THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Uptown Group Company Limited (the "**Company**"), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sales or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase, or subscribe for securities of China Uptown Group Company Limited.

中國上城
CHINA UPTOWN

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)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

Financial Adviser to China Uptown Group Company Limited

粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

WALLBANCK BROTHERS
Securities (Hong Kong) Limited

A letter from the board of directors of the Company is set out from pages 7 to 34 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in connection with the Acquisition is set out on page 35 of this circular. A letter from Wallbanck Brothers, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition is set out from pages 36 to 64 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Fountains Room 5, LG/F, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 14 January 2011 at 10:30 a.m. or any adjournment thereof is set out from pages 187 to 188 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's head office and principal place of business in Hong Kong at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting of the Company. Completion and return of the form of proxy shall not preclude you from attending and voting at the extraordinary general meeting of the Company should you so wish.

This circular will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange and the website of the Company for at least seven days from the date of its posting.

22 December 2010

CONTENTS

In this circular, the following terms shall have the meanings set out below unless the context requires otherwise:

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the terms and conditions set out in the Sale and Purchase Agreement
"Announcement"	the announcement of the Company dated 3 December 2010 in relation to the Acquisition
"associate(s)"	shall have the meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors
"Bondholder(s)"	holder(s) of the Convertible Bonds from time to time
"Business Day(s)"	a day (not being a Saturday, Sunday or days on which a typhoon signal No. 8 or above or black rainstorm warning is hosted in Hong Kong at 10:00 a.m.) on which banks are generally open for general banking business in Hong Kong
"Company"	China Uptown Group Company Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
"Completion"	the completion of the Acquisition
"Completion Date"	the fifth Business Day after all the conditions precedent under the Sale and Purchase Agreement having been satisfied or waived (as the case may be) (or such other time and/or date as the parties to the Sale and Purchase Agreement may agree)
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules and the word "connected" shall be construed accordingly
"Consideration"	the consideration of HK$230 million payable by the Purchaser to the Vendor for the Acquisition pursuant to the Sale and Purchase Agreement

"Conversion Price"	HK$0.8115 per Conversion Share, subject to adjustments in accordance with the terms and conditions of the Sale and Purchase Agreement and the terms of the Convertible Bonds
"Conversion Share(s)"	the new Shares to be allotted and issued by the Company upon the exercise of the conversion right attaching to the Convertible Bonds at the Conversion Price
"Convertible Bond(s)"	the zero coupon unsecured convertible bonds in the principal amount of HK$230 million to be issued by the Company to the Vendor or its nominee in accordance with its terms and conditions
"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be convened on Friday, 14 January 2011 to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds upon Completion and the issue and allotment of the Conversion Shares pursuant to the terms of the Convertible Bonds under a specific mandate of the Company, by the Independent Shareholders
"Enlarged Group"	the Company and its subsidiaries immediately after the Completion
"Group"	the Company and its subsidiaries
"HK Company"	Universe Asia Pacific Investment Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company. The HK Company will become the beneficial owner of 25% equity interest in the Project Company upon completion of the Reorganisation
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Independent Board Committee"	an independent board committee of the Company, comprising all the independent non-executive Directors, for the purpose of advising the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder
"Independent Financial Adviser" or "Wallbanck Brothers"	Wallbanck Brothers Securities (Hong Kong) Limited, a licensed corporation for carrying out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder
"Independent Shareholders"	Shareholders other than those who are required under the Listing Rules to abstain from voting on the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement, the issue of the Convertible Bonds upon Completion and the issue and allotment of the Conversion Shares pursuant to the terms of the Convertible Bonds under a specific mandate of the Company
"Last Trading Day"	2 December 2010, being the day prior to the date of the Sale and Purchase Agreement
"Latest Practicable Date"	20 December 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein
"Listing Committee"	the listing sub-committee of the board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 March 2011 or such later date as shall be determined by the parties to the Sale and Purchase Agreement
"Mr. Chen"	Mr. Chen Xian, being an executive Director and the Chairman of the Company, and one of the ultimate beneficial owners of Zhongzhu Holding

"Mr. Ho"	Mr. Ho Man Hung, being the sole shareholder and director of the Vendor and a substantial shareholder of the Company
"PRC"	the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
"Preliminary Valuation"	the preliminary valuation on the Project of approximately RMB1,174,100,000 (equivalent to approximately HK$1,362,064,965 based on the exchange rate of HK$1.00:RMB0.862) as at 30 September 2010
"Project"	a property project which consists of Property A and Property B
"Project Company"	珠海中珠房地產開發有限公司 (Zhuhai Zhongzhu Real Estate Development Company Ltd.*), a sino-foreign joint venture established in the PRC with limited liability and is owned as to 50% by the Company, 25% by the Vendor and 25% by Zhongzhu Holding
"Property A"	a parcel of land situated at West Santaishi Road, North Xiaguang Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市前山三台石路西、霞光路北側) with buildings constructed thereon
"Property B"	a parcel of land situated at South Renmin West Road, West Santaishi Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市香洲人民西路南、三台石路西側) with buildings being constructed thereon
"Purchaser"	Boom Lotus Holdings Limited, a company established in the British Virgin Islands with limited liability and is wholly owned by the Company, being also the purchaser under the Sale and Purchase Agreement
"Reorganisation"	the corporate restructuring of the Target Group involving the transfer of 25% equity interest in the Project Company from the Vendor to the HK Company, the shareholding structure of the Target Group upon completion of the Reorganisation will become that as set forth in the section headed "Shareholding structure of the Target Group" in the letter from the Board of this circular

"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the conditional sale and purchase agreement in relation to the Acquisition entered into between the Purchaser and the Vendor on 3 December 2010
"Sale Shares"	1,000 shares of US$1.00 each in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"sq.m."	square meter(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	shall have the meaning as ascribed to it under the Listing Rules
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Repurchases of the Securities and Futures Commission of Hong Kong
"Target Company"	Armando Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly owned by the Vendor
"Target Group"	the Target Company and its subsidiaries upon completion of the Reorganisation (including the HK Company and the Project Company)
"US$"	US dollars, the lawful currency of the United States of America
"Valuer"	Vigers Appraisal & Consulting Limited, an independent valuer

"Vendor"	Seaton Limited, the sole shareholder of the Target Company and an investment holding company incorporated in Hong Kong with limited liability, being the vendor under the Sale and Purchase Agreement
"Zhongzhu Holding"	中珠控股股份有限公司 (Zhongzhu Holding Company Limited*), a company incorporated in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange. Zhongzhu Holding is interested in 25% equity interest in the Project Company
"%"	per cent.

For the purpose of this circular, all amounts (save for the Valuation) denominated in RMB have been translated (for information only) into HK$ using the exchange rate of HK$1.00:RMB0.88. No representation is made that any amounts in RMB or HK$ can be or could have been converted at the relevant dates at the above rate or any other rates at all.

If there is any inconsistency between the Chinese names of the PRC entitles mentioned in this circular and their English translations, the Chinese names shall prevail.

* *For identification purposes only*

中國上城

CHINA UPTOWN

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)

Executive Directors:
Mr. Chen Xian *(Chairman)*
Mr. Lau Sai Chung *(Chief Executive Officer)*
Mr. Xiong Jianrui
Ms. Xia Dan

Independent non-executive Directors:
Mr. Poon Lai Yin, Michael
Mr. Chong Yiu Chik
Mr. Choi Kai Ming, Raymond

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Suite 1501, 15/F.
Tower 1, Silvercord
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

22 December 2010

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the Announcement regarding the Sale and Purchase Agreement and the Acquisition.

On 11 August 2009, the Company entered into a sale and purchase agreement to acquire for 50% of the indirect equity interest in the Project Company. The transaction was completed on 20 November 2009. As at the Latest Practicable Date, the Company held 50% of the indirect equity interest in the Project Company. In view of the business prospects of the Project Company, the Company proposes to acquire for additional equity interest in the Project Company by way of the Acquisition.

As at the Latest Practicable Date, the Target Group was undergoing the Reorganisation. Upon completion of the Reorganisation and the Acquisition, the Company will be ultimately beneficially interested in an aggregate of 75% equity interest in the Project Company.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Sale and Purchase Agreement; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement; (iv) the valuation report on the Project; and (v) a notice of EGM at which resolution(s) will be proposed to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds upon Completion and the issue and allotment of the Conversion Shares pursuant to the terms of the Convertible Bonds under a specific mandate of the Company.

THE SALE AND PURCHASE AGREEMENT

On 3 December 2010 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares, being the entire issued share capital of the Target Company, at the Consideration of HK$230 million.

Set out below are the principal terms of the Sale and Purchase Agreement:

Date:

3 December 2010

Parties involved:

Purchaser

The Purchaser, a wholly-owned subsidiary of the Company

Vendor

Seaton Limited, being the sole shareholder of the Target Company, is an investment holding company incorporated in Hong Kong on 6 November 2009 with limited liability. The Vendor is legally and beneficially owned as to 100% by Leading Front Limited which in turn is legally and beneficially owned as to 100% by Mr. Ho. Mr. Ho is also the sole director of the Vendor, the Target Company and the HK Company.

Since Mr. Ho is a substantial shareholder of the Company and the Vendor is legally and beneficially owned as to 100% by Mr. Ho, the Vendor is a connected person of the Company under the Listing Rules.

Assets to be acquired:

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares at the Consideration. The Sale Shares represent the entire equity interest in the Target Company.

The Vendor directly holds 25% equity interest in the Project Company and is the sole legal and beneficial owner of the Target Company, which in turn directly holds the entire issued share capital of the HK Company. Upon completion of the Reorganisation, the Vendor will indirectly hold 25% of the equity interest in the Project Company through the Target Company and the HK Company. The shareholding structure of the Target Group is detailed below under the section headed "Shareholding structure of the Target Group" of this letter. The only principal asset of the Target Group is the Project operated by the Project Company.

The original purchase cost of 25% equity interest in the Project Company paid by the Vendor is approximately RMB220 million (equivalent to approximately HK$250 million) (the "**Original Cost**"). Such acquisition was completed on 30 December 2009. As advised by the Vendor, the Original Cost was determined based on arm's length negotiations with reference to the then market condition.

The Consideration:

Pursuant to the Sale and Purchase Agreement, the Purchaser shall procure the Company to issue the Convertible Bonds in the principal amount of HK$230 million to the Vendor or its nominee on the Completion Date to settle the entire Consideration. The Convertible Bonds are convertible into the Conversion Shares at the initial Conversion Price of HK$0.8115 per Conversion Share.

Basis of the Consideration

The Consideration was determined between the Vendor and the Company after arm's length negotiations and on normal commercial terms, taking into account the followings:

(i) the Preliminary Valuation on the Project of approximately RMB1,174,100,000 (equivalent to approximately HK$1,362,064,965 based on the exchange rate of HK$1.00:RMB0.862) as at 30 September 2010 by an independent Valuer. According to the Valuer, the Preliminary Valuation was arrived at by applying the market approach;

(ii) the unaudited net asset value of the Project Company of approximately RMB359,253,000 (equivalent to approximately HK$408,242,045) as at 30 June 2010; and

(iii) the future prospects of the real estate market in Zhuhai City, the PRC.

The Directors are of the view that the Consideration is fair and reasonable.

Conditions precedent:

Completion of the Sale and Purchase Agreement is subject to the satisfactory fulfillment and/or waiver by the Company of the following conditions:

(i) the Vendor's warranties under the Sale and Purchase Agreement shall be true, accurate and complete in all respects on and as of the Completion Date by reference to the facts and circumstances subsisting as at the Completion Date;

(ii) since the date of the Sale and Purchase Agreement, there shall have been no material adverse change in and there shall not have occurred any events which materially and adversely affect the business, prospects, operations or position, financial or otherwise, of the Target Company and the HK Company;

(iii) the approval by the Independent Shareholders with respect to the entering into of the Sale and Purchase Agreement, the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares upon exercise of the conversion right attaching to the Convertible Bonds and the transactions contemplated therein shall have been obtained;

(iv) the listing of and permission to deal in all of the Conversion Shares being granted to the Company;

(v) the Vendor shall have completed the Reorganisation;

(vi) all business, legal and financial due diligence on the Target Company and the HK Company to the Purchaser's reasonable satisfaction;

(vii) the Purchaser shall have received from the Valuer a valuation report (in such form and substance satisfactory to the Purchaser) in respect of the Project, showing that the market value of the Project being not less than RMB1 billion; and

(viii) the Purchaser shall have received from its PRC legal adviser a PRC legal opinion (in such form and substance satisfactory to the Purchaser).

The Purchaser shall have the right to waive in writing any of the conditions (save and except for conditions (iii), (iv) and (vii)) as mentioned above. If the aforementioned conditions precedent have not been fulfilled (or, where applicable, to be waived by the Purchaser in writing) on or before the Long Stop Date, the Purchaser shall not be bound to proceed with the purchase of the Sale Shares and the Sale and Purchase Agreement (other than the clauses relating to conditions precedent, announcements, costs and expenses and governing law) shall become void and of no further effect from the Long

Stop Date and, save in respect of any antecedent breaches, all liabilities and obligations of the parties to the Sale and Purchase Agreement shall cease and determine provided that such termination shall be without prejudice to any rights or remedies of the Vendor and the Purchaser which shall have accrued prior to such termination.

As at the Latest Practicable Date, condition (vi) had been fulfilled.

Completion:

Completion shall take place on the Completion Date.

The Company has no present intention to change the composition of the Board upon Completion and the Directors confirm that the Company does not intend to appoint the ultimate beneficial owner of the Vendor (i.e. Mr. Ho) and/or any of his associate(s) as Director(s) as a result of the Acquisition. Upon Completion and as a result of the Acquisition, there will be no change in control of the Company.

Undertaking from the Vendor and Mr. Ho:

The Vendor undertakes and procures Mr. Ho to undertake to the Purchaser and the Company that, in the event of exercise of the conversion right attaching to the Convertible Bonds:

(i) it will not result in the Company's non-compliance with the public float requirement stipulated under Rule 8.08 of the Listing Rules;

(ii) it will not result in Mr. Ho, his associates and parties acting in concert with him, taken together, directly or indirectly controlling or being interested in 30% or more of the voting rights of the Company (or such other percentage may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer); and

(iii) it will not result in the Vendor and other then substantial shareholder(s) of the Company (if any), being presumed to be parties acting in concert with each other under the Takeovers Code by virtue of their then respective shareholdings in the Company.

The Convertible Bonds:

Pursuant to the Sale and Purchase Agreement, the Purchaser shall procure the Company to issue the Convertible Bonds in the principal amount of HK$230 million to the Vendor or its nominee on the Completion Date to settle the entire Consideration.

The principal terms of the Convertible Bonds are summarised as follows:

Issuer

The Company

Principal amount

HK$230 million

Maturity date

The date falling on the third anniversary of the date of issue of the Convertible Bonds or, if such a date shall not be a Business Day, the first Business Day following such date.

Interest

Nil

Transferability

The Convertible Bonds will be freely transferable or assigned (in integral multiple of HK$5,000,000 or such lesser amount representing the entire outstanding principal amount of the Convertible Bonds). Any transfer of the Convertible Bonds to any connected person of the Company shall be subject to the prior written approval of the Company and the applicable requirements that the Stock Exchange may impose from time to time, if any.

The Convertible Bonds may only be assigned or transferred to the transferee (or their duly authorised representatives) with execution of a form of transfer by giving to the Company at least ten Business Days' written notice of the proposed transfer of the Convertible Bonds.

Voting rights

The Bondholder(s) is/are not entitled to attend or vote at any meetings of the Company by reason of it/them only being a Bondholder.

Conversion right

The Bondholder(s) has/have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds (in the amount of HK$5,000,000 or integral multiples thereof save that if the principal outstanding amount of the Convertible Bonds is less than HK$5,000,000, the whole (but not part only) of such outstanding principal amount of the Convertible Bonds may be converted) at any time during the period commencing from three months after the date of the issue of the Convertible Bonds up to ten Business Days prior to the maturity date, provided that the Convertible Bonds may not be converted if such conversion would result in (i) the Company's non-compliance with the public float requirement stipulated under Rule 8.08 of the Listing Rules; or (ii) such Bondholder, its associates and parties acting in concert with it, taken together, directly or indirectly controlling or being interested in 30% or more of the voting rights of the Company (or such other percentage may from time to time be specified in the Takeovers Code being the level for triggering a mandatory general offer); or (iii) the Bondholder(s) and other then substantial shareholder(s) of the Company (if any), being presumed to be parties acting in concert with each other under the Takeovers Code by virtue of their then respective shareholdings in the Company.

Conversion Price

The initial Conversion Price of HK$0.8115 per Conversion Share (subject to adjustments as detailed below) is equivalent to the volume weighted average of the closing prices of approximately HK$0.8115 per Share for the 30 consecutive trading days up to and including 2 December 2010, and represents:

(i) a premium of approximately 19.34% over the closing price of HK$0.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 2.72% over the closing price of HK$0.79 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 4.04% over the average of the closing prices of approximately HK$0.780 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 2.20% over the average of the closing prices of approximately HK$0.794 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

(v) a premium of approximately 3.91% over the unaudited consolidated net asset value of the Group of approximately HK$0.781 per Share as at 30 June 2010 (based on the unaudited net asset value of the Group of approximately RMB585,545,000 (equivalent to approximately HK$665,392,045) as at 30 June 2010 and 851,980,000 issued Shares as at the date of the Sale and Purchase Agreement).

The Directors confirmed that the Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor, after taking into account the prevailing market price of the Shares and the recent condition of the financial market in Hong Kong.

Conversion price reset

The Conversion Price shall be adjusted on each of the first and second anniversaries of the date of issue of the Convertible Bonds if the volume weighted average of the closing prices of the Shares over the preceding 30 trading days, prior to each of the first and second anniversaries, is less than 85% of the then applicable Conversion Price. The new Conversion Price shall then be adjusted to be equivalent to 90% of the then applicable Conversion Price immediately before the adjustment.

