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 2023

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 2023 (the "Period").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
		2023	2022
	NOTES	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	*3*	**4,468**	50,272
Cost of sales		**(4,262)**	(42,401)
Gross profit		**206**	7,871
Other income	*5*	**107**	113
Other gains and losses		**(767)**	(949)
Impairment loss recognised on properties held for sales		**(6,514)**	(5,190)
Impairment loss recognised on properties under development		**(22,020)**	(44,151)
Selling and marketing expenses		**(3,290)**	(1,649)
Administrative expenses		**(10,986)**	(11,660)
Finance costs	*6*	**(548)**	(397)
Loss before taxation		**(43,812)**	(56,012)
Income tax credit (expense)	*7*	**800**	(3,445)
Loss for the period	*8*	**(43,012)**	(59,457)

	NOTES	Six months ended 30 June **2023** ***RMB'000*** **(unaudited)**	 2022 *RMB'000* (unaudited)
Loss for the period attributable to:			
Owners of the Company		**(32,831)**	(42,531)
Non-controlling interests		**(10,181)**	(16,926)
		(43,012)	(59,457)
Loss per share			
(in Renminbi ("RMB") cents)	*10*		
– Basic		**(12.90)**	(16.71)
– Diluted		**(12.90)**	(16.71)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period	**(43,012)**	(59,457)
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	**31,803**	33,900
Item that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of financial statements of foreign operations	**(33,294)**	(34,388)
	(1,491)	(488)
Total comprehensive expense for the period	**(44,503)**	(59,945)
Total comprehensive expense for the period attributable to:		
Owners of the Company	**(35,998)**	(43,969)
Non-controlling interests	**(8,505)**	(15,976)
	(44,503)	(59,945)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

	NOTES	At 30 June 2023 RMB'000 (unaudited)	At 31 December 2022 RMB'000 (audited)
Non-current Assets			
Investment properties		**1,510**	1,800
Property, plant and equipment		**16,271**	15,974
Right-of-use assets		**6**	338
		17,787	18,112
Current Assets			
Properties under development		**333,000**	349,000
Properties held for sale		**159,353**	170,156
Investment properties held for sale		**746**	746
Deposits, other receivables and prepayments		**40,289**	34,489
Financial assets at fair value through profit or loss		**–**	3,821
Restricted bank deposit		**28,869**	7,094
Pledged bank deposits		**3,929**	3,924
Bank balances and cash		**22,886**	26,710
		589,072	595,940
Current Liabilities			
Trade and other payables	*11*	**133,948**	151,142
Contract liabilities		**92,536**	32,496
Other borrowing		**9,256**	8,844
Lease liabilities – current portion		**9**	344
Amounts due to non-controlling interests		**105,750**	105,750
Amounts due to directors		**96**	96
Tax payable		**96,727**	97,066
Secured bank borrowing		**7,714**	12,184
		446,036	407,922
Net Current Assets		**143,036**	188,018
Total Assets Less Current Liabilities		**160,823**	206,130

	At 30 June 2023 *RMB'000* (unaudited)	At 31 December 2022 *RMB'000* (audited)
Non-current Liabilities		
Lease liabilities – non-current portion	**1**	5
Deferred tax liabilities	**5,369**	6,169
	5,370	6,174
Net Assets	**155,453**	199,956
Capital and Reserves		
Share capital	**222,157**	222,157
Reserves	**(34,008)**	1,990
Equity attributable to owners of the Company	**188,149**	224,147
Non-controlling interests	**(32,696)**	(24,191)
Total Equity	**155,453**	199,956

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2023 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") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

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 2022. Certain comparative figures have been reclassified/restated to conform with the current period's presentation and disclosure.

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 2023 are the same as those followed in the preparation of the Group's audited consolidated financial statements for the year ended 31 December 2022.

