China Uptown Group Company Limited
中國上城集團有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2330)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

The board of directors ("the Board") of China Uptown Group Company Limited (the "Company") is pleased to announce the unaudited consolidated interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010, together with the comparative figures for the six months ended 31 December 2009.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2010

	Notes	**1.1.2010 to 30.6.2010** ***RMB'000*** **(unaudited)**	1.7.2009 to 31.12.2009 *RMB'000* (audited)
Turnover	*3, 4*	**161,721**	140,120
Cost of sales		**(201,677)**	(134,826)
Gross (loss) profit		**(39,956)**	5,294
Other operating income		**2,985**	7,684
Selling and distribution costs		**(2,397)**	(194)
Reversal of impairment loss recognised in respect of trade receivables		**–**	10,629
Reversal of bad debts directly written off		**–**	4,794
Administrative expenses		**(10,105)**	(11,131)
Change in fair value of investment properties		**4,011**	6,826
Loss on disposal of available-for-sale investment		**–**	(67,699)
Equity-settled share-based payment expenses		**(4,315)**	(10,063)
Finance costs		**(20,312)**	(7,918)
Loss before taxation		**(70,089)**	(61,778)
Income tax credit (expense)	*5*	**48,450**	(2,070)
Loss for the period	*6*	**(21,639)**	(63,848)
Exchange differences arising on translation of financial statements of foreign operations and total other comprehensive income (expenses) for the period		**848**	(129)
Total comprehensive expenses for the period		**(20,791)**	(63,977)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
For the six months ended 30 June 2010

	Notes	**1.1.2010 to 30.6.2010** ***RMB'000*** **(unaudited)**	1.7.2009 to 31.12.2009 *RMB'000* (audited)
Loss for the period attributable to:			
Owners of the parent		**(15,829)**	(63,167)
Non-controlling interests		**(5,810)**	(681)
		(21,639)	(63,848)
Total comprehensive expenses for the period attributable to:			
Owners of the parent		**(14,990)**	(63,296)
Non-controlling interests		**(5,801)**	(681)
		(20,791)	(63,977)
Loss per share			
Basic and diluted	*8*	**RMB1.86 cents**	RMB10.30 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	Notes	30.6.2010 *RMB'000* (unaudited)	31.12.2009 *RMB'000* (audited) (restated)
Non-current assets			
Property, plant and equipment		**35,731**	36,985
Investment properties		**200,176**	236,206
Prepaid lease payments		**249**	252
Goodwill		**184,231**	184,231
Available-for-sale investments		**–**	–
		420,387	457,674
Current assets			
Properties under development		**522,974**	376,259
Properties held for sale		**196,428**	281,626
Trade and other receivables	*9*	**48,056**	139,313
Prepaid lease payments		**6**	6
Income tax recoverable		**418**	–
Held-to-maturity investments		**–**	–
Held-for-trading investments		**444**	510
Bank balances and cash			
– pledged		**–**	12,609
– unpledged		**28,198**	148,905
		796,524	959,228
Current liabilities			
Trade and other payables	*10*	**165,939**	333,757
Provision for claims		**60,700**	60,700
Income tax payable		**7,830**	36,813
Bank borrowings – repayable within one year		**81,938**	105,194
		316,407	536,464
Net current assets		**480,117**	422,764
		900,504	880,438

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 30 June 2010

	30.6.2010	31.12.2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
		(restated)
Capital and reserves		
Ordinary share capital	**81,232**	81,232
Convertible redeemable preference shares	**184,653**	184,653
Reserves	**75,887**	86,562
Equity attributable to owners of the parent	**341,772**	352,447
Non-controlling interests	**243,773**	299,574
Total equity	**585,545**	652,021
Non-current liabilities		
Bank borrowings – due after one year	**160,694**	11,679
Consideration payable	**109,288**	143,097
Deferred taxation	**44,977**	73,641
	314,959	228,417
	900,504	880,438