The Directors confirmed that the price reset mechanism of the Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor.

Redemption

The Company may at any time three months after the date of issue of the Convertible Bonds and before the maturity date with prior notice to the Bondholder(s) redeem all, but not some only, of the Convertible Bonds at 110% of the outstanding principal amount of the Convertible Bonds.

Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem the Convertible Bonds at 110% of the outstanding principal amount of the Convertible Bonds on the date of maturity of the Convertible Bonds.

Ranking of the Conversion Shares

The Conversion Shares shall rank *pari passu* in all respects with the Shares in issue on the date of issuance and allotment of such Shares.

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of and permission to deal in the Conversion Shares which fall to be issued upon exercising of the conversion right attaching to the Convertible Bonds. The Conversion Shares shall be allotted and issued under a specific mandate of the Company. There will be no restriction on the subsequent sale of the Conversion Shares.

Conversion Shares

Assuming full conversion of all the Convertible Bonds at the initial Conversion Price, a maximum of 283,425,754 Conversion Shares will be issued, representing (i) approximately 33.27% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 24.96% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares upon exercise of the conversion right attaching to the Convertible Bonds at the initial Conversion Price.

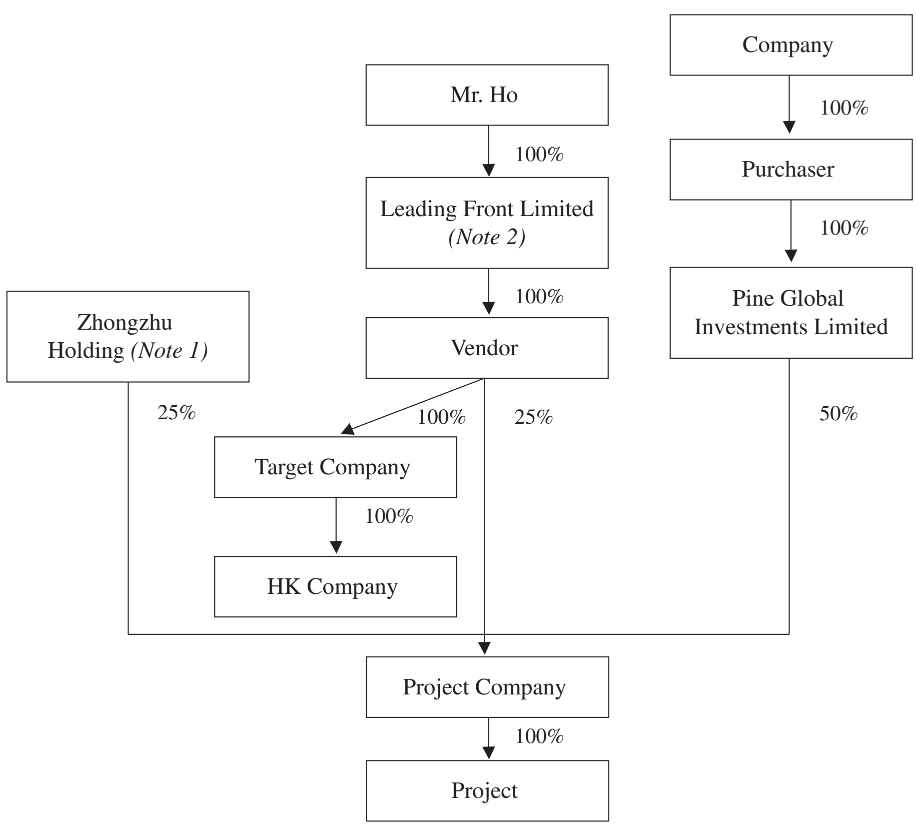
Board composition of the Project Company:

The Project Company is managed by a board of five directors, of which three directors are appointed by the Company. Pursuant to the Sale and Purchase Agreement, the HK Company (hence the Company) will be entitled to appoint one director to the board of directors of the Project Company upon Completion to replace the director of the Project Company currently appointed by the Vendor. As such, upon Completion, four directors in the board of directors of the Project Company will be appointed by the Company and the Company will continue to have majority control over the board of directors of the Project Company.

SHAREHOLDING STRUCTURE OF THE TARGET GROUP

The following charts show the shareholding structure of the Target Group (i) as at the Latest Practicable Date; (ii) immediately upon completion of the Reorganisation; and (iii) immediately upon Completion:

Simplified shareholding structure as at the Latest Practicable Date



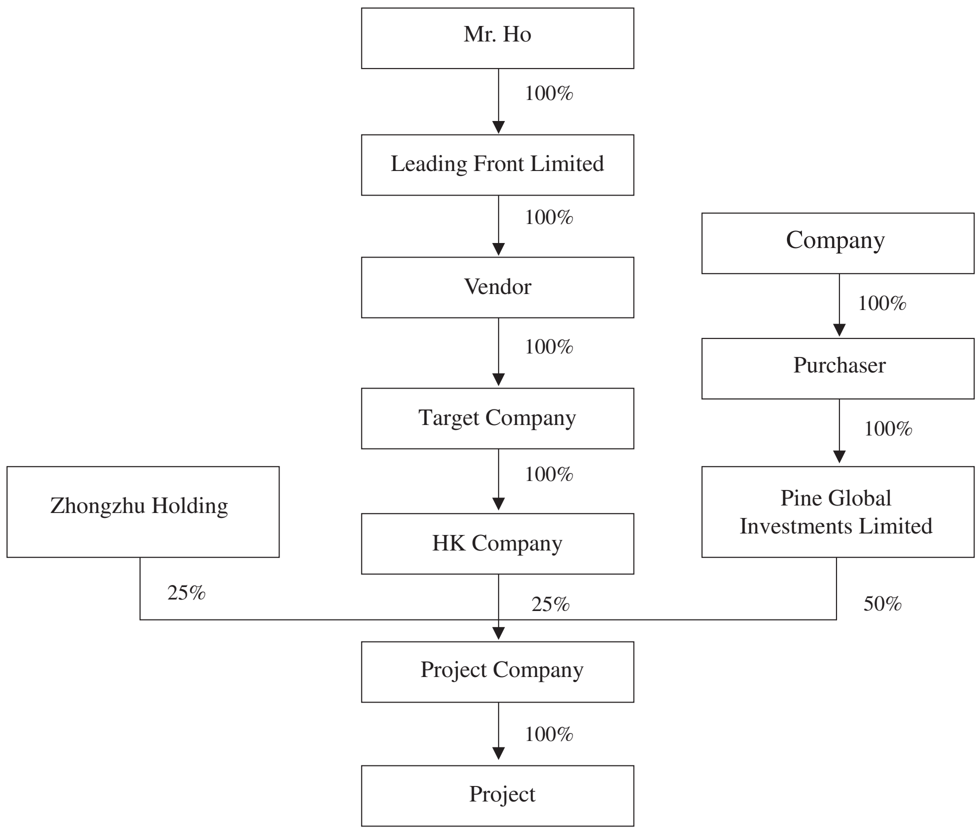
Notes:

1. Zhongzhu Holding is a company incorporated in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange. Zhongzhu Holding is interested in 25% equity interest in the Project Company. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save and except for Mr. Chen, who was indirectly holding approximately 1.12%

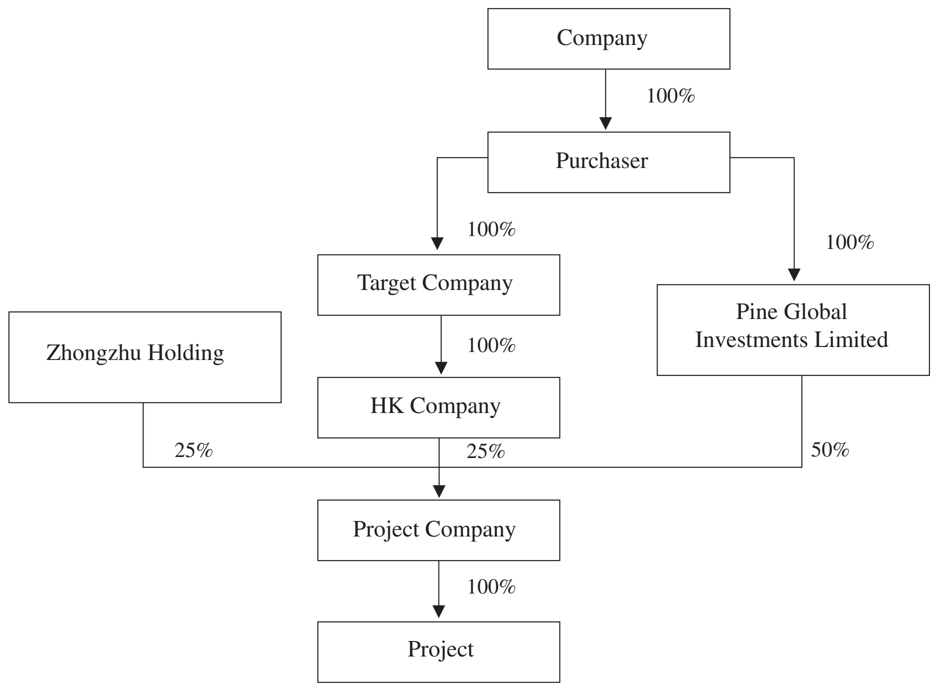
of the issued share capital of Zhongzhu Holding as at the date of the Sale and Purchase Agreement, the ultimate beneficial owners of Zhongzhu Holding are independent third parties of the Company.

2. Leading Front Limited is an investment holding company incorporated in the British Virgin Islands with limited liability on 10 November 2009.

Simplified shareholding structure immediately upon completion of the Reorganisation



Simplified shareholding structure immediately upon Completion



INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company is an investment holding company incorporated in the British Virgin Islands on 8 October 2010 with limited liability and is wholly-owned by the Vendor. As at the Latest Practicable Date, the Target Company directly held 100% equity interest in the HK Company and did not have any operation.

The HK Company

The HK Company is an investment holding company incorporated in Hong Kong on 27 September 2010 with limited liability. Immediately upon completion of the Reorganisation, the HK Company will directly hold 25% equity interest in the Project Company. As at the Latest Practicable Date, the HK Company did not have any operation.

The Project Company

The Project Company is a sino-foreign joint venture established in the PRC on 8 November 2005 with limited liability and was owned as to 50%, 25% and 25% by the Company, the Vendor and Zhongzhu Holding respectively as at the Latest Practicable Date. The only major asset of the Project Company is the Project.

The Target Group

As at the Latest Practicable Date, the Company was effectively interested in 50% equity interest in the Project Company. The Project Company is currently a subsidiary of the Company and its financial results are consolidated into the financial statements of the Group. Upon Completion, the Company will become the sole shareholder of the Target Company through the Purchaser and therefore be effectively interested in (i) 100% equity interest in the HK Company; and (ii) a further 25% equity interest in the Project Company. Given that the Company will continue to control the board of directors of the Project Company and be interested in an aggregate of 75% equity interest in the Project Company, the financial results of the Target Group will continue to be consolidated into the financial statements of the Group.

Information on the Project

The only major asset of the Project Company is the Project and the Project consists of two development properties, being Property A and Property B.

Property A is situated at West Santaishi Road, North Xiaguang Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市前山三台石路西、霞光路北側) and occupies approximately 48,382.70 square meters with a gross floor area of approximately 140,816.93 square meters. The construction of Property A was completed on 30 March 2009 and Property A has been developed into a residential and commercial complex with 872 residential units, 60 commercial units as well as 563 car parking spaces. As at the Latest Practicable Date, approximately 93% of the residential units and 78% of the commercial units under Property A had been sold and delivered to buyers.

Property B is situated at South Renmin West Road, West Santaishi Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市香洲人民西路南、三台石路西側) and occupies approximately 57,762.92 square meters with a planned gross floor area of approximately 175,802.65 square meters. The construction of Property B has commenced in October 2009 and is expected to be completed in the second half of 2012. The pre-sale of Property B has commenced in late November 2010. Property B will be developed into a residential and commercial complex with car parking spaces. As confirmed by the Company's legal advisers as to the PRC laws, the Project Company has already obtained all the necessary licenses and approvals from the relevant government department for the construction and the subsequent sale of Property B.

Based on the existing budget of the Project (which takes into account the part of the proceeds from the sale of the residential and commercial units under Property A that are retained for the construction of Property B and the available banking facility of the Project Company), the Company expects that the Project can be self-financed. Thus, no further capital contributions are required from the Company for the development of Property B.

Financial information of the Target Group

Set out below is a summary of the audited financial information of the Project Company (on company level) for the three years ended 31 December 2009 and the six months ended 30 June 2010 as extracted from Appendix II to this circular prepared in accordance with the Hong Kong Financial Reporting Standards:

Statement of comprehensive income	For the year ended 31 December 2007	For the year ended 31 December 2008	For the year ended 31 December 2009	For the six months ended 30 June 2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	–	–	592,135	95,845
Net profit/(loss) before taxation	(21,412)	(13,920)	263,095	(774)
Profit/(loss) and total comprehensive income/(expense) for the year/period	(21,412)	(13,920)	197,165	25,602

Statement of financial position	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009	As at 30 June 2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	831,331	1,048,189	635,235	615,540
Total liabilities	(580,925)	(811,703)	(201,584)	(256,287)
Net assets	250,406	236,486	433,651	359,253

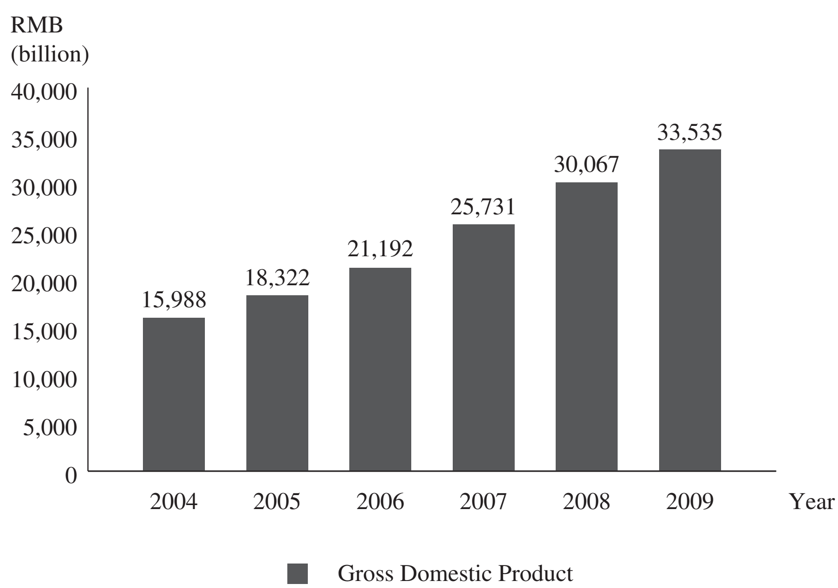
As mentioned in the foregoing, Property A was completed and approximately 93% of the residential units and 78% of the commercial units under Property A had been sold and delivered to buyers as at the Latest Practicable Date. The revenue recorded by the Project Company for the year ended 31 December 2009 was attributable to the sale and delivery of such property units. The Project Company will retain part of the proceeds from the sale of the property units under Property A until Completion and apply the same for the development of Property B.

INDUSTRY OVERVIEW

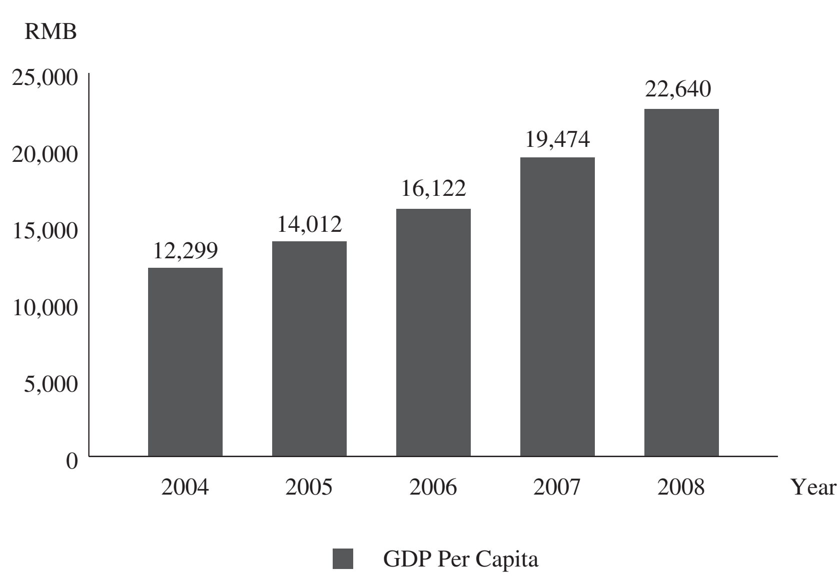
The PRC economic overview

Since the PRC government adopted the economic reform in 1978, the PRC has experienced significant economic growth during the past 30 years. From 2004 to 2009, the PRC's nominal gross domestic product ("**GDP**") grew at a compound annual growth rate ("**CAGR**") of approximately 13.14% and reached approximately RMB33,535 billion in 2009. The PRC also experienced substantial growth in GDP per capita with a CAGR of approximately 12.98% from 2004 to 2008. The charts below demonstrate the nominal GDP and GDP per capita of the PRC in the indicated years:

Gross Domestic Product (2004-2009)



GDP Per Capita (2004-2008)



Source: National Bureau of Statistics of China

The global financial crisis began in 2008 and caused a slowdown in the global capital and credit market as well as the growth of global economy. The PRC took the lead to recover from the global financial crisis and its economic growth was approximately 11.53% from 2008 to 2009. The PRC government's stimulus policies have driven the strong growth of its domestic market, which has been the key driver of its economic recovery.

