,138	284,107
Non-controlling interests	<u>(22,006)</u>	<u>(6,030)</u>
Total Equity	<u>218,132</u>	<u>278,077</u>

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, investment properties held for sale and financial assets at fair value through profit or loss (“FVTPL”), which are measured at fair values.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2021.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty) and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group’s audited consolidated financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<i>Arising from the PRC</i>		
Sales of properties	50,131	51,982
Rental income	141	1,041
	<u>50,272</u>	<u>53,023</u>

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 follows:

- Property development and investment: this segment primarily develops and sells office premises, retail stores, commercial, residential properties and car parking spaces. 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 PRC.
- Trading of raw cane sugar: this segment trades raw cane sugar on a worldwide basis.

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

(a) **Segment revenue and results**

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

Six months ended 30 June 2022 (unaudited)

	Property development and investment RMB'000	Trading of raw cane sugar RMB'000	Total RMB'000
Revenue	<u>50,272</u>	<u>–</u>	<u>50,272</u>
Segment loss	<u>(47,696)</u>	<u>(1,059)</u>	<u>(48,755)</u>
Other income			1
Fair value change on financial assets at FVTPL			89
Finance costs			(249)
Unallocated corporate expenses			<u>(7,098)</u>
Loss before taxation			<u>(56,012)</u>

Six months ended 30 June 2021 (unaudited)

	Property development and investment RMB'000	Trading of raw cane sugar RMB'000	Total RMB'000
Revenue	<u>53,023</u>	<u>–</u>	<u>53,023</u>
Segment profit (loss)	<u>7,284</u>	<u>(956)</u>	6,328
Other income			37
Fair value change on financial assets at FVTPL			(422)
Finance costs			(251)
Unallocated corporate expenses			<u>(8,671)</u>
Loss before taxation			<u>(2,979)</u>

(b) **Segment assets and liabilities**

The following is an analysis of the Group's assets and liabilities by operating segment:

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Segment assets		
– Property development and investment	543,182	668,892
– Trading of raw cane sugar	32,519	33,455
Unallocated corporate assets		
– Financial assets at FVTPL	4,610	4,313
– Bank balances and cash	5,905	1,241
– Others	34,673	14,309
	<u>620,889</u>	<u>722,210</u>
Consolidated total assets	<u>620,889</u>	<u>722,210</u>
Segment liabilities		
– Property development and investment	(361,237)	(403,066)
– Trading of raw cane sugar	(458)	(1,648)
Unallocated corporate liabilities		
– Other borrowing	(8,537)	(8,150)
– Amount due to a director	(10,845)	(2,201)
– Amount due to a former director	–	(14,589)
– Tax payable	(230)	(220)
– Bank overdrafts	(3,688)	(1,959)
– Secured bank borrowing	(7,951)	(8,020)
– Others	(9,811)	(4,280)
	<u>(402,757)</u>	<u>(444,133)</u>
Consolidated total liabilities	<u>(402,757)</u>	<u>(444,133)</u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to segments assets other than financial assets at FVTPL, certain bank balances and cash and certain other assets; and
- all liabilities are allocated to segments liabilities other than other borrowing, certain amounts due to directors, amount due to a former director, certain tax payable, secured bank borrowing, bank overdrafts and certain other liabilities.

5. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Bank interest income	30	35
Other interest income	83	42
Exchange gain	–	2
	<u>113</u>	<u>79</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest expenses on		
– secured bank borrowing	82	90
– other borrowing	248	250
– lease liabilities	11	8
– bank overdrafts	56	57
	<u>397</u>	<u>405</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")	5,838	3,744
PRC Land Appreciation Tax ("LAT")	<u>2,527</u>	<u>1,779</u>
	8,365	5,523
Deferred taxation		
Current period	<u>(4,920)</u>	<u>(2,136)</u>
	<u><u>3,445</u></u>	<u><u>3,387</u></u>

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

The provision of PRC LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. PRC 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.

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2022 and 2021 as the Group has no assessable profit for the period.