Notes:

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements for the current period cover the six months ended 30 June 2010. The corresponding comparative amounts shown for the condensed consolidated statement of comprehensive income and related notes cover the six months ended 31 December 2009 and therefore may not be comparable with amounts shown for the current period. The period covered by the current period's condensed consolidated financial statements does not correspond to the period covered by the comparatives because the Company changed its financial reporting year end date to 31 December with effect from the year ended 31 December 2009 in order to bring in line with that of its subsidiaries which operate in the People's Republic of China (the "PRC") following the acquisition of certain major subsidiaries in the PRC during the six months period ended 31 December 2009.

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2010 are consistent with those followed in the preparation of the Group's annual financial statements for the six months ended 31 December 2009 except as described below.

In current period, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRSs as part of Improvements to HKFRSs 2009
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions

Except as described below, the adoption of the above new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 17 – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

In accordance with the transitional provisions of HKAS 17 "Lease", the Group reassessed the classification of land elements of unexpired leases at 1 January 2010 based on information which existed at the inception of these leases. The application of the amendments to HKAS 17 has resulted in a reclassification of the Group's interests in leasehold land held in Hong Kong under medium-term leases from operating leases to finance leases. The corresponding prior-period comparatives have been restated accordingly.

The major lines of the financial statements that have been affected are as follows:

	As reported	**Reclassification**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2009:			
Prepaid lease payments – Current	395	(389)	6
Prepaid lease payments – Non-current	17,486	(17,234)	252
Property, plant and equipment	19,362	17,623	36,985

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendment)	Improvement of HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Rights Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 9	Financial Instruments[5]
HK (IFRIC) – Interpretation ("Int") 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Amendments that are effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 January 2011.
3 Effective for annual periods beginning on or after 1 February 2010.
4 Effective for annual periods beginning on or after 1 July 2010.
5 Effective for annual periods beginning on or after 1 January 2013.

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards and amendments will have no material impact on the results and financial position of the Group.

3. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less discounts and sales related taxes.

4. SEGMENT INFORMATION

Management has determined the operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the directors of the Company), for the purpose of allocating resources to segments and assessing their performance.

For management purposes, the Group is currently organised into four operating divisions – property development, property investment, trading and technology.

Principal activities are as follows:

Property development	– Development of properties in the PRC.
Property investment	– Rental income arising from investment properties situated in the PRC and in Hong Kong.
Trading	– Trading of automation products and electronic components.
Technology	– Provision of technical and consultancy services including the provision of automation products on a project basis.

Information regarding the above segments is reported below.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Property development		Property investment		Trading		Technology		Consolidated	
	1.1.2010 to 30.6.2010	1.7.2009 to 31.12.2009	**1.1.2010 to 30.6.2010**	1.7.2009 to 31.12.2009	**1.1.2010 to 30.6.2010**	1.7.2009 to 31.12.2009	**1.1.2010 to 30.6.2010**	1.7.2009 to 31.12.2009	**1.1.2010 to 30.6.2010**	1.7.2009 to 31.12.2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
Turnover	**95,845**	27,516	**5,818**	5,246	**60,058**	107,358	**–**	–	**161,721**	140,120
Segment results	**(58,684)**	350	**18,633**	11,342	**(3,798)**	3,849	**–**	14,794	**(43,849)**	30,335
Interest income									**69**	420
Loss on disposal of available-for-sale investment									**–**	(67,699)
Unallocated corporate income									**2,250**	61
Unallocated corporate expenses									**(8,247)**	(16,977)
Finance costs									**(20,312)**	(7,918)
Loss before taxation									**(70,089)**	(61,778)

Segment results represents the results of each segment without allocation of interest income, loss on disposal of available-for-sale investment, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets

The following is an analysis of the Group's assets by reportable segment:

	Property development		Property investment		Trading		Technology		Consolidated	
	At 30.6.2010 *RMB'000* (unaudited)	At 31.12.2009 *RMB'000* (audited)	**At 30.6.2010 *RMB'000* (unaudited)**	At 31.12.2009 *RMB'000* (audited)	**At 30.6.2010 *RMB'000* (unaudited)**	At 31.12.2009 *RMB'000* (audited)	**At 30.6.2010 *RMB'000* (unaudited)**	At 31.12.2009 *RMB'000* (audited)	**At 30.6.2010 *RMB'000* (unaudited)**	At 31.12.2009 *RMB'000* (audited)
Segment assets	**938,364**	850,127	**220,941**	257,518	**28,513**	29,209	**–**	–	**1,187,818**	1,136,854
Held for trading investments									**444**	510
Unallocated corporate assets										
– Bank balances and cash									**28,198**	161,514
– Consideration receivable									**–**	110,880
– Others									**451**	7,144
Consolidated total assets									**1,216,911**	1,416,902

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than held for trading investments, bank balances and cash and consideration receivable. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

(c) Geographical information

No geographical segments information of the Group is shown as the Group's operation, sales by geographical market, segment assets and capital expenditure are substantially located in the PRC including Hong Kong.

5. INCOME TAX CREDIT (EXPENSE)

	1.1.2010 to 30.6.2010 *RMB'000* (unaudited)	1.7.2009 to 31.12.2009 *RMB'000* (audited)
Current tax		
– PRC Enterprise Income Tax ("PRC EIT")	**(1,811)**	(1,090)
– PRC Land Appreciation Tax ("LAT")	**–**	(5,938)
	(1,811)	(7,028)
Overprovision of LAT	**26,704**	–
Deferred taxation	**23,557**	4,958
	48,450	(2,070)

(a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2010 and the six months ended 31 December 2009.

Hong Kong Profits Tax has not been provided for in the condensed consolidated financial statements as the Group has no assessable profits for the six months ended 30 June 2010 and six months ended 31 December 2009.

(b) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate of certain subsidiaries of the Company, which previously ranged from 15% to 33%, was changed to 25% from 1 January 2008 onwards.

In accordance with the tax legislations applicable to foreign investment enterprises, one subsidiary is entitled to exemptions from the PRC EIT for the first year commencing from the first profit-making year of operation and thereafter, entitled to a 50% relief from the PRC EIT for the following two years. According to the EIT Law, the first year income tax exemption commenced for the year ended 31 December 2008 and the subsidiary enjoys the first and second year income tax exemption for the period ended 30 June 2010 and 31 December 2009.

(c) 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 value, with certain allowable deductions including land costs and the relevant property development expenditures. According to the State Administration of Taxation's official circulars, LAT shall be payable provisionally upon sales of the properties, followed by final ascertainment of the gain at the completion of the properties development.

(d) Pursuant to the PRC EIT Law, withholding tax is imposed on dividends declared by PRC subsidiaries of the Group in respect of profits earned from 1 January 2008 onwards.

At 30 June 2010, deferred taxation of approximately RMB5,257,000 (31 December 2009: approximately RMB10,348,000) has been provided for the portion of profits that are expected to be distributed by the PRC subsidiaries and no deferred taxation has been provided for the remaining profits as the Group is able to control the timing of the distribution and it is probable that the amount will not be distributed in the foreseeable future. The withholding tax represents the deferred tax liability arising on undistributed profits to non-controlling interests in Zhuhai Zhongzhu Real Estate Development Co., Ltd.

During the six months period ended 30 June 2010, a PRC subsidiary declared dividends of RMB100,000,000 on the retained earning for the year 2009 and distributed to the immediate holding company and non-controlling interests, which were incorporated in the BVI and Hong Kong. The Group was subject to withholding tax at the rate of 10% and 5% on the distributions of profits accordingly.