The PRC real estate market

The PRC's real estate industry is part of the nation's planned economy. In the 1990s, the PRC's property sector began its transition to a market-based system. From 2004 to the first half of 2008, in response to concerns over the increase in property investment, policies were enacted by the PRC government with an aim to slow down real estate development. Due to the global financial crisis in 2008, there was a rapid adjustment and downturn in the PRC real estate market. Regulations and policies were therefore introduced to ease the market decline and boost real estate transactions. After the gradual recovery of the PRC's economy from the global financial crisis in recent years, the PRC government has imposed series of policies in order to prevent any possible real estate bubble.

Below is a brief timeline of the important policy changes in the PRC's real estate industry since late 2009:

Month/Year	Event
September 2009	The PRC government cut preferential housing mortgage rate five times, in line with the interest rates cuts aimed at boosting the economy.
October 2009	Announcement of a series of policy changes: lower mortgage rates, reduced down payments, lower transaction taxes.
November 2009	Announcement of a RMB4 trillion two-year stimulus package. A tenth, or RMB400 billion would be used on construction of affordable housing.
December 2009	• Adoption of measures to support the property market, including cuts in business and transaction taxes for real estate sales, and policies to make it easier for developers to obtain credit.

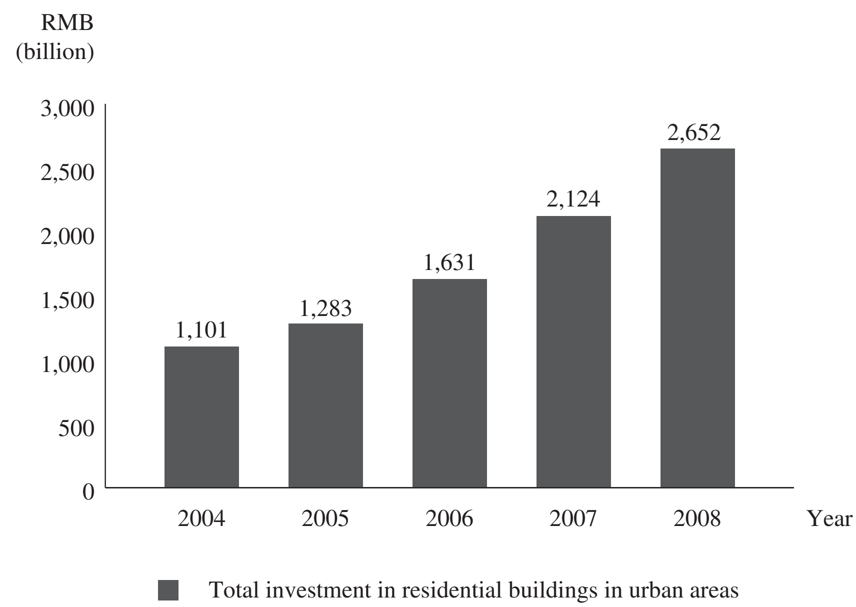
	• The PRC government stipulated that individuals must own their homes for five years to be eligible for sales tax exemption, up from the previous minimum of two years. The PRC government also stated it will increase supply of lower-cost housing.
March 2010	The PRC government instructed 78 state companies whose core business is not property to submit plans to divest from the sector within 15 working days.
April 2010	Announcement of a rise in down payments on second homes to 50% from 40%. The PRC government also required banks to charge a minimum mortgage rate on second homes of 1.1 times the benchmark interest rate and increased down payments on first homes of over 90 sq.m. to 30% from 20%.
July 2010	The PRC government planned to start levying property tax in 2012 in a pilot programme.
August 2010	• The PRC government ordered lenders to test the impact of a fall in house prices of up to 60% in key cities and instruct banks to stop extending mortgages to people buying their third homes in four cities – Beijing, Shanghai, Shenzhen and Hangzhou. • The PRC government called for stress tests on loans to a wide range of industries, including cement and steel, whose fortunes are closely tied to the property market. • The PRC government urged developers to accelerate property construction so as to increase supply.
October 2010	The People's Bank of China decided to raise RMB benchmark deposit and loan rates of financial institutions as of 20 October 2010. The one-year benchmark loan rate was raised from the current of 5.31% to 5.56%, up by approximately 0.25%.

Source: Reuters

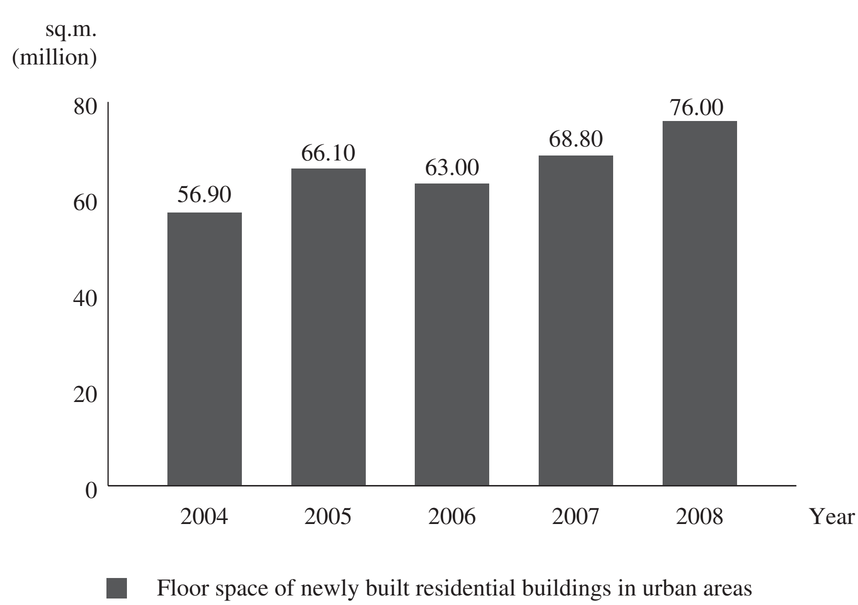
The real estate industry is subject to extensive governmental regulation. The above government intervening policies show that the PRC government actively seeks solutions to ensure the stability of its real estate market.

The below diagrams illustrate the total investment in residential buildings and the total area of residential buildings built in urban areas in the PRC from 2004 to 2008:

Total investment in residential buildings in urban areas (2004-2008)



Floor space of newly built residential buildings in urban areas (2004-2008)



Source: National Bureau of Statistics of China

During the period from 2004 to 2008, the total investment in residential buildings increased in urban areas from approximately RMB1,101 billion to approximately RMB2,652 billion with a CAGR of approximately 19.22%; and the total newly built residential buildings in urban areas increased from 56.90 million sq.m. to 76.00 million sq.m. with a CAGR of approximately 5.96%.

It is believed that the increase of urban disposable income and rapid urbanisation are the key drivers of the PRC real estate market. In the PRC, the urban population grew at a CAGR of approximately 2.25% from approximately 507 million in 2004 to approximately 607 million in 2009 and the per capita disposable income of urban household grew at a CAGR of approximately 10.53% from approximately RMB9,421 in 2004 to approximately RMB17,175 in 2008. The consumption power for urban individuals has shifted from necessities such as food and clothing to housing and transportation. Improving housing condition has become primary and achievable for urban individuals. As more residents moved from rural area to urban area, demand on new residential buildings in the urban area also expanded.

The Zhuhai, Pearl River Delta real estate market

Zhuhai City is located in the southern part of Guangdong Province, lying in the western bank of the Pearl River Delta. It is one of the earliest special economic zones in the PRC, and enjoys the local legislative power granted by the National People's Congress. The city claims a comprehensive, outward-looking economy with new and high-tech industries as the core and being supported by the coordinated development of a diverse range of services, and industries such as real estate, finance, commerce and trading, tourism etc.. The real estate sector represented approximately 30.62% of total fixed asset investment of Guangdong Province in 2009 and grew by approximately 6.5% from the previous year. The GDP per capita in Zhuhai City was approximately RMB69,200, which was approximately 2% higher than the GDP per capita in the whole Pearl River Delta area in 2009. Fixed asset investment increased by approximately 14.10% to approximately RMB41.1 billion in Zhuhai City, and approximately RMB10.22 billion of the total fixed asset investment was contributed by investments in residential property developments, representing a growth of approximately 10.10% as compared to 2008.

Zhuhai City is seeing a host of new opportunities as Guangdong's economic relationship with Hong Kong and Macau becomes closer under CEPA (Mainland and Hong Kong Closer Economic Partnership Arrangement), an agreement which was signed between the PRC government and Hong Kong in 2003 and is also the first free trade agreement signed between the two parties. The Guangzhou-Zhuhai intercity rail system, which helps to connect Zhuhai City to other cities in the Pearl River Delta, is expected to complete by the end of 2010. The Hong Kong-Zhuhai-Macau Bridge is currently under construction. Upon completion of this bridge, the traveling time of driving from Zhuhai City and Macau to Hong Kong will be reduced from around 4.5 hours to around 45 minutes. The easier access to both Macau and Hong Kong from Zhuhai City plays a significant role in facilitating the economic development of the Pearl River Delta region, which will also attract foreign and local investors to invest in the area.

In view of the above favourable factors, it is expected that the prospects of the economy and the real estate markets in Zhuhai City and the Pearl River Delta region would continue to be promising in the future.

REASONS FOR THE ACQUISITION

The Group is principally engaged in (i) property development; (ii) property investment; (iii) trading of automation products and electronic components; and (iv) the design, supply and integration of automation and control system. It is the intention of the Company to retain the Project for property development and investment and the Directors are of the view that the Acquisition is conducted in the ordinary and usual course of business of the Company. In view of (i) the successful launch and sale of Property A; (ii) the future prospects of the real estate market in Zhuhai City, the PRC; and (iii) the discount of approximately 18.69% as represented by the Consideration as compared to the adjusted unaudited net asset value of the Project Company (including the Preliminary Valuation) being attributable to the Acquisition, the Directors consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) immediately after the issue of the maximum number of Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price; and (iii) immediately after the issue of the Conversion Shares upon conversion of the Convertible Bonds, while the Vendor does not hold more than 29.9% of the issued share capital of the Company:

Shareholder	As at the Latest Practicable Date		Immediately after the issue of the maximum number of Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price		Immediately after the issue of the Conversion Shares upon conversion of the Convertible Bonds, while the Vendor does not hold more than 29.9% of the issued share capital of the Company (Note 4)	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Mega Edge International Limited *(Note 1)*	79,500,000	9.33	79,500,000	7.00	79,500,000	8.91
Mr. Chak Joaquim Emilio Kin Man *(Notes 2 and 3)*	96,824,000	11.36	96,824,000	8.53	96,824,000	10.86
Ms. Wong Sio Leng *(Note 3)*	115,000,000	13.50	115,000,000	10.13	115,000,000	12.89
Mr. Ho	226,800,000	26.62	510,225,754	44.94	266,660,228	29.90
Mr. Lau Sai Chung	148,000	0.02	148,000	0.01	148,000	0.02
Public Shareholders	333,708,000	39.17	333,708,000	29.39	333,708,000	37.42
Total	851,980,000	100.00	1,135,405,754	100.00	891,840,228	100.00

Notes:

1. Mega Edge International Limited is legally and beneficially owned as to 100% by Ms. Xia Dan, an executive Director. By virtue of the SFO, Ms. Xia Dan is deemed to have interest in the Shares held by Mega Edge International Limited.

2. Mr. Chak Joaquim Emilio Kin Man is a substantial shareholder of the Company. Save for the aforementioned, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Chak Joaquim Emilio Kin Man does not have any other relationship with the Company.

3. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, other than being substantial shareholders of the Company, Mega Edge International Limited, Mr. Chak Joaquim Emilio Kin Man, Ms. Wong Sio Leng and Mr. Ho do not have any relationship among themselves.

4. The shareholding structure is shown for illustration purpose only and may not be exclusive. Pursuant to the Sale and Purchase Agreement and the terms of the Convertible Bonds, the Bondholder(s) has/have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds (in the amount of HK$5,000,000 or integral multiples thereof save that if the principal outstanding amount of the Convertible Bonds is less than HK$5,000,000, the whole (but not part only) of such outstanding principal amount of the Convertible Bonds may be converted) at any time during the period commencing from three months after the date of the issue of the Convertible Bonds up to ten Business Days prior to the maturity date, provided that the Convertible Bonds may not be converted if such conversion would result in (i) the Company's non-compliance with the public float requirement stipulated under Rule 8.08 of the Listing Rules; or (ii) such Bondholder, its associates and parties acting in concert with it, taken together, directly or indirectly controlling or being interested in 30% or more of the voting rights of the Company (or such other percentage may from time to time be specified in the Takeovers Code being the level for triggering a mandatory general offer); or (iii) the Vendor and other then substantial shareholder(s) of the Company (if any), being presumed to be parties acting in concert with each other under the Takeovers Code by virtue of their then respective shareholdings in the Company.

5. The Company entered into a subscription and option agreement on 26 May 2006 with Weina (BVI) Limited ("**Weina**") and through such agreement and the exercise of option by the Company, Weina is interested in 350,000,000 convertible redeemable preference shares of the Company and has the right to convert the aforesaid shares into 350,000,000 Shares (based on its initial conversion price). On 2 June 2009, the Company and Weina entered into a first supplemental agreement to extend the conversion period for the aforesaid shares for a further 12 months from the expiry date of the conversion period under the subscription and option agreement. By a second supplemental agreement dated 23 October 2009, the conversion period shall be extended automatically for a period of 12 months with effect from each expiry date of the said conversion period unless (i) Weina serves a written notice on the Company notifying its intention of not extending the said conversion period for a further 12 months not later than seven days prior to the expiry date of the said conversion period, and (ii) the Company agrees not to extend the said conversion period for a further 12 months upon receiving such notice. It is also agreed that the convertible redeemable preference shares shall become transferable. On 25 May 2010, Weina transferred 225,000,000 convertible redeemable preference shares to Best Contact Holdings Limited ("**Best Contact**"). On 31 August 2010, Weina further transferred 50,000,000 convertible redeemable preference shares to certain individuals.

   Moreover, the Company entered into a sale and purchase agreement on 17 November 2006 with Weina Holdings Limited and through such agreement, Weina (as designated by Weina Holdings Limited) is interested in 110,000,000 convertible redeemable preference A shares of the Company and has the right to convert the aforesaid convertible redeemable preference A shares into 110,000,000 Shares. Weina Group Limited owns the entire issued share capital of Weina and is therefore deemed to have interests in the underlying Shares in which Weina is interested. By a supplemental agreement dated 23 October 2009, the conversion period for the aforesaid convertible redeemable preference A shares is extended for a further 12 months from the expiry date of the conversion period; and the said conversion period shall be extended automatically for a period of 12 months with effect from each expiry date of the said conversion period unless (i) Weina serves a written notice on the Company notifying its intention of not extending the said conversion period for a further 12 months not later than seven days prior to the expiry date of the said conversion period, and (ii) the Company agrees not to extend the said conversion period for a further 12 months upon receiving such notice. It is also agreed that the convertible redeemable preference A shares shall become transferable. On 25 May 2010, Weina transferred 5,000,000 convertible redeemable preference A shares to Best Contact. On 31 August 2010, Weina further transferred 70,000,000 convertible redeemable preference A shares to certain individuals.

   In accordance with the terms and conditions of the convertible redeemable preference shares and the convertible redeemable preference A shares, the conversion price of the convertible redeemable preference shares and the convertible redeemable preference A shares will be adjusted as a result of the issue of the convertible bonds to Zilver Yuan Investment Partners Limited (a wholly-owned subsidiary of Bank of China Group Investment Limited) as announced by the Company on 16 September 2010 (the "**Previous Bonds**"). As disclosed in the Company's announcement dated 1 December 2010, the conversion price of the convertible redeemable preference shares and the convertible redeemable preference A shares has been adjusted from HK$0.40 to HK$0.38 with effect from 1 December 2010.

   Weina Group Limited owns the entire issued share capital of Weina and is therefore deemed to have interests in the underlying Shares in which Weina is interested. Mr. Tsim Wing Kong is deemed to be interested in the underlying Shares by virtue of his controlling interest in Weina Group Limited. Mr. Tsim Wing Kong is the father of Mr. Tsim Sze Hon. Mr. Tsim Sze Hon was a former executive Director and he resigned on 27 October 2010.

   Best Contact is legally and beneficially owned by Mr. Xu Deliang. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Xu Deliang is an independent third party of the substantial shareholders of the Company and Directors.

6. As at the Latest Practicable Date, the Company had (i) an aggregate of 16,748,000 outstanding share options granted under two share option schemes of the Company, carrying rights to subscribe for a total of 16,748,000 Shares; and (ii) the Previous Bonds in the outstanding principal amount of HK$160 million with a conversion price of HK$0.59 each (subject to adjustment), being convertible into a maximum of 271,186,440 new Shares. Save for the aforesaid share options and the Previous Bonds, the Company did not have any outstanding derivatives or securities convertible into Shares as at the Latest Practicable Date. The shareholding structure shown in the above table has assumed no exercise of such share options and the Previous Bonds.

The Company shall comply with the public float requirements under Rule 8.08 of the Listing Rules, being that not less than 25% of the total issued share capital of the Company are held by the public at all times and the Company shall take appropriate steps/measures to ensure sufficient public float of the Shares (if necessary).

FUND RAISING ACTIVITY IN THE PAST TWELVE MONTHS

Set out below is the fund raising activity conducted by the Company in the past twelve months prior to the Latest Practicable Date:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
16 September 2010	Issue of convertible bonds in the principal amount of HK$160 million under specific mandate	Approximately HK$155.8 million	To be applied towards settling the entire outstanding amount due to Bank of China, Shenzhen Branch	To be applied as intended

Save as and except for the above, the Company had not conducted any other fund raising activities in the past twelve months prior to the Latest Practicable Date.

FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group started the property development business in the second half of 2009. On 13 August 2009, the Group completed the investment of the unlisted equity security in Ocean Vast Corporation Limited, a company which indirectly holds 60% interest in a property development project in Zhuhai City, the PRC. On 20 November 2009, the Group completed the acquisition for 50% of the indirect equity interest in the Project Company. With reference to the interim report of the Company for the six months ended 30 June 2010 (the "**2010 Interim Report**"), the total revenue (including sales of car parks) attributable to the property development business of the Group amounted to approximately RMB95.85 million (equivalent to approximately HK$108.91 million). As stated in the section headed "Reasons for the Acquisition" of this letter, it is the intention of the Company to retain the Project for property development and investment.

The recent tightening property market measures imposed by the PRC government have caused short-term fluctuations and adjustments on the property markets in the PRC. However, the expected GDP growth and the urbanisation in the PRC will continue to generate massive housing demand. The Directors are optimistic on the prospects of the PRC property market since the government's monetary and policy measures would further optimise the property market and thus establish a stable and healthy environment in the long run.

Furthermore, Zhuhai City 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, the economy, including the property market, of Zhuhai City will be further enhanced. Therefore, it is the business strategy of the Group to continue its focus on property projects in Zhuhai City in the coming years, particularly on medium to large scale residential property projects.

As mentioned in the section headed "Information on the Target Group" of this letter and according to the 2010 Interim Report, Property B is still under construction and is planned to be delivered to buyers with premier interior decorations. The pre-sale of Property B has commenced in late November 2010. Due to the upsurge of property price in Zhuhai City in recent years and with interior decorations, the Directors expect that the selling price and profit margin of Property B will be higher as compared to Property A.

Given all of the foregoing, the Directors consider that the Acquisition will enable the Enlarged Group to further penetrate into the property development business which is in line with the existing business strategy of the Group. The Directors anticipate that the Acquisition will broaden the Enlarged Group's income base and improve its financial performance.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION

Upon Completion, the financial results of the Target Group will continue to be consolidated into the financial statements of the Group.

Effect on asset position

As extracted from the unaudited pro forma financial information on the Enlarged Group as contained in Appendix III to this circular, the unaudited consolidated total assets and total liabilities of the Group were approximately RMB1,217 million (equivalent to approximately HK$1,383 million) and RMB631 million (equivalent to approximately HK$717 million) respectively as at 30 June 2010. Upon Completion, the Enlarged Group's total assets would remain unchanged and total liabilities would increase to approximately RMB833 million (equivalent to approximately HK$947 million).

Effect on earnings

In light of the potential future prospects of the Project, the Directors are of the view that the Acquisition would likely to have a positive impact on the future earnings of the Enlarged Group.

Effect on gearing and working capital

According to the unaudited pro forma financial information on the Enlarged Group as contained in Appendix III to this circular, the Group's gearing level (being calculated as total borrowings divided by net assets) was approximately 41% as at 30 June 2010. Upon Completion, the total borrowings of the Enlarged Group would remain unchanged while the Enlarged Group's net assets would decrease to approximately RMB384 million (equivalent to approximately HK$436 million). The Enlarged Group's gearing level would thus become 63%.

Furthermore, as the Consideration will be satisfied by the Company issuing the Convertible Bonds to the Vendor or its nominee on the Completion Date, the Directors expect that the Acquisition would not lead to material change in the working capital position of the Enlarged Group upon Completion.

It should be noted that the aforementioned estimations are for illustrative purpose only and do not purport to represent how the financial position of the Enlarged Group will be upon Completion.

RISK FACTORS

Set out below are the risk factors which may be associated with the Acquisition:

The Target Group is heavily dependent on the performance of the real estate market of the cities in and near the Pearl River Delta Economic Zone, which has fluctuated and may fluctuate

The Project is located in Zhuhai City, the PRC with two phases. The Target Group's business depends on the real estate markets near the cities in and near the Pearl River Delta Economic Zone heavily. The real estate markets may also be affected by local, national and global factors, including government regulations on the real estate market, overall economic and financial conditions, speculative activities, demand and supply of properties, availability of alternative investment choices for property buyers, interest rates movements and availability of capital.

Property prices and demand in the cities in and near the Pearl River Delta Economic Zone have fluctuated significantly in recent years. The major cities in the Pearl River Delta Economic Zone include mainly Guangzhou, Foshan, Dongguan, Shenzhen, Zhongshan and Zhuhai. Any market movements in one of the aforementioned cities will contagiously affect the other cities in the zone. Due to the global financial crisis and the policies implemented by the PRC government to prevent overheating of the real estate market from 2007 to 2008, the transaction volumes and prices for properties in the cities in and near the Pearl River Delta Economic Zone experienced declines. Although transaction volumes and prices for properties in aforementioned areas rebounded during 2009 and early 2010, a further set of policies implemented by the PRC government since April 2010 have had a dampening effect on real estate market demand. The short-term market demand and prices are unclear, and any demand

and price increases may not be sustainable if the PRC economy cannot continue to recover from the global financial crisis or the PRC government adopts further policies to control the real estate market. In addition, the rapid growth of the real estate markets in the Pearl River Delta Economic Zone in recent years may lead to the oversupply of properties, which could cause a decrease in property prices and increase the difficulties to sell the properties. In the event that the prospects of the real estate market in Zhuhai City is adversely affected by the above factors, the Enlarge Group's cash flow, financial position and results of operations will be materially worsen.

There may be delays in the project development schedule

A property development project is under construction for several years before it generates positive cash flow only through presales or sales. The time to recognise revenues may even be longer upon delivery of the completed properties. Therefore, delays in development schedule may have adverse impact on the cash flows and the results of operations of a property developer. The property development schedule depends on a number of factors, such as performance and efficiency of the independent contractors and the property developer's ability to finance the development with bank borrowings, presales and sales proceeds. Other specific factors that could adversely affect the project development schedule include but are not limited to:

- changes in market conditions;
- changes in relevant government regulations and policies on the real estate market;
- shortage of materials, equipment, contractors and skilled labors;
- labor disputes;
- construction accidents; and
- adverse weather conditions and natural catastrophes.

Construction delays or failures to complete the construction of a property project due to its planned specifications, schedules and budget may result in harm to the reputation of a property developer, loss of or delay in recognising revenues and lower returns. If the presold properties are unable to be delivered on time, the property developer may have to compensate the purchasers of the presold properties for late delivery. The purchasers may even terminate their presold agreements if the delay extends beyond a certain period.

The Project Company may encounter all of the aforesaid circumstances during the development and construction of Property B. In such event, the Enlarged Group's cash flow, financial position and results of operations will be materially and adversely affected.

The valuation of the Project may materially differ from its actual value

The valuation of the Project as at 30 September 2010, prepared by the Valuer, is contained in Appendix V to this circular. The valuation is based upon certain assumptions, which by its nature, is subjective and uncertain and may differ materially from the actual values. A list of the relevant assumptions is included in Appendix V. Shareholders should hence note that the actual value of the Property may be different from its estimated valuation.

Fluctuations in the price of construction materials could adversely affect the Target Group's business and financial performance

The cost of construction materials (such as iron, steel and cement), which constitutes a significant proportion of the contractual payments to the construction contractors, may rise in the near future. Any increase in the cost of construction materials results in additional costs and may lead to decrease of future profits generated from Property B. If the Enlarged Group is unable to pass all or part of the possible costs increase to the customers, its profitability will be adversely affected.

Conclusion

The Acquisition will increase the level of risk exposure of the Enlarged Group. Shareholders should be aware of the aforementioned risk factors, which may not be exhaustive, when considering the impact of the Acquisition.

IMPLICATION UNDER THE LISTING RULES

Since the relevant percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. By virtue of Mr. Ho being a substantial shareholder of the Company and the Vendor being ultimately and beneficially owned as to 100% by Mr. Ho, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules and thus the Acquisition also constitutes a connected transaction for the Company and is subject to the approval of the Independent Shareholders by way of poll at the EGM.

As at the Latest Practicable Date, Mr. Ho was interested in 226,800,000 Shares, representing approximately 26.62% of the issued share capital of the Company, and Mr. Chen did not have any shareholding interest in the Company. As aforementioned, the Vendor is ultimately and beneficially owned as to 100% by Mr. Ho. Mr. Ho is therefore considered to have material interest in the Acquisition. In addition, given that Mr. Chen, being an executive Director and the Chairman of the Company, is one of the ultimate beneficial owners of Zhongzhu Holding, Mr. Chen is also considered to have material interest in the Acquisition. Accordingly, Mr. Ho, Mr. Chen and their respective associates are required to abstain from voting at the EGM in respect of the ordinary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds upon Completion and the Conversion Shares which may be issued and allotted pursuant to the terms of the Convertible Bonds.

None of the Directors (save for Mr. Chen) has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds upon Completion and the issue and allotment of the Conversion Shares pursuant to the terms of the Convertible Bonds under a specific mandate of the Company. Therefore, only Mr. Chen had abstained from voting in the meeting of the Board in which the Sale and Purchase Agreement and the transactions contemplated thereunder were approved.

As Completion is subject to the fulfillment of a number of conditions precedent which are detailed in this circular, the Acquisition may or may not be completed. Shareholders and potential investors should exercise caution when dealing in the Shares.

EGM

A notice convening the EGM to be held at Fountains Room 5, LG/F, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 14 January 2011 at 10:30 a.m. or any adjournment is set out from pages 187 to 188 of this circular.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy to the Company's head office and principal place of business in Hong Kong at Suite 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong as soon as possible and in any event not less than 48 hours before the time for holding the EGM or adjourned meeting (as the case may be). Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM should you so wish.

GENERAL

An Independent Board Committee comprising Mr. Poon Lai Yin, Michael, Mr. Chong Yiu Chik and Mr. Choi Kai Ming, Raymond (all being independent non-executive Directors) has been established to advise the Independent Shareholders (i) as to whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (ii) on how to vote in respect of the Acquisition after taking into account the recommendation of the Independent Financial Adviser.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee as set out on page 35 of this circular which contains its recommendation to the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder. Your attention is also drawn to the letter from the Independent Financial Adviser as set out from pages 36 to 64 of this circular which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder, and the principal factors and reasons taken into account in arriving at its recommendation.

The Board considers that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds upon Completion and the Conversion Shares which may be issued and allotted pursuant to the terms of the Convertible Bonds, are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
China Uptown Group Company Limited
Chen Xian
Chairman

CHINA UPTOWN

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)

22 December 2010

To the Independent Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

We refer to the circular dated 22 December 2010 issued by the Company (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We have been appointed to advise the Independent Shareholders in connection with the terms of Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds upon Completion and the Conversion Shares which may be issued and allotted pursuant to the terms of the Convertible Bonds. Wallbanck Brothers has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds upon Completion and the Conversion Shares which may be issued and allotted pursuant to the terms of the Convertible Bonds, after taking into account the advice of the Independent Financial Adviser as set out from pages 36 to 64 of the Circular, are fair and reasonable so far as the Independent Shareholders are concerned, and that the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee
Mr. Poon Lai Yin, Michael   Mr. Chong Yiu Chik   Mr. Choi Kai Ming, Raymond
Independent non-executive Directors

The following is the full text of a letter of advice from Wallbanck Brothers, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Sale and Purchase Agreement, the Acquisition and the transactions contemplated thereunder, for the purpose of incorporation into this circular.

WALLBANCK BROTHERS
Securities (Hong Kong) Limited

2601, Tower 2, Lippo Centre,
89 Queensway, Central,
Hong Kong

22 December 2010

To the independent board committee and
the independent shareholders of
China Uptown Group Company Limited

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the Acquisition, details of which are set out in the letter from the Board (the "Letter from the Board") contained in this circular to the Shareholders dated 22 December 2010 (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires the otherwise.

On 11 August 2009, the Company entered into a sale and purchase agreement to acquire for 50% of the indirect equity interest in the Project Company. The transaction was completed on 20 November 2009. As at the Latest Practicable Date, the Company held 50% of the indirect equity interest in the Project Company. In view of the business prospects of the Project Company, the Company proposes to acquire for additional equity interest in the Project Company by way of the Acquisition.

On 3 December 2010 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares, being the entire issued share capital of the Target Company, at the Consideration of HK$230 million. Pursuant to the Sale and Purchase Agreement, the Purchaser shall procure the Company to issue the Convertible Bonds in the principal amount of HK$230 million to the Vendor or its nominee on the Completion Date to settle the entire Consideration.

As at the Latest Practicable Date, the Target Group was undergoing the Reorganisation. Upon completion of the Reorganisation and the Acquisition, the Company will be ultimately beneficially interested in an aggregate of 75% equity interest in the Project Company.

According to the Letter from the Board, since the relevant percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules. By virtue of Mr. Ho being a substantial shareholder of the Company and the Vendor being ultimately and beneficially owned as to 100% by Mr. Ho, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules and thus the Acquisition also constitutes a connected transaction for the Company and is subject to the approval of the Independent Shareholders by way of poll at the EGM.

As at the Latest Practicable Date, Mr. Ho was interested in 226,800,000 shares, representing approximately 26.62% of the issued share capital of the Company, and Mr. Chen did not have any shareholding interest in the Company. As aforementioned, the Vendor is ultimately and beneficially owned as to 100% by Mr. Ho. Mr. Ho is therefore considered to have material interest in the Acquisition. In addition, given that Mr. Chen, being an executive Director and the Chairman of the Company, is one of the ultimate beneficial owners of Zhongzhu Holding, Mr. Chen is also considered to have material interest in the Acquisition. Accordingly, Mr. Ho, Mr. Chen and their respective associates are required to abstain from voting at the EGM in respect of the ordinary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds upon Completion and the Conversion Shares which may be issued and allotted pursuant to the terms of the Convertible Bonds.

None of the Directors (save for Mr. Chen) has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds upon Completion and the issue and allotment of the Conversion Shares pursuant to the terms of the Convertible Bonds under a specific mandate of the Company. Therefore, only Mr. Chen had abstained from voting in the meeting of the Board in which the Sale and Purchase Agreement and the transactions contemplated thereunder were approved.

An Independent Board Committee comprising Mr. Poon Lai Yin, Michael, Mr. Chong Yiu Chik and Mr. Choi Kai Ming, Raymond (all being independent non-executive Directors) has been established to advise the Independent Shareholders (i) as to whether the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Independent Shareholders are concerned and whether the Acquisition is in the interests of the Company and the Shareholders as a whole; and (ii) on how to vote in respect of the ordinary resolutions to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, including the issue of the Convertible Bonds upon Completion and the Conversion Shares which may be issued pursuant to the terms of the Convertible Bonds.

We, Wallbanck Brothers, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have relied on the accuracy of the information, opinions and representations provided to us by the Directors and management of the Company, and have assumed that all information, opinions and representations contained or referred to in the Circular were true and accurate at the time when they were made and will continue to be accurate at the Latest Practicable Date. We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. Having made all reasonable enquiries, the Directors have further confirmed that to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in this circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company.

In formulating our opinion, we have relied on the financial information provided by the Company, particularly, on the accuracy and reliability of financial statements and other financial data of the Company. We have not audited, compiled nor reviewed the said financial statements and financial data. We shall not express any opinion or any form of assurance on them. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. The Directors have also advised us that no material facts have been omitted from the information to reach an informed view, and we have no reason to suspect that any material information has been withheld. We have not carried out any feasibility study on any past, and forthcoming investment decision, opportunity or project undertaken or be undertaken by the Company. Our opinion has been formed on the assumption that any analysis, estimation, forecast, anticipation, condition and assumption provided by the Company are valid and sustainable. Our opinions shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Company.

In formulating our opinion, we have not considered the taxation implications on the Group or the Shareholders arising from the Sale and Purchase Agreement and the Acquisition. It is emphasized that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her decision to the Sale and Purchase Agreement and the Acquisition. In particular, the Independent Shareholders who are overseas residents or are subject to overseas taxation or Hong Kong taxation on securities dealings should consult their own tax positions, and if in any doubt, should consult their own professional advisers.

Our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of, the Latest Practicable Date. We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinion expressed herein which may come or be brought to our attention before and after the EGM.

Our opinions are formulated only and exclusively for the purpose of the Sale and Purchase Agreement and the Acquisition and shall not be used for any other purpose in any circumstance nor for any comparable purpose with any other opinions.

Our opinions are based on the Directors' confirmation of receipt of our advice that the Directors and the management of the Company are responsible to take all reasonable steps to ensure that the information and representations provided in any press announcement, circular and prospectus concerning the Sale and Purchase Agreement and the Acquisition are true, accurate, complete and not misleading, and that no material information or facts have been omitted or withheld.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background of the Group

(a) Information on the Group

The Group is principally engaged in (i) property development; (ii) property investment; (iii) trading of automation products and electronic components; and (iv) the design, supply and integration of automation and control system.

(b) Business review of the Group

Table 1 set out below summarized the financial performance of the Group for the period from 1 July 2009 to 30 June 2010, as extracted from the Company's annual report for the period from 1 July 2009 to 31 December 2009 and the unaudited interim report of the Group for the six months ended 30 June 2010.

Table 1: Financial performance of the Group

	For the six months ended 30 June 2010 (unaudited) *RMB'000*	**For the six months ended 31 December 2009** (audited) *RMB'000*
Turnover	161,721	140,120
Gross profit/(loss)	(39,956)	5,294
Profit/(loss) before taxation	(70,089)	(61,778)
Profit/(loss) after taxation	(21,639)	(63,848)
	As at 30 June 2010 (unaudited) *HK$'000*	**As at 31 December 2009** (audited) *HK$'000*
Cash and cash equivalents	28,198	148,905
Net Assets	585,545	652,021
Gearing Ratio	42%	18%

For the six months ended 30 June 2010, the Group recorded an unaudited consolidated turnover of approximately RMB161,721,000, as compared to approximately RMB140,120,000 for the six months ended 31 December 2009. Unaudited loss after taxation amounted to approximately RMB21,639,000 for the six months ended 30 June 2010, as compared to an audited loss of approximately RMB63,848,000, for the six months ended 31 December 2009.