8. LOSS FOR THE PERIOD

Six months ended 30 June	
2022	2021
<i>RMB'000</i>	<i>RMB'000</i>
(unaudited)	(unaudited)

Loss for the period has been arrived at after charging:

Impairment loss recognised on properties held for sales	5,190	–
Impairment loss recognised on properties under development	44,151	–
Depreciation of property, plant and equipment	386	391
Depreciation of right-of-use assets	466	474
Expenses related to short-term leases	312	133
	<u>50,405</u>	<u>998</u>

9. DIVIDEND

No dividends were declared and proposed by the Company during the six months ended 30 June 2022 and 2021.

10. LOSS PER SHARE

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

Six months ended 30 June	
2022	2021
<i>RMB'000</i>	<i>RMB'000</i>
(unaudited)	(unaudited)

Loss

Loss attributable to the owners of the Company for the purposes of calculation of basic and diluted loss per share	(42,531)	(6,224)
--	----------	---------

Number of shares

Weighted average number of shares for the purposes of calculation of basic and diluted loss per share	<u>254,469,052</u>	<u>254,469,052</u>
---	--------------------	--------------------

The computation of diluted loss per share for the six months ended 30 June 2022 and 2021 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.

11. TRADE AND OTHER PAYABLES

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Trade payables	7,926	7,404
Value-added tax payable	39,867	38,099
Other tax payables	3,023	2,798
Other payables	11,205	10,313
Accrued charges	<u>80,837</u>	<u>87,589</u>
	<u>142,858</u>	<u>146,203</u>

Credit periods granted to the Group by suppliers range from 0 to 180 days.

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

	At 30 June 2022 <i>RMB'000</i> (unaudited)	At 31 December 2021 <i>RMB'000</i> (audited)
Within 90 days	<u>7,926</u>	<u>7,404</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Property Development and Investment

The Group operates two property development projects located in Maoming City, Guangdong Province, the People's Republic of China (the "PRC"). The first Maoming Project has developed into a composite of residential and commercial properties in three phases (the "First Maoming Project"). Majority of the commercial and residential properties of the First Maoming Project had been delivered and recognised as sales and most of the proceeds from sales of the First Maoming Project has been used in the development of the second Maoming Project situated at Maoming Jixiang District* (茂名市吉祥小區)(the "Second Maoming Project"). During the Period, the revenue attributed to the property development and investment business amounted to approximately RMB50,272,000 (2021: RMB53,023,000) representing sales of properties of approximately RMB50,131,000 (2021: RMB51,982,000), and rental income of approximately RMB141,000 (2021: RMB1,041,000). Revenue decreased slightly as compared to last corresponding period due to the sales of the First Maoming Project was almost completed. The total area of residential and commercial properties of the First Maoming Project recognised as sales for the Period were approximately 1,791 square meters and 2,064 square meters respectively (2021: 4,290 square meters and 269 square meters respectively).

The Second Maoming Project

On 27 November 2019, Maoming Shang Cheng Real Estate Company Limited* (茂名上誠置業有限公司)(the “Maoming Shang Cheng Real Estate”), an indirect non-wholly owned subsidiary of the Group, successfully won the bid of land use rights of the Second Maoming Project situated at Maoming Jixiang District* (茂名市吉祥小區)with a total site area of approximately 29,274.16 square meters and the consideration of which was approximately RMB241,512,000. The land acquisition transaction by Maoming Shang Cheng Real Estate was completed in 2020. The Second Maoming Project was planned to be developed into composite of residential and commercial properties with the following approximate planned areas:

Land site area	29,000m ²
Gross saleable area	84,000m ²
Residential areas	59,000m ²
Commercial areas	25,000m ²
Carpark spaces	1,000 units

Due to the pandemic, construction of the development of Second Maoming Project had been delayed, so as to the pre-sales plan. As at March 2023, approximately 48% of the construction had completed. Construction of the basement, kindergarten and first 2 blocks of residential buildings had been completed. Pre-sales of the residential blocks was started in June 2022, and the pre-sales of the other parts of the project was rescheduled as follows:

Pre-Sales of residential properties (The two blocks)	June 2022
Pre-Sales of apartment properties	Second half year of 2023
Pre-Sales of commercial properties	Second half year of 2023
Pre-Sales of car parks and shops	First half year of 2024
Completion and delivery	First half year of 2025

The management of the Group believes the upcoming pre-sales will strengthen the financial position of the Group.