6. LOSS FOR THE PERIOD

	1.1.2010 to 30.6.2010 ***RMB'000*** **(unaudited)**	1.7.2009 to 31.12.2009 *RMB'000* (audited) (restated)
Loss for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**3**	3
Change in fair value of held for trading investments	**61**	55
Depreciation	**1,051**	1,066
Impairment loss recognised in respect of trade receivables*	**1,811**	7
Impairment loss recognised in respect of other receivables*	**41**	1,052
Impairment loss recognised in respect of properties held for sale**	**11,299**	–
Discount received for early settlement of consideration payable	**(2,250)**	–
Gain on disposal of property, plant and equipment	**(58)**	–
Interest income	**(69)**	(420)
Reversal of impairment loss recognised in respect of inventories	**(198)**	(269)

* These amounts are included in administrative expenses.

** This amount is included in cost of sales.

7. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the reported period. The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (for the six months ended 31 December 2009: nil).

8. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 June 2010 is based on the consolidated loss attributable to owners of the parent of approximately RMB15,829,000 (for the six months ended 31 December 2009: approximately RMB63,167,000) and the weighted average number of 851,980,000 shares (for the six months ended 31 December 2009: 613,080,000 shares) in issue during the period.

The basic and diluted loss per share are the same for the six months ended 30 June 2010 and the six months ended 31 December 2009 as the effect of the exercise of the Company's outstanding share options and convertible redeemable preference shares was anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

	30.6.2010	31.12.2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**18,411**	17,333
Less: Impairment loss recognised	**(5,840)**	(4,086)
	12,571	13,247
Prepayment, deposits and other receivables	**37,086**	16,752
Consideration receivable *(Note (ii))*	**–**	110,880
Less: Impairment loss recognised	**(1,601)**	(1,566)
	48,056	139,313

Customers are normally required to settle the debts within one to two months upon issue of invoices, except for certain well established customers where the terms are extended to two to three months.

Notes:

(i) An aged analysis of trade receivables, net of impairment loss recognised based on invoice date is as follow:

	30.6.2010	31.12.2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 60 days	**10,210**	7,569
61 – 90 days	**284**	–
91 – 365 days	**2,077**	124
Over 365 days	**–**	5,554
	12,571	13,247

(ii) The amount represented the consideration receivable in relation to the disposal of an available-for-sale investment during the period ended 31 December 2009. The amount was unsecured, non-interest bearing and fully settled during the period.

10. TRADE AND OTHER PAYABLES

	30.6.2010	31.12.2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**13,705**	31,883
Accrued interest	**50,109**	44,676
Receipt in advance *(Note (ii))*	**82,808**	128,078
Consideration payable	**–**	119,680
Accrued expenses and other payables	**19,317**	9,440
	165,939	333,757

The Group normally receives credit periods from suppliers ranging from 30 days to 90 days.

Notes:

(i) An aged analysis of trade payables is as follows:

	30.6.2010	31.12.2009
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 60 days	**7,262**	31,729
61 – 90 days	**6,292**	–
91 – 365 days	**–**	92
Over 365 days	**151**	62
	13,705	31,883

(ii) Receipt in advance represents sales proceeds received from buyers in connection with the Group's pre-sale of properties.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Property Development

Property development represents sales of properties in the People's Republic of China (the "PRC").

The Group currently holds a property development project – Zhongzhu Uptown situated in Zhuhai, Guangdong Province, the PRC ("Zhongzhu Uptown"). Zhongzhu Uptown was developed in two phases. At 30 June 2010, approximately 90% of the residential units and 70% of the commercial units of the first phase of Zhongzhu Uptown ("Phase 1") were sold.

During the period, 47 units of residential properties and 21 units of commercial properties with approximately 5,931 square metres and 1,870 square metres were delivered to customers and recognised as sales by the Group. Total revenue (including sales of car parks) attributable to the property development business amounted to approximately RMB95,845,000 (for the six months ended 31 December 2009: approximately RMB27,516,000).