The increase in turnover for the six months ended 30 June 2010 was mainly attributable to the sales of properties situated in the PRC. The loss after taxation for the six months ended 30 June 2010 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.

The unaudited net assets of the Group as at 30 June 2010 was approximately RMB585,545,000 (31 December 2009: approximately RMB652,021,000), representing a decrease of 10.20% as compared with those as at 31 December 2009. As at 30 June 2010, the Group's cash and cash equivalents totaled approximately RMB28,198,000 (31 December 2009: approximately RMB148,905,000), representing a decrease of approximately 81.06% against the balance as at 31 December 2009. The gearing ratio (being total borrowings over net assets) was approximately 42% as at 30 June 2010 (31 December 2009: approximately 18%).

2. Information on the Target Group

As referred to the Letter from the Board, the information of the Target Group is summarized as follow:

(a) The Target Company

The Target Company is an investment holding company incorporated in the British Virgin Islands on 8 October 2010 with limited liability and is wholly-owned by the Vendor. As at the Latest Practicable Date, the Target Company directly held 100% equity interest in the HK Company and did not have any operation.

(b) The HK Company

The HK Company is an investment holding company incorporated in Hong Kong on 27 September 2010 with limited liability. Immediately upon completion of the Reorganisation, the HK Company will directly hold 25% equity interest in the Project Company. As at the Latest Practicable Date, the HK Company did not have any operation.

(c) The Project Company

The Project Company is a sino-foreign joint venture established in the PRC on 8 November 2005 with limited liability and was owned as to 50%, 25% and 25% by the Company, the Vendor and Zhongzhu Holding respectively as at the Latest Practicable Date. The only major asset of the Project Company is the Project.

(d) The Target Group

As at the Latest Practicable Date, the Company was effectively interested in 50% equity interest in the Project Company. The Project Company is currently a subsidiary of the Company and its financial results are consolidated into the financial statements of the Group. Upon Completion, the Company will become the sole shareholder of the Target Company through the Purchaser and therefore be effectively interested in (i) 100% equity interest in the HK Company; and (ii) a further 25% equity interest in the Project Company. Given that the Company will continue to control the board of directors of the Project Company and be interested in an aggregate of 75% equity interest in the Project Company, the financial results of the Target Group will continue to be consolidated into the financial statements of the Group.

(e) Information on the Project

The only major asset of the Project Company is the Project and the Project consists of two development properties, being Property A and Property B.

Property A is situated at West Santaishi Road, North Xiaguang Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市前山三台石路西、霞光路北側) and occupies approximately 48,382.70 square meters with a gross floor area of approximately 140,816.93 square meters. The construction of Property A was completed on 30 March 2009 and Property A has been developed into a residential and commercial complex with 872 residential units, 60 commercial units as well as 563 car parking spaces. As at the Latest Practicable Date, approximately 93% of the residential units and 78% of the commercial units under Property A have been sold and delivered to buyers.

Property B is situated at South Renmin West Road, West Santaishi Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市香洲人民西路南、三台石路西側) and occupies approximately 57,762.92 square meters with a planned gross floor area of approximately 175,802.65 square meters. The construction of Property B has commenced in October 2009 and is expected to be completed in the second half of 2012. The pre-sale of Property B has commenced in late November 2010. Property B will be developed into a residential and commercial complex with car parking spaces. As confirmed by the Company's legal advisers as to the PRC laws, the Project Company has already obtained all the necessary licenses and approvals from the relevant government department for the construction and the subsequent sale of Property B.

Based on the existing budget of the Project (which takes into account the part of the proceeds from the sale of the residential and commercial units under Property A that are retained for the construction of Property B and the available banking facility of the Project Company), the Company expects that the Project can be self-financed. Thus, no further capital contributions are required from the Company for the development of Property B.

(f) Financial information of the Target Group

Set out below is a summary of the audited financial information of the Project Company (on company level) for the three years ended 31 December 2009 and the six months ended 30 June 2010 as extracted from Appendix II to this circular prepared in accordance with the Hong Kong Financial Reporting Standards:

Statement of comprehensive income	**For the year ended 31 December 2007**	**For the year ended 31 December 2008**	**For the year ended 31 December 2009**	**For the six months ended 30 June 2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	–	–	592,135	95,845
Net profit/(loss) before taxation	(21,412)	(13,920)	263,095	(774)
Profit/(loss) and total comprehensive income/(expense) for the year/period	(21,412)	(13,920)	197,165	25,602

Statement of financial position	**As at 31 December 2007**	**As at 31 December 2008**	**As at 31 December 2009**	**As at 30 June 2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	831,331	1,048,189	635,235	615,540
Total liabilities	(580,925)	(811,703)	(201,584)	(256,287)
Net assets	(250,406)	236,486	433,651	359,253

As mentioned in the foregoing, Property A was completed and approximately 93% of the residential units and 78% of the commercial units under Property A had been sold and delivered to buyers as at the Latest Practicable Date. The revenue recorded by the Project Company for the year ended 31 December 2009 was attributable to the sale and delivery of such property units. The Project Company will retain part of the proceeds from the sale of the property units under Property A until Completion and apply the same for the development of Property B.

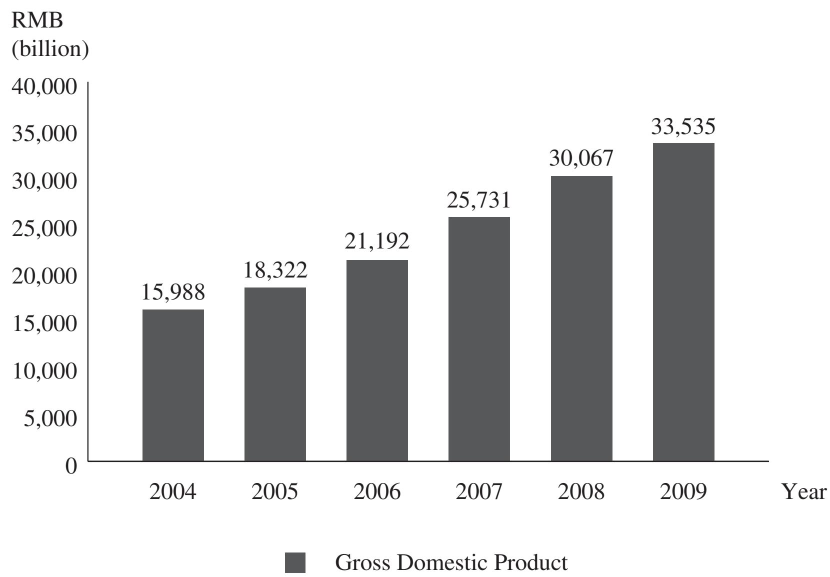
3. Industry Overview

According to the Letter from the Board, the property industry overview is summarized as follow:

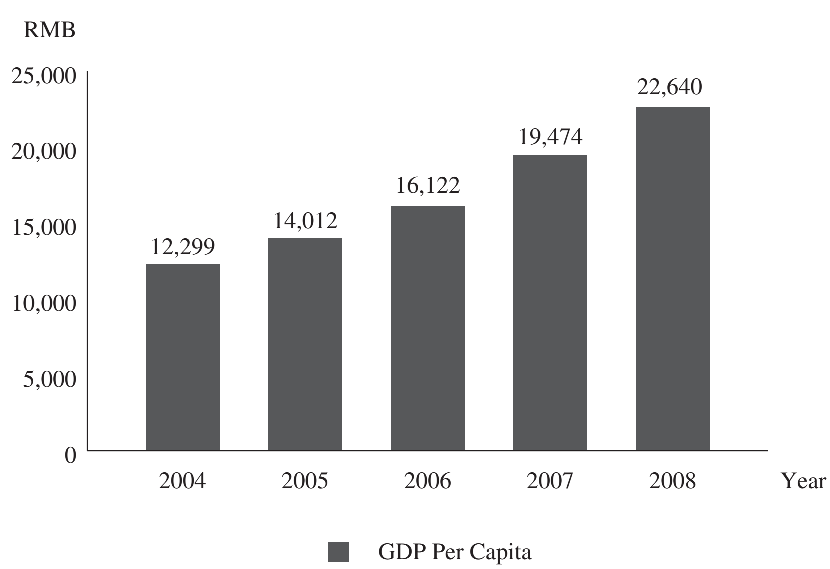
(a) The PRC economic overview

Since the PRC government adopted the economic reform in 1978, the PRC has experienced significant economic growth during the past 30 years. From 2004 to 2009, the PRC's nominal gross domestic product ("**GDP**") grew at a compound annual growth rate ("**CAGR**") of approximately 13.14% and reached approximately RMB33,535 billion in 2009. The PRC also experienced substantial growth in GDP per capita with a CAGR of approximately 12.98% from 2004 to 2008. The charts below demonstrate the nominal GDP and GDP per capita of the PRC in the indicated years:

Gross Domestic Product (2004-2009)



GDP Per Capita (2004-2008)



Source: National Bureau of Statistics of China.

The global financial crisis began in 2008 and caused a slowdown in the global capital and credit market as well as the growth of global economy. The PRC took the lead to recover from the global financial crisis and its economic growth was approximately 11.53% from 2008 to 2009. The PRC government's stimulus policies have driven the strong growth of its domestic market, which has been the key driver of its economic recovery.

(b) The PRC real estate market

The PRC's real estate industry is part of the nation's planned economy. In the 1990s, the PRC's property sector began its transition to a market-based system. From 2004 to the first half of 2008, in response to concerns over the increase in property investment, policies were enacted by the PRC government with an aim to slow down real estate development. Due to the global financial crisis in 2008, there was a rapid adjustment and downturn in the PRC real estate market. Regulations and policies were therefore introduced to ease the market decline and boost real estate transactions. After the gradual recovery of the PRC's economy from the global financial crisis in recent years, the PRC government has imposed series of policies in order to prevent any possible real estate bubble.

Below is a brief timeline of the important policy changes in the PRC's real estate industry since late 2009:

Month/Year	**Event**
September 2009	The PRC government cut preferential housing mortgage rate five times, in line with the interest rates cuts aimed at boosting the economy.
October 2009	Announcement of a series of policy changes: lower mortgage rates, reduced down payments, lower transaction taxes.
November 2009	Announcement of a RMB4 trillion two-year stimulus package. A tenth, or RMB400 billion would be used on construction of affordable housing.
December 2009	• Adoption of measures to support the property market, including cuts in business and transaction taxes for real estate sales, and policies to make it easier for developers to obtain credit.

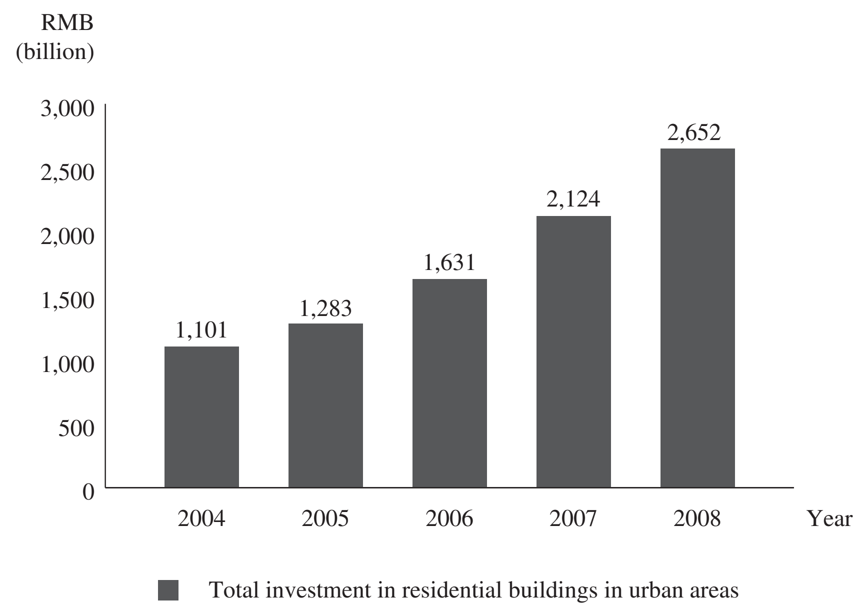
	• The PRC government stipulated that individuals must own their homes for five years to be eligible for sales tax exemption, up from the previous minimum of two years. The PRC government also stated it will increase supply of lower-cost housing.
March 2010	The PRC government instructed 78 state companies whose core business is not property to submit plans to divest from the sector within 15 working days.
April 2010	Announcement of a rise in down payments on second homes to 50% from 40%. The PRC government also required banks to charge a minimum mortgage rate on second homes of 1.1 times the benchmark interest rate and increased down payments on first homes of over 90 sq.m. to 30% from 20%.
July 2010	The PRC government planned to start levying property tax in 2012 in a pilot programme.
August 2010	• The PRC government ordered lenders to test the impact of a fall in house prices of up to 60% in key cities and instruct banks to stop extending mortgages to people buying their third homes in four cities – Beijing, Shanghai, Shenzhen and Hangzhou. • The PRC government called for stress tests on loans to a wide range of industries, including cement and steel, whose fortunes are closely tied to the property market. • The PRC government urged developers to accelerate property construction so as to increase supply.
October 2010	The People's Bank of China decided to raise RMB benchmark deposit and loan rates of financial institutions as of 20 October 2010. The one-year benchmark loan rate was raised from the current of 5.31% to 5.56%, up by approximately 0.25%.

Source: Reuters

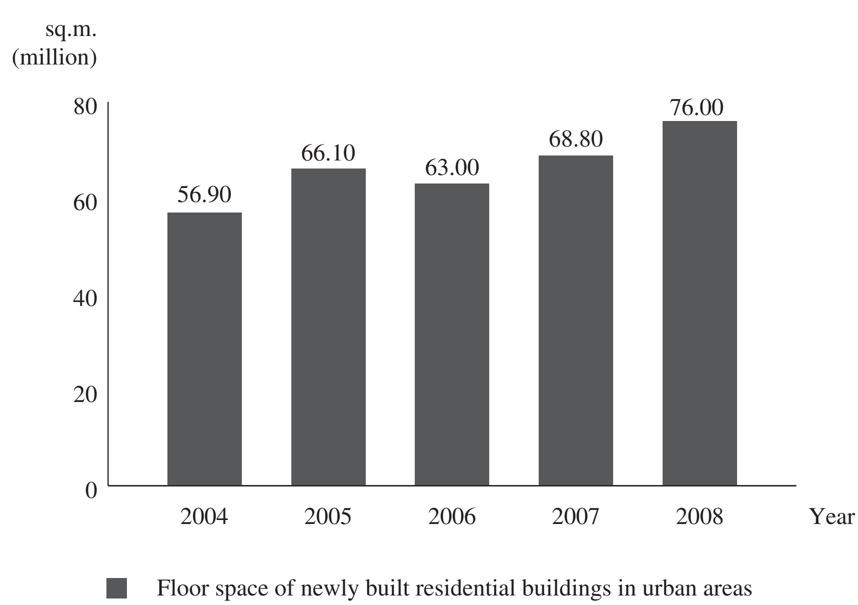
The real estate industry is subject to extensive governmental regulation. The above government intervening policies show that the PRC government actively seeks solutions to ensure the stability of its real estate market.

The below diagrams illustrate the total investment in residential buildings and the total area of residential buildings built in urban areas in the PRC from 2004 to 2008:

Total investment in residential buildings in urban areas (2004-2008)



Floor space of newly built residential buildings in urban areas (2004-2008)



Source: National Bureau of Statistics of China

During the period from 2004 to 2008, the total investment in residential buildings increased in urban areas from approximately RMB1,101 billion to approximately RMB2,652 billion with a CAGR of approximately 19.22%; and the total newly built residential buildings in urban areas increased from 56.90 million sq.m. to 76.00 million sq.m. with a CAGR of approximately 5.96%.

It is believed that the increase of urban disposable income and rapid urbanisation are the key drivers of the PRC real estate market. In the PRC, the urban population grew at a CAGR of approximately 2.25% from approximately 507 million in 2004 to approximately 607 million in 2009 and the per capita disposable income of urban household grew at a CAGR of approximately 10.53% from approximately RMB9,421 in 2004 to approximately RMB17,175 in 2008. The consumption power for urban individuals has shifted from necessities such as food and clothing to housing and transportation. Improving housing condition has become primary and achievable for urban individuals. As more residents moved from rural area to urban area, demand on new residential buildings in the urban area also expanded.

(c) The Zhuhai, Pearl River Delta real estate market

Zhuhai City is located in the southern part of Guangdong Province, lying in the western bank of the Pearl River Delta. It is one of the earliest special economic zones in the PRC, and enjoys the local legislative power granted by the National People's Congress. The city claims a comprehensive, outward-looking economy with new and high-tech industries as the core and being supported by the coordinated development of a diverse range of services, and industries such as real estate, finance, commerce and trading, tourism etc.. The real estate sector represented approximately 30.62% of total fixed asset investment of Guangdong Province in 2009 and grew by approximately 6.5% from the previous year. The GDP per capita in Zhuhai City was approximately RMB69,200, which was approximately 2% higher than the GDP per capita in the whole Pearl River Delta area in 2009. Fixed asset investment increased by approximately 14.10% to approximately RMB41.1 billion in Zhuhai City, and approximately RMB10.22 billion of the total fixed asset investment was contributed by investments in residential property developments, representing a growth of approximately 10.10% as compared to 2008.