Trading of raw cane sugar

For the Period, there was no revenue from trading of raw cane sugar as the global market of raw cane sugar remaining volatile due to the COVID-19 outbreak. The management of the Group will continue to take extra precautions to mitigate relevant business risks.

MARKET OUTLOOK AND PROSPECTS

As the COVID-19 pandemic continued to ravage the world in 2022, the global economic generally suffered a strong setback. Amid the effective public health measures, China's economy was comparatively stable in 2022. However, the real estate sector was overshadowed by the debt defaults of some largest property companies. Economic uncertainty leading to negative market sentiment, together with the stringent measures on loans and debt refinancing, housing sales in China had declined in 2022. The property market is still a cornerstone of GDP growth of China, with the government policy on easing of financing in 2022 and the recent border reopening, the management is cautiously optimistic about China's property market. Given the continuing urbanization and infrastructure development in Maoming and western Guangdong province, the management expects that the property market will be vigorous again as local demands remain strong while effect of the COVID-19 fading out.

Regarding the First Maoming Project, as more and more residents moving into the area, the sales campaigns will be focusing on the remaining commercial properties and car parking spaces. The Group will also accelerate the construction progress of the Second Maoming Project to catch up with the pre-sales schedule. The management will keep cautiously reviewing the property market and seek for suitable property development opportunities. Regarding the trading of raw cane sugar business, due to the pandemic, the management of the Group has put an extra precautions on the commodity price fluctuation of raw cane sugar as it becomes more volatile and will further explore trading business of sugar while sufficient risk mitigations can be implemented.

FINANCIAL REVIEW

For the Period, the Group's revenue amounted to approximately RMB50,272,000 (2021: RMB53,023,000) were all contributed from property development and investment business. Loss attributable to owners of the Company was approximately RMB42,531,000 (2021: RMB6,224,000), due to impairment loss recognised on properties held for sales and properties under development.

As at 30 June 2022, bank balances and cash were approximately RMB21,209,000 (31 December 2021: RMB40,142,000) and pledged bank deposits were approximately RMB3,919,000 (31 December 2021: RMB4,482,000). As at 30 June 2022, the total assets of the Group was approximately RMB620,889,000 (31 December 2021: RMB722,210,000), representing a decrease of approximately 14%. The decrease was mainly due to the impairment loss recognised on properties held for sales and properties under development.

As at 30 June 2022, the Group's total secured bank borrowing, bank overdrafts and other borrowing amounted to approximately RMB20,176,000 (31 December 2021: RMB18,129,000). As at 30 June 2022, the gearing ratio, expressed as a percentage of total secured bank borrowing, bank overdrafts and other borrowing over net assets was approximately 9% (31 December 2021: 7%) and the current ratio was approximately 1.5 (31 December 2021: 1.6).

CAPITAL STRUCTURE

The issued ordinary share capital of the Company as at 30 June 2022 was approximately HK\$254,469,052 divided into 254,469,052 shares of HK\$1.00 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 2022, certain of the Group's leasehold land and buildings with an aggregate carrying values of approximately RMB14,320,000 (31 December 2021: RMB13,878,000) were pledged to banks for securing general banking facilities granted to certain subsidiaries of the Company.

As at 30 June 2022, pledged bank deposits of RMB3,919,000 (31 December 2021: RMB4,482,000) of the Group were pledged to obtain the mortgage facilities provided to certain purchasers of the Group's properties for which guarantees were provided by the Group to the banks.

As at 30 June 2022, banking facilities of approximately RMB11,639,000 (31 December 2021: RMB9,979,000) were utilised and approximately RMB313,000 (31 December 2021: RMB8,767,000) were available for the Group's financing.

SEGMENT INFORMATION

The details of segment information are set out in note 4 of notes to this announcement.