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 2023 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

The new or amended HKFRSs that are effective from 1 January 2023 did not have significant impact on the Group's accounting policies.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim 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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Arising from the PRC		
Revenue from contracts with customer		
Sales of properties – a point in time	**4,464**	50,131
Revenue from other sources		
Lease – other source	**4**	141
	4,468	50,272

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 2023 (unaudited)

	Property development and investment *RMB'000*	**Trading of raw cane sugar** *RMB'000*	**Total** *RMB'000*
Revenue	**4,468**	**–**	**4,468**
Segment loss	**(35,192)**	**(1,009)**	**(36,201)**
Other income			**43**
Fair value change on financial assets at FVTPL			**(477)**
Finance costs			**(266)**
Unallocated corporate expenses			**(6,911)**
Loss before taxation			**(43,812)**

Six months ended 30 June 2022 (unaudited)

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

(b) Segment assets and liabilities

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

	At 30 June 2023 ***RMB'000*** **(unaudited)**	At 31 December 2022 *RMB'000* (audited)
Segment assets		
– Property development and investment	**584,649**	580,558
– Trading of raw cane sugar	**3,464**	13,185
Unallocated corporate assets		
– Financial assets at FVTPL	**–**	3,821
– Bank balances and cash	**1,146**	1,242
– Others	**17,600**	15,246
Consolidated total assets	**606,859**	614,052
Segment liabilities		
– Property development and investment	**(421,572)**	(383,857)
– Trading of raw cane sugar	**(295)**	(2,750)
Unallocated corporate liabilities		
– Other borrowing	**(9,256)**	(8,844)
– Amount due to a director	**(96)**	(96)
– Tax payable	**(250)**	(238)
– Secured bank borrowing	**(7,714)**	(12,184)
– Others	**(12,223)**	(6,127)
Consolidated total liabilities	**(451,406)**	(414,096)

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, certain tax payable, secured bank borrowing and certain other liabilities.

5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Bank interest income	**54**	30
Other interest income	**53**	83
	107	113

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expenses on		
– secured bank borrowing	**218**	82
– other borrowing	**265**	248
– lease liabilities	**2**	11
– bank overdrafts	**63**	56
	548	397

7. INCOME TAX CREDIT (EXPENSE)

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax ("EIT")	**–**	(5,838)
PRC Land Appreciation Tax ("LAT")	**–**	(2,527)
	–	(8,365)
Deferred taxation		
Current period	**800**	4,920
	800	(3,445)

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, 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 2023 and 2022 as the Group has no assessable profit for the period.

8. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss for the period has been arrived at after charging:		
Impairment loss recognised on properties held for sales	**6,514**	5,190
Impairment loss recognised on properties under development	**22,020**	44,151
Depreciation of property, plant and equipment	**374**	386
Depreciation of right-of-use assets	**332**	466
Expenses related to short-term leases	**21**	312

9. DIVIDEND

No dividends were declared and proposed by the Company during the six months ended 30 June 2023 and 2022.

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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Loss		
Loss attributable to the owners of the Company for the purposes of calculation of basic and diluted loss per share	**(32,831)**	(42,531)
Number of shares		
Weighted average number of shares for the purposes of calculation of basic and diluted loss per share	**254,469,052**	254,469,052

The computation of diluted loss per share for the six months ended 30 June 2023 and 2022 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** **2023** ***RMB'000*** **(unaudited)**	At 31 December 2022 *RMB'000* (audited)
Trade payables	**7,217**	8,069
Value-added tax payable	**39,581**	39,720
Other tax payables	**3,036**	3,040
Other payables	**5,180**	14,217
Accrued charges	**78,934**	86,096
	133,948	151,142

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** **2023** ***RMB'000*** **(unaudited)**	At 31 December 2022 *RMB'000* (audited)
Within 90 days	**7,217**	8,069

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 RMB4,468,000 (2022: RMB50,272,000). Revenue decreased significantly 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 510 square meters (2022: 3,855 square meters).