Zhuhai City is seeing a host of new opportunities as Guangdong's economic relationship with Hong Kong and Macau becomes closer under CEPA (Mainland and Hong Kong Closer Economic Partnership Arrangement), an agreement which was signed between the PRC government and Hong Kong in 2003 and is also the first free trade agreement signed between the two parties. The Guangzhou-Zhuhai intercity rail system, which helps to connect Zhuhai City to other cities in the Pearl River Delta, is expected to complete by the end of 2010. The Hong Kong-Zhuhai-Macau Bridge is currently under construction. Upon completion of this bridge, the traveling time of driving from Zhuhai City and Macau to Hong Kong will be reduced from around 4.5 hours to around 45 minutes. The easier access to both Macau and Hong Kong from Zhuhai City plays a significant role in facilitating the economic development of the Pearl River Delta region, which will also attract foreign and local investors to invest in the area.

In view of the above favourable factors, it is expected that the prospects of the economy and the real estate markets in Zhuhai City and the Pearl River Delta region would continue to be promising in the future.

4. Background of and reasons for the Acquisition

(a) Background of the Acquisition

According to the Letter from the Board, on 11 August 2009, the Company entered into a sale and purchase agreement to acquire for 50% of the indirect equity interest in the Project Company. The transaction was completed on 20 November 2009. As at the Latest Practicable Date, the Company held 50% of the indirect equity interest in the Project Company. In view of the business prospects of the Project Company, the Company proposes to acquire for additional equity interest in the Project Company by way of the Acquisition.

As at the Latest Practicable Date, the Target Group is undergoing the Reorganisation. Upon completion of the Reorganisation and the Acquisition, the Company will be ultimately beneficially interested in an aggregate of 75% equity interest in the Project Company.

(b) Reason for the Acquisition

According to the Letter from the Board, it is the intention of the Company to retain the Project for property development and investment and the Directors are of the view that the Acquisition is conducted in the ordinary and usual course of business of the Company. In view of (i) the successful launch and sale of Property A; (ii) the future prospects of the real estate market in Zhuhai City, the PRC; and (iii) the discount of approximately 18.69% as represented by the Consideration as compared to the adjusted unaudited net asset value of the Project Company (including the Preliminary Valuation) being attributable to the Acquisition, the Directors consider that the terms of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

5. Principal terms of the Sale and Purchase Agreement

(a) The Sale and Purchase Agreement

On 3 December 2010 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares, being the entire issued share capital of the Target Company, at the Consideration of HK$230 million.

According to the Letter from the Board, pursuant to the Sale and Purchase Agreement, the Purchaser shall procure the Company to issue the Convertible Bonds in the principal amount of HK$230 million to the Vendor or its nominee on the Completion Date to settle the entire Consideration. The Convertible Bonds are convertible into the Conversion Shares at the initial Conversion Price of HK$0.8115 per Conversion Share.

(b) Vendor

Seaton Limited, being the sole shareholder of the Target Company, is an investment holding company incorporated in Hong Kong on 6 November 2009 with limited liability. According to the Letter from the Board, the Vendor is legally and beneficially owned as to 100% by Leading Front Limited which in turn is legally and beneficially owned as to 100% by Mr. Ho. Mr. Ho is also the sole director of the Vendor, the Target Company and the HK Company.

According to the Letter from the Board, since Mr. Ho is a substantial shareholder of the Company and the Vendor is legally and beneficially owned as to 100% by Mr. Ho, the Vendor is a connected person of the Company under the Listing Rules.

(c) Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire for and the Vendor has conditionally agreed to dispose of the Sale Shares at the Consideration. The Sale Shares represent the entire equity interest in the Target Company.

According to the Letter from the Board, the Vendor directly holds 25% equity interest in the Project Company and is the sole legal and beneficial owner of the Target Company, which in turn directly holds the entire issued share capital of the HK Company. Upon completion of the Reorganisation, the Vendor will indirectly hold 25% of the equity interest in the Project Company through the Target Company and the HK Company. The shareholding structure of the Target Group is detailed below under the section headed "Shareholding structure of the Target Group" of the Letter from the Board. The only principal asset of the Target Group is the Project operated by the Project Company.

According to the Letter from the Board, the original purchase cost of 25% equity interest in the Project Company paid by the Vendor is approximately RMB220 million (equivalent to approximately HK$250 million) (the "**Original Cost**"). Such acquisition was completed on 30 December 2009. As advised by the Vendor, the Original Cost was determined based on arm's length negotiations with reference to the then market condition.

(d) Basis of the Consideration

According to the Letter from the Board, the Consideration was determined between the Vendor and the Company after arm's length negotiations and on normal commercial terms, taking into account the followings:

(i) the Preliminary Valuation on the Project of approximately RMB1,174,100,000 (equivalent to approximately HK$1,362,064,965 based on the exchange rate of HK$1.00: RMB0.862) as at 30 September 2010 by an independent Valuer. According to the Valuer, the Preliminary Valuation was arrived at by applying the market approach;

(ii) the unaudited net asset value of the Project Company of approximately RMB359,253,000 (equivalent to approximately HK$408,242,045) as at 30 June 2010; and

(iii) the future prospects of the real estate market in Zhuhai City, the PRC.

We have reviewed the valuation report and discussed with the Valuer, the Company and SHINEWING (HK) CPA Limited (the reporting accountants of the Company) regarding the Preliminary Valuation and in consideration of the factors and the Company's representations as (i) the industry overview as set out above under the section headed "Industry Overview" in this letter, (ii) the Consideration of HK$230,000,000 represents a discount of approximately 8.00% to the Original Cost of approximately RMB220,000,000 (equivalent to approximately HK$250,000,000), being the original purchase cost of 25% equity interest in the Project Company paid by the Vendor; (iii) the Consideration of HK$230,000,000 represents a discount of approximately 32.46% to the Preliminary Valuation of approximately RMB293,525,000 (equivalent to approximately HK$340,516,241), being the 25% portion of the Preliminary Valuation of the Project; (iv) the Consideration of HK$230,000,000 represents a discount of approximately 18.69% to the adjusted unaudited net asset value of the Project Company (including the Preliminary Valuation) being attributable to the Acquisition as stated in the Letter from the Board; and (v) the factors being considered by the Company as stated above to determine the Consideration, it is fair and reasonable to infer that the Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

(e) Undertaking from the Vendor and Mr. Ho

According to the Letter from the Board and pursuant to the Sale and Purchase Agreement, the Vendor undertakes and procures Mr. Ho to undertake to the Purchaser and the Company that, in the event of exercise of the conversion right attaching to the Convertible Bonds:

(i) it will not result in the Company's non-compliance with the public float requirement stipulated under Rule 8.08 of the Listing Rules;

(ii) it will not result in Mr. Ho, his associates and parties acting in concert with him, taken together, directly or indirectly controlling or being interested in 30% or more of the voting rights of the Company (or such other percentage may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer); and

(iii) it will not result in the Vendor and other then substantial shareholder(s) of the Company (if any), being presumed to be parties acting in concert with each other under the Takeovers Code by virtue of their then respective shareholdings in the Company.

(f) Issue of the Convertible Bonds

According to the Letter from the Board, the principal terms of the Convertible Bonds to be issued by the Company is summarised as follows:

Principal Amount:	HK$230,000,000
Issuer:	The Company
Interest:	Nil

Maturity Date:	The date falling on the third anniversary of the date of issue of the Convertible Bonds or, if such a date shall not be a Business Day, the first Business Day following such date.
Redemption:	The Company may at any time three months after the date of issue of the Convertible Bonds and before the maturity date with prior notice to the Bondholder(s) redeem all, but not some only, of the Convertible Bonds at 110% of the outstanding principal amount of the Convertible Bonds. Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem the Convertible Bonds at 110% of the outstanding principal amount of the Convertible Bonds on the date of maturity of the Convertible Bonds.

Conversion Price:

The initial Conversion Price of HK$0.8115 per Conversion Share (subject to adjustments) is equivalent to the volume weighted average of the closing prices of approximately HK$0.8115 per Share for the 30 consecutive trading days up to and including 2 December 2010, and represents:

(i) a premium of approximately 19.34% over the closing price of HK$0.68 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 2.72% over the closing price of HK$0.79 per Share as quoted on the Stock Exchange on the Last Trading Day;

(iii) a premium of approximately 4.04% over the average of the closing prices of approximately HK$0.780 per Share for the last five consecutive trading days up to and including the Last Trading Day;

(iv) a premium of approximately 2.20% over the average of the closing prices of approximately HK$0.794 per Share for the last ten consecutive trading days up to and including the Last Trading Day; and

(v) a premium of approximately 3.91% over the unaudited consolidated net asset value of the Group of approximately HK$0.781 per Share as at 30 June 2010 (based on the unaudited net asset value of the Group of approximately RMB585,545,000 (equivalent to approximately HK$665,392,045) as at 30 June 2010 and 851,980,000 issued Shares as at the date of the Sale and Purchase Agreement).

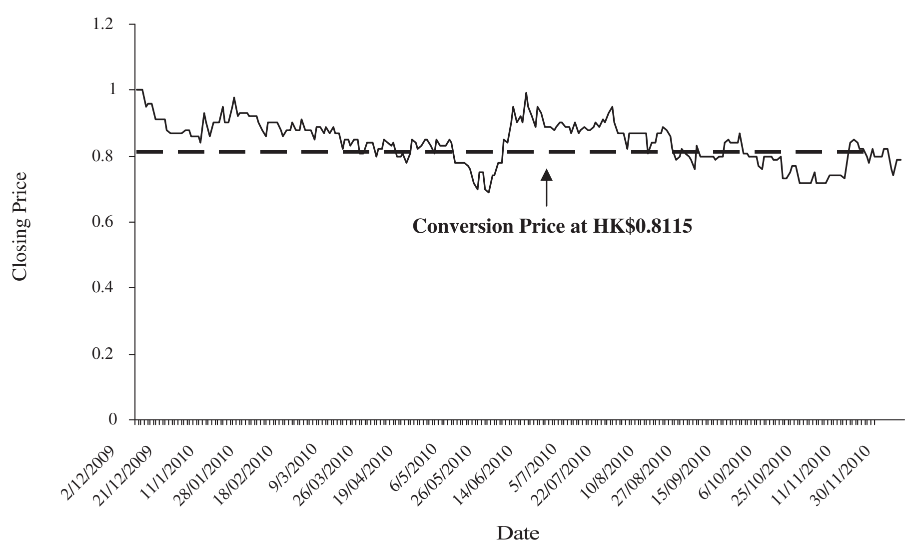
According to the Letter from the Board, the Directors confirmed that the Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor, after taking into account the prevailing market price of the Shares and the recent condition of the financial market in Hong Kong.

In order to assess the fairness and reasonableness of the Conversion Price, we set out the following informative analysis for illustrative and reference purpose:

(I) Review on Share prices

Chart 1 set out below is a chart of historical closing prices of the Shares as quoted on the Stock Exchange for the period of twelve months commencing from 2 December 2009 up to and including the Last Trading Date (the "**Review Period**").

Chart 1: Historical share price performance of the Company



Source: Website of the Stock Exchange (http://www.hkex.com.hk)

Note: Trading in the Shares was suspended on 15 December 2009.

During the Review Period, the highest closing price and the lowest closing price of the Shares were HK$1.00 as recorded on 2, 3 and 4 December 2009 and HK$0.69 on 24 May 2010 respectively. The share price during the Review Period is on sideway, moving between the highest closing price and the lowest closing price of the Shares. The Conversion Price of HK$0.8115 represents a discount of 18.85% to the highest closing price during the Review Period and a premium of 17.61% over the lowest closing price during the Review Period. As the Conversion Price is within the price range of the closing price during the Review Period, it is fair and reasonable to consider that the Conversion Price is fair and reasonable.

(II) Review on trading liquidity of the Shares

Table 2 below sets out the average daily number of the Shares traded per month and the respective percentages of the Shares' monthly trading volume as compared to the total number of issued Shares at the end of each month during the Review Period.

Table 2: Historical trading volume of the Shares

Month	**Average daily trading volume per month (the "Average Volume")** *Number of Shares*	**Average number of issued Shares** *(Note 1)* *Number of Shares*	**Percentage of the Average Volume to total number of issued Shares** *%*
2009			
Dec	184,191	851,980,000	0.02%
2010			
Jan	61,500	851,980,000	0.01%
Feb	220,222	851,980,000	0.03%
Mar	149,043	851,980,000	0.02%
Apr	377,263	851,980,000	0.04%
May	113,600	851,980,000	0.01%
Jun	596,952	851,980,000	0.07%
Jul	96,772	851,980,000	0.01%
Aug	55,364	851,980,000	0.01%
Sep	153,714	851,980,000	0.02%
Oct	75,200	851,980,000	0.01%
Nov	536,796	851,980,000	0.06%
Dec (only two trading days)	6,000	851,980,000	0.0007%

Source: Website of the Stock Exchange (http://www.hkex.com.hk)

Note:

1. Based on average number of Shares in issue for each month during the Review Period.

2. Trading in the Shares was suspended on 15 December 2009.

Table 2 above illustrates that the average daily trading volume of the Shares per month during the Review Period was with ranges of approximately 0.01% to 0.07% of the total number of issued Shares. As trading in the Shares had been historically inactive, it is fair and reasonable to infer that the trading volume of the Shares was relatively thin during the Review Period.

(III) Review on market comparables

In order to evaluate the fairness and reasonableness of the terms of the Convertible Bonds, we have identified, to the best of our knowledge and as far as we are aware of, 23 transactions, during the specified period from 24 September 2010 to the Last Trading Date, by listed companies in the Stock Exchange which involved the relevant fund raising activities and/or consideration issue (the "**Comparables**"). Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and we have not conducted any in-depth investigation into the businesses and operations of the Comparables. The Comparables are hence only used to provide a general reference for the common market practice of the companies listed on the Main Board and GEM of the Stock Exchange in Hong Kong in transactions which involved the issue of convertible bonds/ notes. Table 3 below illustrates our relevant findings:

Table 3: Comparables

Date of announcement	Company name	Stock code	Term (Years)	Annual interest rate	Premium/ (Discount) of the conversion price over/ (to) closing price per share on the last trading days prior to the date of announcement/ agreement in relation to the respective issue of convertible note/bonds
26-Nov-10	China Agrotech Holdings Limited	1073	5	0.00	28.21
25-Nov-10	Mingfa Group (International) Company Limited	846	5	5.00	16.94
23-Nov-10	China Mandarin Holdings Limited	9	5	0.50	(19.77)

Date of announcement	Company name	Stock code	Term (Years)	Annual interest rate	Premium/ (Discount) of the conversion price over/ (to) closing price per share on the last trading days prior to the date of announcement/ agreement in relation to the respective issue of convertible note/bonds
17-Nov-10	Long Success International (Holdings) Limited	8017	5	6.00	51.52
12-Nov-10	Mayer Holdings Limited	1116	3	5.00	3.77
9-Nov-10	Solargiga Energy Holdings Limited	757	2	0.00	6.08
4-Nov-10	Zhongda International Holdings Limited	909	1.5	0.00	28.21
4-Nov-10	King Stone Energy Group Limited	663	5	0.00	(10.26)
4-Nov-10	Sino Dragon New Energy Holdings Limited	395	5	0.00	(15.09)
3-Nov-10	Mongolia Energy Corporation Limited	276	3	3.50	11.48
2-Nov-10	Asia Coal Limited	835	5	0.00	(24.53)
29-Oct-10	North Asia Resources Holdings Limited	61	3	8.00	24.09
25-Oct-10	Hua Lien International (Holding) Company	969	5	0.00	(14.29)
19-Oct-10	China Nickel Resources Holdings Company	2889	2	10.00	3.40

Date of announcement	Company name	Stock code	Term (Years)	Annual interest rate	Premium/(Discount) of the conversion price over/(to) closing price per share on the last trading days prior to the date of announcement/agreement in relation to the respective issue of convertible note/bonds
15-Oct-10	Goldin Properties Holdings Limited	283	3	8.00	28.20
14-Oct-10	Capital Estate Limited	193	3	4.00	5.90
13-Oct-10	China HealthCare Holdings Limited	673	10	0.00	(52.94)
8-Oct-10	GR Vietnam Holdings Limited	139	3	0.00	7.76
8-Oct-10	Sino-Tech International Holdings Limited	724	5	0.00	(16.67)
5-Oct-10	Chinasoft International Limited	354	3	4.25	(2.90)
4-Oct-10	Vitop Bioenergy Holdings Limited	1178	1.5	3.00	20.77
29-Sep-10	Sewco International Holdings Limited	209	3	2.00	29.81
24-Sep-10	Pacific Plywood Holdings Limited	767	1	0.00	(19.60)
		Minimum	1.00	0.00	(52.94)
		Maximum	10.00	10.00	51.52
		Average	3.78	2.58	(3.92)
3-Dec-10	China Uptown Group Company Limited	2330	3.00	0.00	2.72

Source: Website of the Stock Exchange (http://www.hkex.com.hk)

The conversion price of the Comparables ranged from a discount of approximately 52.94% to a premium of approximately 51.52% over the closing prices of their shares on the last trading days prior to the date of announcement/agreement in relation to the respective issue of convertible notes/bonds. The Conversion Price, which represents a premium of approximately 2.72% over the closing price of HK$0.79 per Share as quoted on the Stock Exchange on the Last Trading Day, is hence within the said market range.

The annual interest rate of the Comparables ranged from 0% to 10%, with an average of 2.58%. The Convertible Bonds that carried no interest is common for market practice.

Given the market analysis as detailed above, it is fair and reasonable to infer that the terms of the Convertible Bonds are fair and reasonable so far as the Independent Shareholders are concerned.

Conversion Price Reset:

The Conversion Price shall be adjusted on each of the first and second anniversaries of the date of issue of the Convertible Bonds if the volume weighted average of the closing prices of the Shares over the preceding 30 trading days, prior to each of the first and second anniversaries, is less than 85% of the then applicable Conversion Price. The new Conversion Price shall then be adjusted to be equivalent to 90% of the then applicable Conversion Price immediately before the adjustment.