The second phase of Zhongzhu Uptown ("Phase 2") is still under construction and planned to be delivered with premier interior decorations. Due to the upsurge of property price in Zhuhai in recent years and with interior decorations, the selling price and profit margin of Phase 2 are expected to be higher as compared to Phase 1. The interior decorations require additional time for completion. As a result, Phase 2 is scheduled to be completed in the second half of 2012. The Board considers the increase in selling price and profit margin can outweigh the extended development time of Phase 2.

Property Investment

Property investment business represents rental income and capital appreciation from the investment properties situated in the PRC and in Hong Kong. During the period, rental income amounted to approximately RMB5,818,000 (for the six months ended 31 December 2009: approximately RMB5,246,000) and net increase in fair value of investment properties amounted to approximately RMB4,011,000 (for the six months ended 31 December 2009: approximately RMB6,826,000).

The investment properties comprises of six units of office premises in Hong Kong with a total saleable area of approximately 4,582 square feet, the research and development centre in Shenzhen, the PRC ("R&D Centre") with gross floor area of approximately 15,084 square metres and the activity centre in Zhongzhu Uptown with gross floor area of approximately 2,867 square metres.

Trading

The Group's trading business represents distribution of electronic related components, mobile phone modules and imported automation products. The total revenue from the trading business during the period amounted to RMB60,058,000 (for the six months ended 31 December 2009: RMB107,358,000).

Although the profit margin is relatively low from the trading business, the required financial and business resources are low and the relevant risks can be mitigated by effective operation procedures and internal controls. The Group has taken various measures to diversify the product range with an objective to improve the profit margin.

Technology

The automation and mobile handset projects involve substantial capital investments and resources while market environment in the short-term to medium-term still remain uncertain and the competition is very keen. The management will continue to take a cautious and critical review on potential business opportunities, and will engage in projects only if the business risks can be certainly managed and controlled.

PROSPECTS

In 2010, the Group faced increasingly complicated economic and market conditions in its property development and investment business amid the tightening property market measures imposed by the PRC government. These measures caused short-term fluctuations and adjustments on the property markets. However, the expected GDP growth in the PRC and the urbanization will continue to generate massive housing demand. The Board is optimistic about the prospects of the PRC property market since the government's monetary and policy measures would further optimise the property market and thus establishing a long-term stable and healthy environment.

In the latter part of 2010, the pre-sale of the Group's major property development project – Zhongzhu Uptown Phase 2 is expected to commence. Zhongzhu Uptown is a composite residential and commercial project. The total gross floor area of Phase 2 is approximately 171,000 square metres, with approximately 80% of the area is dedicated for residential use. Phase 2 residential properties will include interior decoration which is expected to generate a much higher profit margin. Significantly higher selling price of the residential properties of Phase 2 are expected as compared to Phase 1 due to the upsurge of the properties prices in Zhuhai in recent years and the improved qualities and interior decoration of the properties.

Zhuhai is one of the fastest growing cities in the Guangdong province with pleasant living environment and convenient transportation network. Once the construction of Hong Kong-Zhuhai-Macau bridge is completed, it will greatly enhance the economy, including the property market, of Zhuhai. Therefore, the Board will retain its focus on property projects in Zhuhai in the coming years, particularly on the medium to large scale residential property projects. We will continue to recruit professionals to join our teams for managing property investments opportunities in Zhuhai.

FINANCIAL REVIEW

For the six months ended 30 June 2010, the Group achieved a turnover of approximately RMB161,721,000 (for the six months ended 31 December 2009: approximately RMB140,120,000) which represented an increase of approximately 15% as compared to the last corresponding period. The increase in turnover is mainly attributable to the sales of properties situated in the PRC.

The loss attributable to owners of the parent was approximately RMB15,829,000 (for the six months ended 31 December 2009: approximately RMB63,167,000). The loss was mainly caused by the short-term fluctuation and adjustments of property market in the PRC in light of the stringent control over the property market by the PRC government authorities.