CAPITAL AND OTHER COMMITMENTS

As at 30 June 2022, the Group had commitments for development of properties amounted to RMB316,705,000 (31 December 2021: RMB316,705,000).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2022, the Group employed 58 (31 December 2021: 53) full time employees in Hong Kong and the PRC. Total remuneration of the Group for the Period was approximately RMB6,671,000 (2021: RMB7,761,000). 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.

FINANCIAL GUARANTEE CONTRACTS

As at 30 June 2022, the Group's maximum obligation in respect of the mortgage facilities provided to certain purchasers of the Group's properties amounted to approximately RMB82,099,000 (31 December 2021: RMB80,814,000).

DIVIDEND

No dividend was declared or proposed during the Period. The Board resolved not to declare any dividend for the Period (2021: Nil).

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.

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 2022 nor material acquisitions and disposals of subsidiaries during the Period and there is no plan for material investments or capital assets as at the date of this announcement.

FORENSIC INVESTIGATION

Certain bank accounts (the "Bank Accounts") of two of the Group's subsidiaries in the PRC, Maoming Huada Real Estate Development Limited* (茂名市華大房地產開發有限公司) ("Maoming Huada") and Maoming Shang Cheng Real Estate (collectively, the "Maoming Subsidiaries") were frozen in January 2022. Please refer to the announcements of the Company dated 28 January 2022 and 28 March 2022 for details of the above.

An independent forensic consultant was engaged to conduct an investigation into the incident of freezing of Bank Accounts (the "Investigation").

The Investigation had been completed in September 2022. The reason for the frozen of Bank Accounts is that an associate of the former executive Directors (the “Subject Party”) was under investigation by the Security Bureau of Zhangjiang City (“Security Bureau”). The Security Bureau, for prudence sake, temporarily froze all assets that might possibly be related to the Subject Party, including the Bank Accounts of the Maoming Subsidiaries. Pursuant to the legal opinion issued by the PRC legal adviser, the subject of investigation by the Security Bureau does not include the Maoming Subsidiaries. The responsible officer sent by a PRC bank (the “Bank”) to monitor the Bank Accounts has expressed that the Maoming Subsidiaries operated legally and were not involved in any illegal operations or illegal activities, and there was no evidence as shown in the Industrial and Commercial Register that the Maoming Subsidiaries have any relationship with the Subject Party. The Bank Accounts have been unfrozen since 9 March 2022 upon entering into the custodian agreement (the “Custodian Agreement”) between the Maoming Subsidiaries and the Bank, the Bank Accounts have since then been operated jointly by the Bank and the Maoming Subsidiaries which requires approval by the Bank according to the terms of the Custodian Agreement. Normal operational transfer of funds in the Bank Accounts have been approved by the Bank to ensure the normal operation of business of the Maoming Subsidiaries.

During the course of the Investigation, it was found that some of the transactions under the Investigation were lack of proper approval or supporting documentation. The Board noted that no money was lost on those transactions and concurred with the view of the independent investigation committee (which comprised the independent non-executive Directors) that there was potential deficiency in the internal control systems and the Group’s internal control mechanisms need to be strengthened. Please refer to the Company’s announcement dated 31 October 2022 for detail findings of the Investigation.

The management has conducted a throughout review and found that there were (i) subcontract of construction works to the minority shareholders of the Maoming Subsidiaries in the amount of approximately RMB10 million, and (ii) provision of short-term loans to the minority shareholders of the Maoming Subsidiaries in an aggregate amount of RMB6 million which had been fully repaid.

Subcontract of Construction Works to a Minority Shareholder

The Investigation found that in October 2021, Maoming Shang Cheng Real Estate paid a construction progress payment of RMB5 million to one of its minority shareholder who holds 20% equity interest in Maoming Shang Cheng Real Estate through a corporation in which he owns 50% equity interest (“Shang Cheng MS”). The construction works subcontracted to Shang Cheng MS were mainly for the repair and maintenance works done upon the completion of the First Maoming Project in 2020 including installation of fire-proof doors, restoration of underground parking, waterproof and repair works, and restoration of shops. Total amount of the subcontracts was approximately RMB10 million. All the subcontract payments with Shang Cheng MS, except the one for restoration of shops in October 2021 amounted to RMB174,570, were fully settled during year of 2021. Since then, the Group has no other subcontracts or transactions with the Shang Cheng MS.