According to the Letter from the Board, the Directors confirmed that the price reset mechanism of the Conversion Price was arrived at after arm's length negotiations between the Company and the Vendor.

Shareholders and potential investors shall be fully aware that the initial Conversion Price is not the final Conversion Price and that the final Conversion Price will be subject to the Conversion Price Reset as stated above.

(g) Other terms of the Sale and Purchase Agreement

We have also reviewed the other major terms of the Sale and Purchase Agreement and are not aware of any terms which are uncommon. It is fair and reasonable to infer that the terms of the Sale and Purchase are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6. Dilution effect on the shareholding interests of the Independent Shareholders

For illustrative purpose only, set out below is a summary of the shareholdings in the Company (i) as at the Latest Practicable Date; (ii) immediately after the issue of the maximum number of Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price; and (iii) immediately after the issue of the Conversion Shares upon conversion of the Convertible Bonds, while the Vendor does not hold more than 29.9% of the issued share capital of the Company:

Shareholder	**As at the Latest Practicable Date**		**Immediately after the issue of the maximum number of Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price**		**Immediately after the issue of the Conversion Shares upon conversion of the Convertible Bonds, while the Vendor does not hold more than 29.9% of the issued share capital of the Company** *(Note 4)*	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Mega Edge International Limited *(Note 1)*	79,500,000	9.33	79,500,000	7.00	79,500,000	8.91
Mr. Chak Joaquim Emilio Kin Man *(Notes 2 and 3)*	96,824,000	11.36	96,824,000	8.53	96,824,000	10.86
Ms. Wong Sio Leng *(Note 3)*	115,000,000	13.50	115,000,000	10.13	115,000,000	12.89
Mr. Ho	226,800,000	26.62	510,225,754	44.94	266,660,228	29.90
Mr. Lau Sai Chung	148,000	0.02	148,000	0.01	148,000	0.02
Public Shareholders	333,708,000	39.17	333,708,000	29.39	333,708,000	37.42
Total	851,980,000	100.00	1,135,405,754	100.00	891,840,228	100.00

Notes:

1. Mega Edge International Limited is legally and beneficially owned as to 100% by Ms. Xia Dan, an executive Director. By virtue of the SFO, Ms. Xia Dan is deemed to have interest in the Shares held by Mega Edge International Limited.

2. Mr. Chak Joaquim Emilio Kin Man is a substantial shareholder of the Company. Save for the aforementioned, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Chak Joaquim Emilio Kin Man does not have any other relationship with the Company.

3. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, other than being substantial shareholders of the Company, Mega Edge International Limited, Mr. Chak Joaquim Emilio Kin Man, Ms. Wong Sio Leng and Mr. Ho do not have any relationship among themselves.

4. The shareholding structure is shown for illustration purpose only and may not be exclusive. Pursuant to the Sale and Purchase Agreement and the terms of the Convertible Bonds, the Bondholder(s) has/have the right to convert the whole or part of the outstanding principal amount of the Convertible Bonds (in the amount of HK$5,000,000 or integral multiples thereof save that if the principal outstanding amount of the Convertible Bonds is less than HK$5,000,000, the whole (but not part only) of such outstanding principal amount of the Convertible Bonds may be converted) at any time during the period commencing from three months after the date of the issue of the Convertible Bonds up to ten Business Days prior to the maturity date, provided that the Convertible Bonds may not be converted if such conversion would result in (i) the Company's non-compliance with the public float requirement stipulated under Rule 8.08 of the Listing Rules; or (ii) such Bondholder, its associates and parties acting in concert with it, taken together, directly or indirectly controlling or being interested in 30% or more of the voting rights of the Company (or such other percentage may from time to time be specified in the Takeovers Code being the level for triggering a mandatory general offer); or (iii) the Vendor and other then substantial shareholder(s) of the Company (if any), being presumed to be parties acting in concert with each other under the Takeovers Code by virtue of their then respective shareholdings in the Company.

5. The Company entered into a subscription and option agreement on 26 May 2006 with Weina (BVI) Limited ("**Weina**") and through such agreement and the exercise of option by the Company, Weina is interested in 350,000,000 convertible redeemable preference shares of the Company and has the right to convert the aforesaid shares into 350,000,000 Shares (based on its initial conversion price). On 2 June 2009, the Company and Weina entered into a first supplemental agreement to extend the conversion period for the aforesaid shares for a further 12 months from the expiry date of the conversion period under the subscription and option agreement. By a second supplemental agreement dated 23 October 2009, the conversion period shall be extended automatically for a period of 12 months with effect from each expiry date of the said conversion period unless (i) Weina serves a written notice on the Company notifying its intention of not extending the said conversion period for a further 12 months not later than seven days prior to the expiry date of the said conversion period, and (ii) the Company agrees not to extend the said conversion period for a further 12 months upon receiving such notice. It is also agreed that the convertible redeemable preference shares shall become transferable. On 25 May 2010, Weina transferred 225,000,000 convertible redeemable preference shares to Best Contact Holdings Limited ("**Best Contact**"). On 31 August 2010, Weina further transferred 50,000,000 convertible redeemable preference shares to certain individuals.

   Moreover, the Company entered into a sale and purchase agreement on 17 November 2006 with Weina Holdings Limited and through such agreement, Weina (as designated by Weina Holdings Limited) is interested in 110,000,000 convertible redeemable preference A shares of the Company and has the right to convert the aforesaid convertible redeemable preference A shares into 110,000,000 Shares. Weina Group Limited owns the entire issued share capital of Weina and is therefore deemed to have interests in the underlying Shares in which Weina is interested. By a supplemental agreement dated 23 October 2009, the conversion period for the aforesaid convertible redeemable preference A shares is extended for a further 12 months from the expiry date of the conversion period; and the said conversion period shall be extended automatically for a period of 12 months with effect from each expiry date of the said conversion period unless (i) Weina serves a written notice on the Company notifying its intention of not extending the said conversion period for a further 12 months not later than seven days prior to the expiry date of the said conversion period, and (ii) the Company agrees not to extend the said conversion period for a further 12 months upon receiving such notice. It is also agreed that the convertible redeemable preference A shares shall become transferable. On 25 May 2010, Weina transferred 5,000,000 convertible redeemable preference A shares to Best Contact. On 31 August 2010, Weina further transferred 70,000,000 convertible redeemable preference A shares to certain individuals.

   In accordance with the terms and conditions of the convertible redeemable preference shares and the convertible redeemable preference A shares, the conversion price of the convertible redeemable preference shares and the convertible redeemable preference A shares will be adjusted as a result of the issue of the convertible bonds to Zilver Yuan Investment Partners Limited (a wholly-owned subsidiary of Bank of China Group Investment Limited) as announced by the Company on 16 September 2010 (the "**Previous Bonds**"). As disclosed in the Company's announcement dated 1 December 2010, the conversion price of the convertible redeemable preference shares and the convertible redeemable preference A shares has been adjusted from HK$0.40 to HK$0.38 with effect from 1 December 2010.

Weina Group Limited owns the entire issued share capital of Weina and is therefore deemed to have interests in the underlying Shares in which Weina is interested. Mr. Tsim Wing Kong is deemed to be interested in the underlying Shares by virtue of his controlling interest in Weina Group Limited. Mr. Tsim Wing Kong is the father of Mr. Tsim Sze Hon. Mr. Tsim Sze Hon was a former executive Director and he resigned on 27 October 2010.

Best Contact is legally and beneficially owned by Mr. Xu Deliang. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Xu Deliang is an independent third party of the substantial shareholders of the Company and Directors.

6. As at the Latest Practicable Date, the Company has (i) an aggregate of 16,748,000 outstanding share options granted under two share option schemes of the Company, carrying rights to subscribe for a total of 16,748,000 Shares; and (ii) the Previous Bonds in the outstanding principal amount of HK$160 million with a conversion price of HK$0.59 each (subject to adjustment), being convertible into a maximum of 271,186,440 new Shares. Save for the aforesaid share options and the Previous Bonds, the Company does not have any outstanding derivatives or securities convertible into Shares as at the Latest Practicable Date. The shareholding structure shown in the above table has assumed no exercise of such share options and the Previous Bonds.

As demonstrated by the above table, the shareholding interests of the existing public Shareholders in the Company would be diluted from approximately 39.17% to approximately 37.42% at maximum as a result of the issue of the Conversion Shares to the extent that the conversion of the Convertible Bonds does not hold more than 29.9% of the issued share capital of the Company under the Takeovers Code. Taking into account (i) the undertaking from the Vendor and Mr. Ho as set out above in the section headed "Undertaking from the Vendor and Mr. Ho", (ii) the reasons for the Acquisition and the industry overview; and (iii) the terms of the Sales and Purchase Agreement and the Convertible Bonds being fair and reasonable, it is fair and reasonable to infer that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is not unacceptable.

7. Financial impact of the Acquisition

As set out in the Letter from the Board and as further confirmed by the Directors, upon completion of the Reorganisation and the Acquisition, the Company will be ultimately beneficially interested in an aggregate of 75% equity interest in the Project Company. The financial results which comprise the accounts of the Target Group will be further consolidated into the financial statements of the Group.

(a) Net asset value

According to the unaudited pro-forma financial information of the Enlarged Group as contained in Appendix III of the Circular, the unaudited consolidated total assets, total liabilities and the net assets value of the Group were approximately RMB1,216,911,000, RMB631,366,000 and RMB585,545,000 respectively as at 30 June 2010. Upon Completion, the Enlarged Group's total assets is expected to remain unchanged, the total liabilities is expected to increase to approximately RMB833,226,000 and the net asset value is expected to decrease to approximately RMB383,685,000.

(b) Earnings

Taking into account the future prospect of the Target Group as anticipated by the Directors, the Directors expected that the Acquisition would likely to have a positive impact on the future earning of the Enlarged Group as the Company will be able to further consolidate the financial results of the Target Company into its consolidated financial statements upon completion of the Reorganisation and the Acquisition.

(c) Gearing

According to the Letter from the Board and the unaudited pro-forma financial information of the Enlarged Group as contained in Appendix III of the Circular, the Enlarged Group's gearing level (being calculated as total borrowings divided by net assets) was approximately 41% as at 30 Jun 2010. Upon Completion, the total borrowings of the Enlarged Group would remain unchanged while the Enlarged Group's net assets is expected to decrease to approximately RMB383,685,000. The Enlarged Group's gearing level is expected to increase to 63%.

(d) Working Capital

According to the Letter from the Board and as further confirmed by the Directors, since the Acquisition does not incur any cash consideration, it is expected that the Acquisition would not lead to any immediate and material change to the Enlarged Group's working capital position.

It should be noted that the aforementioned analysis are for illustrative purpose only and do not purport to represent how the financial position of the Company will be upon completion of the Reorganisation and the Acquisition.

8. Risk Factors

Independent Shareholders should consider fully and carefully all information contained in this letter and, in particular, should fully aware and evaluate the following risk factors to and in connection with the Acquisition. The business, financial conditions and results of operations of the Group may be materially and adversely affected by any of the risk factors.

(a) Fluctuations on real estate prices

The fluctuations in supply and demand of real estate in Zhuhai City, the PRC may be caused by numerous factors beyond the Company's control, which include but not limited to global and domestic economic and political conditions and competition from other competitors and government policy on real estate market. There is no assurance that the demand and price for real estate in Zhuhai City, the PRC will continue to grow or increase, or that the local demand for real estate in Zhuhai City, the PRC will not experience excess supply.

(b) Significant and continuous capital investment

According to the Letter from the Board, the construction of Property B has not been completed. Given that the real estate business requires significant and continuous capital investment, the Property B may not be completed as planned, and may exceed the original budgets and may not achieve the intended economic results or commercial viability. Although, according to the Letter from the Board, the Company expects that the Project can be self financed and no further capital contributions are required for the development of Property B, actual capital expenditures for the Project may significantly differ from the Company's expectation due to various factors beyond the Company's control, which in turn may adversely affect the Company's financial condition.

(c) The valuation analysis may prove to be unrepresentative of the estimated value

The valuation of the Property A adopted the direct comparison approach assuming sale of the property in their existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market. The valuation of the Property B also adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market and has also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

Whilst these forms of direct comparison approach analysis allow Shareholders to make an assessment of the valuation of the Property A and Property B, there is no assurance that the analyses and the assumptions which have been used for the purposes of the valuation will prove to be accurate or reliable. Accordingly, the valuation is not an indication of, and does not guarantee, the actual value of the Property A and Property B.

(d) Limited reference samples for comparison

As every listed companies have their unique business activities, business operations and business models and different financial positions, conditions and circumstances (such as assets and liabilities), it is impossible and difficult to locate reference sample of exact and same nature of business activities, business operations and business models for comparison purpose concerning the issue of the Convertible Bonds.

(e) Laws and regulations

This real estate business is subject to extensive governmental regulations, policies and controls. There can be no assurance that the relevant government will not change such laws, regulations or policies or impose additional or more stringent laws, regulations or policies. Failure to comply with the relevant laws, regulations or policies may adversely affect the Company.

Our opinions and their validity are subject to the assumptions as indicated in the Valuation Report and views of the Board and to the risk factors set out in this letter concerning the Acquisition.

RECOMMENDATION

Having considered the above principal factors and reasons and Directors' representations, on balance and in general terms, we are of the opinion that in such circumstance and at this stage, the Sale and Purchase Agreement and the transactions contemplated thereunder is on normal commercial terms, in the ordinary and usual course of business of the Company and is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders, and also recommend the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
WALLBANCK BROTHERS
Securities (Hong Kong) Limited
Phil Chan
Chief Executive Officer

A. THERE-YEARS FINANCIAL INFORMATION

The financial information of the Group for (i) the six months ended 30 June 2010 is disclosed in the interim report of the Company for the six months ended 30 June 2010 published on 13 September 2010, from pages 19 to 52; (ii) the six months ended 31 December 2009 is disclosed in the annual report of the Company for the six months ended 31 December 2009 published on 29 April 2010, from pages 52 to 152; (iii) the year ended 30 June 2009 is disclosed in the annual report of the Company for the year ended 30 June 2009 published on 29 October 2009, from pages 46 to 144; (iv) the year ended 30 June 2008 is disclosed in the annual report of the Company for the year ended 30 June 2008 published on 30 October 2008, from pages 23 to 87; and (v) the year ended 30 June 2007 is disclosed in the annual report of the Company for the year ended 30 June 2007 published on 22 October 2007, from pages 22 to 69, all of which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.chinauptown.com.hk).

B. INDEBTEDNESS STATEMENT

At the close of business on 31 October 2010, being the latest practicable date for the purpose of ascertaining the indebtedness statement prior to the printing of this circular, the Enlarged Group had aggregate banking facilities of approximately RMB501,590,000 comprising bank loans and revolving loan, among which approximately RMB340,368,000 had been utilised by the Enlarged Group as at that date.

At the close of business on 31 October 2010, the Enlarged Group had secured bank loans of approximately RMB321,888,000, secured revolving loans of approximately RMB18,480,000 and unsecured bank loans of approximately RMB67,734,000.

Security and guarantees

At the close of business on 31 October 2010, the secured bank loans and revolving loans of the Enlarged Group were secured by the Enlarged Group's leasehold land and buildings with a total carrying amount of approximately RMB19,959,000; investment properties with a total carrying amount of approximately RMB49,060,000 and properties under development with a total carrying amount of approximately RMB577,459,000.

Commitments

At the close of business on 31 October 2010, the Enlarged Group had contracted but not provided for in respect of properties under development of approximately RMB178,288,000 and authorised but not contracted for of approximately RMB357,973,000.

Contingent liabilities

At the close of business on 31 October 2010, the Enlarged Group had the following contingent liabilities:

(1) On 12 December 2009, the Enlarged Group received a writ of summons from Global Tide Limited ("**Global Tide**"). Global Tide brought civil action in the High Court of the Hong Kong Special Administrative Region against the Enlarged Group for compensation and damages of approximately HK$8,834,000 (the "**Claim**") in relation to the disposal of its former wholly-owned subsidiary, Magic Gain Investments Limited. Details of the Claim are set out in the announcement of the Company dated 16 December 2009.

The Enlarged Group decided to defend against the Claim and obtained legal advice in respect of the merits of the Claim. The Directors are of the opinion that there will not be any adverse financial effect on the earnings, net assets and liabilities of the Enlarged Group.

(2) The Enlarged Group had arranged for bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. At 31 October 2010, the outstanding guarantees were amounted to approximately RMB3,905,000.

(3) On 25 April 2008, a PRC subsidiary of the Company had been served with a writ of summons in the PRC and was being claimed for a total amount of approximately HK$23,000,000 (equivalent to approximately RMB20,240,000) under a guarantee being allegedly issued by the PRC subsidiary. The PRC subsidiary has appointed a firm of legal counsel to represent the PRC subsidiary to defend the claim and legal proceedings.

The first court hearing was held on 20 October 2008 and after a series of legal proceedings, the PRC subsidiary received a civil judgment (the "**Judgment**") issued by Intermediate People's Court in Shenzhen, the PRC on 14 June 2010. The PRC subsidiary was liable to bear 50% of any shortfall that the first defendant is unable to settle in respect of claims amount of approximately HK$23,000,000 (equivalent to approximately RMB20,240,000).

The Directors having consulted their lawyers believe that they have a strong case for an appeal. Therefore, no provision has been made in respect of the Judgment. Details of the Judgment are set out in the announcement of the Company dated 15 June 2010.

Subsequently on 30 November 2010, the PRC subsidiary entered into a settlement agreement with the plaintiff in which the PRC subsidiary shall pay HK$4,800,000 to the plaintiff within five days of entering into the agreement for settlement of all responsibilities and claims of the Judgment. On 2 December 2010, the Senior People's Court of the Guangdong Province in the PRC approved the application for the withdrawal of the Judgment. Details of settlement were set out in the announcement of the Company dated 3 December 2010.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Renminbi at the rate of exchange prevailing at the close of business on 31 October 2010.