For the debt-restructuring proposal of approximately RMB176,543,000 (31 December 2009: approximately RMB177,110,000), we are continuing our negotiations with Bank of China, Shenzhen with an aim to finalise a restructuring plan before the end of 2010.

For the first half of 2010, the Group's operating activities generated a net cash outflow of approximately RMB144,912,000 (for the six months ended 31 December 2009: approximately RMB24,290,000) which mainly represents construction expenses. At 30 June 2010, the total amount of bank balance and cash was approximately RMB28,198,000 (31 December 2009: approximately RMB161,514,000).

As at 30 June 2010, the total assets of the Group were approximately RMB1,216,911,000 (31 December 2009: approximately RMB1,416,902,000), representing a decrease of approximately 14%. The decrease is mainly due to the recognition of sales of our Zhuhai properties. As at 30 June 2010, the Group had total borrowings increased to approximately RMB242,632,000 (31 December 2009: approximately RMB116,873,000). The increase in borrowings is mainly due to construction loan for the development of Phase 2 of our Zhuhai project. Included in the total borrowings, approximately RMB68,734,000 (31 December 2009: approximately RMB71,734,000) of which is owed to Bank of China, Shenzhen branch (the "Bank"). The Bank has principally agreed not to demand immediate full repayment from the Group and we have had continuing negotiations with the Bank for the restructuring of the outstanding debts. However, the terms and repayment schedules have not yet been finalised.

At 30 June 2010, the gearing ratio, expressed as a percentage of total borrowings over net assets was 42% (31 December 2009: 18%). The current ratio was 2.5 (31 December 2009: 1.8).

CAPITAL STRUCTURE

The issued ordinary share capital of the Company as at 31 December 2009 and 30 June 2010 was HK$85,198,000 divided into 851,980,000 shares of HK$0.10 each. As at 31 December 2009 and 30 June 2010, the issued convertible redeemable preference share capital was HK$35,000,000 divided into 350,000,000 shares of HK$0.10 each and the convertible redeemable preference A share capital was HK$11,000,000 divided into 110,000,000 shares of HK$0.10 each. Up to 30 June 2010, none of the convertible redeemable preference shares and convertible redeemable preference A shares were converted into ordinary shares.

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 management will monitor foreign exchange exposure closely and consider the use of hedging instruments when the need arises.

CHARGE ON ASSETS

At 30 June 2010, the Group's certain investment properties, properties under development and leasehold buildings with an aggregate net carrying value of approximately RMB589,931,000 (31 December 2009: approximately RMB454,408,000) were pledged to banks for securing revolving loans, general banking facilities and banking facilities of construction loan granted to certain subsidiaries of the Company. At 30 June 2010, facilities amounts of approximately RMB173,898,000 (31 December 2009: approximately RMB45,139,000) were utilised and approximately RMB327,405,000 (31 December 2009: approximately RMB10,560,000) were unutilised and available for the Group's future financing.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 30 June 2010.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2010, the Group employed 45 full time employees (31 December 2009: 40) in Hong Kong and the PRC. 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.

LITIGATIONS AND CONTINGENT LIABILITIES

Regarding the litigation as to the claims on Techwayson Industrial (Shenzhen) Limited ("TIL"), a subsidiary of the Company, raised by the main contractor of the R&D Centre as mentioned in our 2009 Annual Report, we are still waiting for the decision from the PRC court. Details can be found in our 2009 Annual Report dated 21 April 2010 and the relevant announcements of our Company.

In addition, the Company is in the best efforts to negotiate with the Bank of China, Shenzhen branch to finalise the terms of the debt-restructuring proposal on the RMB68,734,000 overdue bank loan and the RMB60,700,000 guaranteed provisions and RMB47,109,000 accrued interest.