Short-term Loans to a Minority Shareholder

The Investigation also found that in July 2021, Maoming Huada advanced RMB5 million to its minority shareholder who is interested in 10% equity interest in Maoming Huada (the “Huada MS”). Nevertheless, there was another RMB1 million advanced to the Huada MS in July 2021. The two short-term loans were fully repaid before the year end of 2021, and since then, the Group has no other loan or financial assistance provided to the minority shareholders of the Maoming Subsidiaries.

The above subcontract of construction works and loans to the minority shareholders constituted connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

In order to strengthen the internal control systems of the Group so as to avoid the occurrence of similar non-compliance with the Listing Rules, the Board had appointed an independent internal control consultant (“IC Consultant”) to review the internal control systems of the Group. The IC Consultant had finished the internal control review exercise and had provided the Board with suggestions to improve the Group’s internal control systems. The Board had adopted the suggestions and implemented relevant internal control management policies and measures, particularly those for conflict of interests, connected and notifiable transactions with training to the Board. The IC Consultant was satisfied with the result after the implementation of the policies and measures, and believes that the Group’s internal control management system has been improved, and there are no major risks or concerns in the Group’s internal control system.

Save as disclosed above, the Group does not have any material subsequent event after the reporting period and up to the date of this announcement,

CHANGE OF AUDITOR

The Group’s former auditor, Deloitte Touche Tohmatsu (“Deloitte”), has resigned as the auditor of the Company and the Group with effect from 15 August 2022 as the Company and Deloitte failed to agree on the scope of the Investigation. Please refer to the Company’s announcement dated 17 August 2022 in relation to the resignation of Deloitte.

On 9 September 2022, the Company has appointed McMillan Woods (Hong Kong) CPA Limited (“McMillan”) as the new auditor of the Company.

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 Listing Rules. During the six months ended 30 June 2022, the Company was in compliance with all the relevant code provisions set out in the CG Code except for the deviation from code provision C.2.1, which are explained below.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Pan Shimin, the Chairman of the Board and an executive Director, was also the Chief Executive Officer during the period from 10 February 2022 to 17 June 2022. The Board believed that the aforesaid arrangement did not impair the balance of power and authority. The aforesaid deviation from CG Code provision C.2.1 is rectified on 17 June 2022 upon the appointment of Mr. Cheng Chi Kin as an executive Director and Chief Executive Officer with effect from 17 June 2022 and Mr. Pan Shimin simultaneously ceased to be the Chief Executive Officer and remains as the Chairman of the Board. Since then, the role of chairman and chief executive officer is separated and performed by different individuals.

Save for the deviation as mentioned above, in the opinion of the Directors, the Company was in compliance with all the relevant code provisions under the CG Code during the six months ended 30 June 2022.

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.

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 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. As at the date of this announcement, the Audit Committee has the following three members:

Independent Non-executive Directors

Mr. Yau Sze Yeung (*Chairman*) (*appointed on 6 July 2022*)

Mr. Chen Weijiang

Mr. Lee Chun Tung (*appointed on 17 June 2022*)

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.

REVIEW OF THIS INTERIM RESULTS ANNOUNCEMENT

The unaudited condensed consolidated financial statements for the six months ended 30 June 2022 were prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the HKICPA, and have been reviewed by McMillan, 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.

SUSPENSION OF TRADING

The Stock Exchange issued the resumption guidance to the Company on 17 July 2022 for the resumption of trading in the shares of the Company, which included, among others, the publication of all outstanding financial information. Please refer to the Company's announcement dated 1 August 2022 in relation to the resumption guidance. As at the date of this announcement, the management endeavours to fulfil other resumption requirements as soon as possible.

By order of the Board
China Uptown Group Company Limited
Pan Shimin
Chairman

Hong Kong, 24 March 2023

As at the date of this announcement, the executive Directors are Mr. Pan Shimin, Mr. Chen Xian, Mr. Cheng Chi Kin and Mr. To Kwan; and the independent non-executive Directors are Mr. Yau Sze Yeung, Mr. Chen Weijiang and Mr. Lee Chun Tung.