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. For the Period, approximately 52.8% of the construction had completed. Construction of the basement, kindergarten and first 2 blocks of residential buildings had been completed. Pre-sales of the other parts of the project was rescheduled as follows:

Pre-Sales of residential properties (The four blocks)	June 2022 – First half year of 2024
Pre-Sales of commercial properties	Second half year of 2023
Pre-Sales of apartment properties	First half year of 2024
Pre-Sales of car parks and shops	Second half year of 2024
Completion and delivery	Second 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 while the economy has been recovering slowly in the post-pandemic era, the pace of recovery varies across industries. The change in domestic cane sugar demand has been driven by the significant easing of the pandemic situation in China, adjustments for pandemic prevention and control policies and the lifting of the border restrictions between countries. Strong market demand is the key to intensify the supply of sugar consumption, while the supply of cane sugar consumption in turn has an impact on domestic cane sugar prices. The Group will continue to adopt a proactive strategy to respond to the challenging market conditions.

MARKET OUTLOOK AND PROSPECTS

During the Period, pandemic containment policies were relaxed in China and the global economy gradually came out of the shadow of the COVID-19 pandemic. The real estate market continued to be sluggish with weak demand, and both market transaction volumes and prices went downward simultaneously. According to the National Bureau of Statistics, the overall scale of the real estate market recorded significant declines. Although increasing policy support, the overall real estate market is still in a bottoming-out phase as market confidence and expectations have not yet restored.

The management will keep cautiously reviewing the property market and seek for suitable property development opportunities. Regarding the trading of raw cane sugar business, the Group will further explore trading business of raw cane sugar while sufficient risk mitigations can be implemented.

FINANCIAL REVIEW

For the Period, the Group's revenue amounted to approximately RMB4,468,000 (2022: RMB50,272,000) were all contributed from property development and investment business. Loss attributable to owners of the Company was approximately RMB32,831,000 (2022: RMB42,531,000), due to the significant decrease in revenue generated from sales of properties and impairment loss recognised on properties held for sales and properties under development.

As at 30 June 2023, bank balances and cash were approximately RMB22,886,000 (31 December 2022: RMB26,710,000) and pledged bank deposits were approximately RMB3,929,000 (31 December 2022: RMB3,924,000). As at 30 June 2023, the total assets of the Group was approximately RMB606,859,000 (31 December 2022: RMB614,052,000), representing a slight decrease of approximately 1%.

As at 30 June 2023, the Group's total secured bank borrowing and other borrowing amounted to approximately RMB16,970,000 (31 December 2022: RMB21,028,000). As at 30 June 2023, the gearing ratio, expressed as a percentage of total secured bank borrowing and other borrowing over net assets was approximately 10.9% (31 December 2022: 10.5%) and the current ratio was approximately 1.3 (31 December 2022: 1.5).

CAPITAL STRUCTURE

The issued ordinary share capital of the Company as at 30 June 2023 was approximately HK$254,469,052 divided into 254,469,052 shares of HK$1.00 each (the "Share(s)").

Proposed Capital Reduction and Sub-division

The Company proposed to implement the reduction of the issued share capital of the Company by reducing the par value of each issued Share from HK$1.00 to HK$0.01 by cancelling the paid up share capital to the extent of HK$0.99 per issued Share (the "Capital Reduction"), so that following such reduction, each issued ordinary share will have a par value of HK$0.01 each in the capital of the Company (the "New Share(s)"). The credit arising from the Capital Reduction will be applied towards offsetting the accumulated losses of the Company as at the effective date of the Capital Reduction, thereby reducing the accumulated losses of the Company.

Immediately following the Capital Reduction becoming effective, each authorized but unissued Share will be sub-divided into one hundred (100) unissued New Shares with a par value of HK$0.01 each ("Sub-division").

Each of the New Shares arising from the Capital Reduction and Sub-division shall rank pari passu in all respects with each other and will have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company.

Upon the Capital Reduction and the Sub-division becoming effective, the board lot size of the Shares for trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be changed from 4,000 Shares to 8,000 New Shares.