On 14 June 2010, TIL received a civil judgment issued by Intermediate People's Court, Shenzhen, the PRC in respect of a claim of approximately HK$24,500,000 made by an independent third party (as plaintiff) against TIL, for a guarantee alleged to have been given by TIL in favour of the plaintiff in November 2005. The other defendant, an individual who is also an independent third party was alleged to have breached the terms of two investment agreements entered into between the plaintiff and the other defendant in October and November 2005 respectively which stipulated that the plaintiff could get a fixed return of 15% above the investment amount.

It was stated in the judgment that the other defendant was required to pay approximately HK$23,000,000, being the investment amount of HK$20,000,000 invested by the plaintiff together with the fixed return of HK$3,000,000 which the plaintiff should be entitled to under the investment agreements. For any shortfall amount that the other defendant is unable to pay, TIL was required to bear 50% of such balance.

The Group decided to vigorously defend the case and has appealed against the judgment. Based on the assessment from PRC counsel, there is still a possibility that TIL could win the appeal. Accordingly, the litigation was disclosed as a contingent liability and no provision in relation to the claim was provided as at 30 June 2010.

On 12 December 2009, the Company received a writ of summons from Global Tide Limited ("Global Tide"). Global Tide (as plaintiff) brought a claim (the "Claim") against the Company (as first defendant) and Mr. Siek Fui (also known as Andy Siek) (as second defendant), a former executive Director of the Company, for damages of approximately HK$8,834,000 in respect of breach of warranties and representations given by the Company in the sale and purchase agreement dated 30 June 2008 entered into between the Company and Global Tide in connection with the sale of entire interest in Magic Gain Investments Limited, which held 25% shareholding in Orient

Metro Limited and in turn owned 95% shareholding in PT Orient Metro Utama, which carried out the services of exploration, excavating, processing of minerals and mining operation and management etc in Indonesia.

The plaintiff, inter alia, alleged that the Company failed to disclose the expiry of the exploration licence and/or the actual amount of capital injection to Orient Metro Limited. As such, the plaintiff alleged that the Company was in breach the warranties and representations given by it in the Agreement.

The Company has sought legal advice in respect of the merits of the Claim and will defend the Claim vigorously. On 16 March 2010, we have filed our Defence with the Court. On 23 March 2010, our solicitors have filed and served a Notice of Contribution on the Solicitors for the Plaintiff and the Solicitors for the 2nd Defendant. As to the progress of the proceedings, the pleadings stage has recently completed. Based on the legal advice, the Board considered it is difficult to predict the outcome or give an estimate of ultimate liability at this stage.

The Group had arranged for bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments during the period from 1 January 2010 to 30 June 2010. The outstanding amount of guarantees amounted to approximately RMB15,793,000 (31 December 2009: approximately RMB90,759,000).

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months period ended 30 June 2010 (for the six months ended 31 December 2009: nil).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the code provisions and, where applicable, the recommended practices of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2010.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 of the Company confirm that all Directors have complied with the required standard set out in the Model Code during the period under review.

PURCHASES, SALE AND REDEMPTION OF SECURITY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months period ended 30 June 2010.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") with written terms of reference in compliance with the Code. The principal duties of the Audit Committee include the review and supervision of the Group's internal control procedures, review of the Group's financial information and review of the relationship with the external auditors of the Company. The existing Audit Committee comprises three members, namely Mr. POON Lai Yin, Michael (Chairman), Mr.

CHONG Yiu Chik and Mr. CHOI Kai Ming, Raymond, all are independent non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months period ended 30 June 2010.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is available for viewing at the website of Hong Kong Exchanges and Clearing Limited 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
Chen Xian
Chairman

Hong Kong, 30 August 2010

As at the date of this announcement, the Board comprises Executive Directors, Mr. Chen Xian, Mr. Tsim Sze Hon, Mr. Lau Sai Chung and Mr. Xiong Jianrui and Non-executive Director, Ms. Xia Dan and Independent Non-executive Directors, Mr. Poon Lai Yin, Michael, Mr. Chong Yiu Chik and Mr. Choi Kai Ming, Raymond.