As at the date of this announcement, 254,469,052 Shares have been issued and are fully paid or credited as fully paid. Assuming that the par value of each of the 254,469,052 issued Shares will be reduced from HK$1.00 to HK$0.01 by cancelling the paid up share capital to the extent of HK$0.99 per issued Share by way of a reduction of capital, so as to form issued New Shares with par value of HK$0.01 each, the Company's existing issued share capital of HK$254,469,052 will be reduced by HK$251,924,361.48 to HK$2,544,690.52.

The Board is of the opinion that the proposed Capital Reduction will give greater flexibility to the Company to declare dividends and/or to undertake any corporate exercise which requires the use of distributable reserves in the future, subject to the Company's performance and when the Board considers that it is appropriate to do so in the future.

The Capital Reduction and the Sub-division are conditional on the following conditions being fulfilled:

(i) the approval by the shareholders of the Company ("Shareholders") by way of special resolution at an extraordinary general meeting of the Company to consider and, approve, among other things, the Capital Reduction and the Sub-division;

(ii) an order being made by the Grand Court of the Cayman Islands (the "Court") confirming the Capital Reduction;

(iii) compliance with any conditions which the Court may impose in relation to the Capital Reduction;

(iv) registration by the Registrar of Companies of the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minutes approved by the Court containing the particulars required under the Companies Act (As Revised) of the Cayman Islands with respect to the Capital Reduction; and

(v) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares arising from the Capital Reduction and the Sub-division.

An extraordinary general meeting of the Company was convened and held on 26 June 2023 and the Shareholders have approved the Capital Reduction and Sub-division.

Pursuant to an order granted by the Court on 27 July 2023, the hearing of the petition for confirmation of the Capital Reduction will be held on Monday, 11 September 2023 (Cayman Islands time). It is expected that the Capital Reduction and the Sub-division will become effective from 9:00 a.m. on Wednesday, 20 September 2023.

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 2023, certain of the Group's leasehold land and buildings with an aggregate carrying values of approximately RMB15,058,000 (31 December 2022: RMB14,612,000) were pledged to banks for securing general banking facilities granted to certain subsidiaries of the Company.

As at 30 June 2023, pledged bank deposits of RMB3,929,000 (31 December 2022: RMB3,924,000) 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 2023, banking facilities of approximately RMB7,714,000 (31 December 2022: RMB12,184,000) were fully utilised.

SEGMENT INFORMATION

The details of segment information are set out in note 4 to the interim financial information.

CAPITAL AND OTHER COMMITMENTS

As at 30 June 2023, the Group had commitments for development of properties amounted to RMB267,643,000 (31 December 2022: RMB295,205,000).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed 49 (31 December 2022: 53) full time employees in Hong Kong and the PRC. Total remuneration of the Group for the Period was approximately RMB5,837,000 (2022: RMB6,671,000). 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 2023, the Group's maximum obligation in respect of the mortgage facilities provided to certain purchasers of the Group's properties amounted to approximately RMB86,877,000 (31 December 2022: RMB41,814,000).

DIVIDEND

No dividend was declared or proposed during the Period. The Board resolved not to declare any dividend for the Period (2022: Nil).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED 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, ASSOCIATES OR JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held as at 30 June 2023 nor material acquisitions and disposals of subsidiaries, associates or joint ventures during the Period and there is no plan for material investments or capital assets as at the date of this announcement.

CONTINGENT LIABILITIES

The Group has no material contingent liabilities as at 30 June 2023.

FORENSIC INVESTIGATION

Certain bank accounts (the "Bank Accounts") of two of the Group's subsidiaries in the PRC, namely 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 (the "Independent 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 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.

The Independent Consultant is conducting a further investigation on the facts and circumstances leading or relating to the matters causing the Investigation.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. During the Period, in the opinion of the Directors, the Company was in compliance with all the relevant code provisions set out in 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.

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)*
Mr. Chen Weijiang
Mr. Lee Chun Tung

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 2023 were prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the HKICPA, and have been reviewed by McMillan Woods (Hong Kong) CPA Limited, 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 and published on the above websites as soon as practicable.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 27 May 2022. 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. 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 the resumption requirements as soon as possible.

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

Hong Kong, 31 August 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.

* *For identification purpose only*