Save as aforesaid, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have outstanding at the close of business on 31 October 2010 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

C. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position of the Group since 31 December 2009, the date to which the latest published audited financial statements of the Group were made up.

D. WORKING CAPITAL STATEMENT

The Directors, after due and careful consideration, are of the opinion that, taking into consideration the financial resources available to the Enlarged Group including internally generated funds and the existing available credit facilities, and upon Completion, the Enlarged Group will have sufficient working capital for its present requirements for at least twelve months from the date of this circular.

The following is the text of the accountants' report on the Target Group, prepared for the purpose of incorporation in this circular, received from the reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

22 December 2010

The Board of Directors
China Uptown Group Company Limited
Suite 1501, 15/F
Tower 1, Silvercord
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Zhuhai Zhongzhu Real Estate Development Company Limited* (珠海中珠房地產開發有限公司) ("Zhuhai Zhongzhu") including the statements of financial position as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2007, year ended 31 December 2008, year ended 31 December 2009,the six months ended 30 June 2009 and the six months ended 30 June 2010 (the "Relevant Periods"), and the notes thereto (the "Financial Information") for inclusion in the circular dated 22 December 2010 (the "Circular") issued by China Uptown Group Company Limited (the "Company") in connection with the proposed acquisition of the entire issued share capital of Armando Investments Limited by the Company (the "Proposed Acquisition").

Zhuhai Zhongzhu is a sino-foreign joint venture company with limited liability established in the People's Republic of China (the "PRC") on 8 November 2005 with a registered capital of HK$80,000,000. Zhuhai Zhongzhu is principally engaged in the development of real estate in the PRC. Its registered office and principal place of business is Room 1701, Zhongzhu Building, 1081 South Yingbin Road, Gongbei, Zhuhai, the PRC.

* English name is for identification purpose only.

Zhuhai Zhongzhu has adopted 31 December as its financial year end date. The statutory financial statements of Zhuhai Zhongzhu for the three years ended 31 December 2009 were prepared in accordance with the relevant accounting principles and regulations applicable to enterprises established in the PRC and were audited by the respective statutory auditors as indicated below:

Periods covered	**Certified Public Accountants**
Year ended 31 December 2007	Deloitte Touche Tohmatsu CPA Limited 德勤華永會計師事務所有限公司
Year ended 31 December 2008	Deloitte Touche Tohmatsu CPA Limited 德勤華永會計師事務所有限公司
Year ended 31 December 2009	Zhuhai GuoRui Certified Public Accountants** 珠海國睿會計師事務所

For the purpose of this report, the directors of Zhuhai Zhongzhu have prepared the financial statements of Zhuhai Zhongzhu for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have carried out independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information of Zhuhai Zhongzhu for the Relevant Periods as set out in this report have been prepared by the directors of Zhuhai Zhongzhu based on the Underlying Financial Statements and in accordance with HKFRSs. No adjustments are considered necessary to adjust the Underlying Financial Statements for the Relevant Periods for the preparation of the Financial Information and we consider it is appropriate for the purpose of preparing our report for inclusion in the Circular. We have examined the Financial Information and have carried out additional procedures as considered necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountants" issued by the HKICPA.

The directors of Zhuhai Zhongzhu are responsible for the preparation of the Underlying Financial Statements and the Financial Information which give a true and fair view. It is fundamental that appropriate accounting policies are selected and applied consistently. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

OPINION

In our opinion, the Financial Information together with the notes thereto gives, for the purpose of this report, a true and fair view of the state of affairs of Zhuhai Zhongzhu as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 and of its results and cash flows for each of the Relevant Periods.

** The Certified Public Accountants are registered in the PRC and the English name is for identification purpose only.

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
		2007	**2008**	**2009**	**2009**	**2010**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	*9*	–	–	592,135	377,951	95,845
Cost of sales		–	–	(324,895)	(219,395)	(83,935)
Gross profit		–	–	267,240	158,556	11,910
Other operating income	*9*	825	3,826	2,201	1,215	430
Selling and distribution expenses		(9,953)	(5,201)	(5,400)	(2,305)	(2,167)
Administrative expenses		(3,154)	(2,858)	(2,389)	(1,267)	(1,447)
(Provision) reversal of financial guarantee contracts	*26*	(1,186)	(469)	331	(548)	–
Change in fair value of investment properties	*18*	–	–	8,376	7,776	(9,500)
Finance costs	*11*	(7,944)	(9,218)	(7,264)	(6,139)	–
(Loss) profit before taxation		(21,412)	(13,920)	263,095	157,288	(774)
Income tax (expense) credit	*12*	–	–	(65,930)	(28,032)	26,376
(Loss) profit and total comprehensive (expense) income for the year/period	*13*	(21,412)	(13,920)	197,165	129,256	25,602

STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 June
		2007	2008	2009	2010
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Plant and equipment	*17*	459	371	276	259
Investment properties	*18*	38,071	53,224	61,600	12,600
		38,530	53,595	61,876	12,859
Current assets					
Properties under development	*19*	588,419	742,428	294,548	441,262
Properties held for sale	*20*	–	–	135,628	108,284
Trade and other receivables	*21*	13,585	25,875	10,235	33,578
Amount due from a shareholder	*22*	7,813	16,280	4,606	–
Income tax recoverable		5,092	10,901	–	1,264
Restricted bank deposits	*23*	3,000	3,000	–	–
Bank balances and cash	*24*	174,892	196,110	128,342	18,293
		792,801	994,594	573,359	602,681
Current liabilities					
Trade and other payables	*25*	310,132	535,804	161,774	97,000
Amount due to a shareholder	*22*	14,792	906	903	–
Financial guarantee liabilities	*26*	1,105	879	–	–
Loan from shareholders					
– due within one year	*27*	–	124,114	–	–
Income tax payable		–	–	36,813	7,830
Bank borrowings					
– due within one year	*28*	–	150,000	–	–
		326,029	811,703	199,490	104,830
Net current assets		466,772	182,891	373,869	497,851
		505,302	236,486	435,745	510,710

STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 June
		2007	**2008**	**2009**	**2010**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Capital and reserves					
Paid-up capital	*29*	250,000	250,000	250,000	250,000
Reserves		406	(13,514)	183,651	109,253
		250,406	236,486	433,651	359,253
Non-current liabilities					
Loan from shareholders					
– due after one year	*27*	114,896	–	–	–
Bank borrowings					
– due after one year	*28*	140,000	–	–	150,000
Deferred taxation	*30*	–	–	2,094	1,457
		254,896	–	2,094	151,457
		505,302	236,486	435,745	510,710

STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital *RMB'000*	Shareholder's contribution reserve *RMB'000* *(Note i)*	General reserve *RMB'000* *(Note ii)*	(Accumulated losses) retained profit *RMB'000*	Total *RMB'000*
At 1 January 2007	250,000	12,490	–	(1,921)	260,569
Deemed shareholders' contribution	–	11,249	–	–	11,249
Total comprehensive expense	–	–	–	(21,412)	(21,412)
At 31 December 2007	250,000	23,739	–	(23,333)	250,406
Total comprehensive expense	–	–	–	(13,920)	(13,920)
At 31 December 2008	250,000	23,739	–	(37,253)	236,486
Total comprehensive income	–	–	–	197,165	197,165
Transfers	–	–	15,991	(15,991)	–
At 31 December 2009	250,000	23,739	15,991	143,921	433,651
Dividend paid	–	–	–	(100,000)	(100,000)
Total comprehensive income	–	–	–	25,602	25,602
At 30 June 2010	250,000	23,739	15,991	69,523	359,253

For the six months ended 30 June 2009:

	Paid-up capital *RMB'000*	Shareholders' contribution reserve *RMB'000* *(Note i)*	General reserve *RMB'000* *(Note ii)*	(Accumulated losses) retained profit *RMB'000*	Total *RMB'000*
At 1 January 2009	250,000	23,739	–	(37,253)	236,486
Total comprehensive income	–	–	–	129,256	129,256
At 30 June 2009	250,000	23,739	–	92,003	365,742

Note i: The shareholder's contribution reserve represents the deemed capital contributed from the shareholders in the form of a non-interest bearing loan. The amounts are estimated by discounting the nominal value of the non-interest bearing loan to Zhuhai Zhongzhu at an effective interest rate of 8%.

Note ii: As stipulated by regulations in the PRC, Zhuhai Zhongzhu in the PRC is required to appropriate 10% of its after-tax profit (after offsetting prior year losses) to a general reserve fund until the balance of the fund reaches 50% of its registered capital and thereafter any further appropriation is optional. The general reserve fund can be utilised to offset prior year losses, or for conversion into registered capital on the condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such utilisation.

STATEMENTS OF CASH FLOW

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES					
(Loss) profit before taxation	(21,412)	(13,920)	263,095	157,288	(774)
Adjustments for:					
Amortisation of financial guarantee liabilities	(81)	(695)	(548)	(548)	–
Bad debts directly written off	1,636	39	–	–	–
Provision (reversal) of the financial guarantee contract	1,186	469	(331)	548	–
Change in fair value of investment properties	–	–	(8,376)	(7,766)	9,500
Depreciation of plant and equipment	42	95	95	47	49
Finance costs	7,944	9,218	7,264	6,139	–
Impairment loss recognised in respect of properties held for sale	–	–	–	–	8,102
Interest income	(388)	(2,986)	(1,271)	(580)	(430)
Operating cash flow before movements in working capital	(11,073)	(7,780)	259,928	155,128	16,447
(Increase) decrease in properties under development and properties held for sale	(136,966)	(142,929)	314,944	220,228	(86,488)
(Increase) decrease in trade and other receivables	(7,867)	(10,796)	15,640	25,694	(23,343)
(Increase) decrease in amount due from a shareholder	(7,813)	1,233	11,674	1,974	4,606
Increase (decrease) in trade and other payables	226,656	224,139	(377,098)	(314,706)	(64,774)
Decrease in amount due to a shareholder	(1,974)	–	–	–	–
Cash generated from (used in) operations	60,963	63,867	225,088	88,318	(153,552)
Income tax paid	–	(5,809)	(7,437)	(3,409)	(3,835)
Land appreciation tax paid	–	–	(5,617)	(514)	(673)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	60,963	58,058	212,034	84,395	(158,060)

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES					
Purchase of investment properties	(15,770)	(15,153)	–	–	–
(Increase) decrease in restricted bank deposits	(3,000)	–	3,000	3,000	–
Purchase of plant and equipment	(425)	(7)	–	–	(32)
Interest received	388	2,986	1,271	580	430
Advance to a shareholder	–	(9,700)	–	–	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(18,807)	(21,874)	4,271	3,580	398
FINANCING ACTIVITIES					
New bank borrowings raised	140,000	30,000	–	–	150,000
Loan advance from (repayment of loan advance to) shareholders	65,000	–	(130,000)	–	–
Repayment of amount due to a shareholder	(68,104)	(13,886)	(3)	–	(903)
Interest paid	(5,011)	(11,080)	(4,070)	(2,692)	(1,484)
Repayment of bank borrowings	–	(20,000)	(150,000)	(120,000)	–
Dividends paid	–	–	–	–	(100,000)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	131,885	(14,966)	(284,073)	(122,692)	47,613
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	174,041	21,218	(67,768)	(34,717)	(110,049)
CASH AND CASH EQUIVALENTS AT THE BEGINNING THE OF YEAR/PERIOD	851	174,892	196,110	196,110	128,342
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, represented by bank balances and cash	174,892	196,110	128,342	161,393	18,293

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

Zhuhai Zhongzhu is a sino-foreign joint venture company with limited liability established in the PRC. At the date of this report, the directors of Zhuhai Zhongzhu regard that China Uptown Group Company Limited, a company incorporated in the Cayman Islands and whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), is the ultimate holding company. Its immediate holding company is Pine Global Investments Limited, a company incorporated in the British Virgin Islands.

The addresses of the registered office and principal place of business of Zhuhai Zhongzhu is Room 1701, Zhongzhu Building, 1081 South Yingbin Road, Gongbei, Zhuhai, the PRC.

The principal activity of Zhuhai Zhongzhu is development of real estate in the PRC.

The Financial Information is prepared in Renminbi ("RMB"), which is the same as the functional currency of Zhuhai Zhongzhu.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Throughout the Relevant Periods, Zhuhai Zhongzhu has applied all of the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for the Relevant Periods.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments and interpretations that have been issued but are not yet effective. Zhuhai Zhongzhu has not early applied these new and revised standards, amendments and interpretations.

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendment)	Classification of Rights Issues[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets[6]
HKFRS 9	Financial Instruments[4]
HKFRS 9	Financial Instruments – Financial Liabilities[4]
HK(IFRIC) – Interpretation ('INT') 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

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 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 January 2013.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 July 2011.

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 Zhuhai Zhongzhu's financial assets.

The directors of Zhuhai Zhongzhu anticipate that the adoption of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of Zhuhai Zhongzhu.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair value, as explained in the accounting policies set out below.

The Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. These policies have been consistently applied to all the Relevant Periods and are materially consistent with the accounting policies adopted by the Company, unless otherwise stated.

Plant and equipment

Plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Investment properties under construction are measure at fair value at the end of each reporting period unless their fair value cannot be reliably determined at that time. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Zhuhai Zhongzhu transfers a property from investment property to property held for sale when there is a change of intention to sale of the property in the ordinary course of business rather than to hold the property to earn rentals or/and for capital appreciation.

The property is transferred at fair value at the date of transfer.

Properties under development

Properties under development are stated at the lower of cost and net realisable value.

Cost is determined by apportionment of the total land and development costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and applicable selling expenses.

On completion, the properties are transferred to properties held for sale.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value.

Cost is determined by apportionment of the total land and development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business less all estimated selling expenses at the end of the reporting period, or by management estimates based on prevailing market conditions.

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Zhuhai Zhongzhu's financial assets are all classified as loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a shareholder, restricted bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Zhuhai Zhongzhu's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and amount due from a shareholder where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable and amount due from a shareholder is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its liabilities. Zhuhai Zhongzhu's financial liabilities are classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a shareholder, loan from shareholders and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by Zhuhai Zhongzhu are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by Zhuhai Zhongzhu and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, Zhuhai Zhongzhu measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and Zhuhai Zhongzhu has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses

At the end of the reporting period, Zhuhai Zhongzhu reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

(i) Sales of properties

Revenue from sales of properties in the ordinary course of business is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of the relevant properties have been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured.

Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statements of financial position under receipt in advance.

(ii) Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the costs of those assets. Capitalisation of such borrowing cost ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Zhuhai Zhongzhu's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Zhuhai Zhongzhu expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Retirement benefit costs

Payments to state-managed retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Zhuhai Zhongzhu's accounting policies, which are described in Note 3, the directors of Zhuhai Zhongzhu are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. Zhuhai Zhongzhu assesses annually the residual value and the useful life of the plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year/period and the estimate will be changed in the future period.

Estimated impairment of plant and equipment

The impairment loss for plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with Zhuhai Zhongzhu's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of estimates such as future revenue and discount rates. No impairment was provided for during the Relevant Periods.

PRC land appreciation tax

Zhuhai Zhongzhu is subject to land appreciation tax in the PRC. The provision of land appreciation tax is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual land appreciation tax liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. Zhuhai Zhongzhu has not finalised its land appreciation tax calculation and payments with the tax authorities for its property development projects. The final outcome could be different from the amounts that were initially recorded.

Estimated net realisable value of properties held for sales

Management determines the net realisable value of properties held for sale by using prevailing market data such as most recent sales transactions and internal estimates of cost based on quotes from contractors. These estimates require judgment as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales), the legal and regulatory framework and general market conditions.

At 31 December 2009, the carrying value of properties held for sales was approximately RMB135,628,000 (net of impairment loss of Nil). At 30 June 2010, the carrying value of properties held for sales was approximately RMB108,284,000 (net of impairment loss of approximately RMB8,102,000).

Estimated net realisable value of properties under development

In determining whether allowances should be made to Zhuhai Zhongzhu's properties under development, the directors of Zhuhai Zhongzhu takes into consideration the current market environment and the estimated market value (i.e. the estimated selling price less estimated costs to sell) less estimated costs to completion of the properties. An allowance is made if the estimated market value is less than the carrying amount. If the actual net realisable value on properties under development is less than expected as a result of change in market condition and/ or significant variation in the budgeted development cost, material provision for impairment losses may result. No impairment was provided for during the Relevant Periods.

Estimated fair value of investment properties

Investment properties are carried in the statements of financial position at the end of each reporting period at their fair value. The fair values were based on valuations on these properties conducted by independent firms of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of Zhuhai Zhongzhu's investment properties and corresponding adjustments to the amount of gain or loss reported in the statements of comprehensive income.

Impairment loss recognised in respect of trade receivables

When there is objective evidence of impairment loss, Zhuhai Zhongzhu takes into consideration the estimation of future cash flows to determine impairment loss. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective increase rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. At 31 December 2009 and 30 June 2010, the carrying value of trade receivables was approximately RMB7,106,000 and RMB3,471,000, respectively. No impairment was provided for during the Relevant Periods.

5. CAPITAL RISK MANAGEMENT

Zhuhai Zhongzhu manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of Zhuhai Zhongzhu consists of debt which includes the bank borrowings disclosed in Note 28, loan from shareholders disclosed in Note 27, restricted bank deposits disclosed in Note 23, bank balances and cash as disclosed in Note 24 and equity attributable to owners of the parent, comprising paid-up capital and reserves. As part of this review, the directors of Zhuhai Zhongzhu consider the cost of capital and the associated risks, and take appropriate actions to adjust Zhuhai Zhongzhu's capital structure. Zhuhai Zhongzhu's overall strategy remains unchanged during the Relevant Periods.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables (including bank balances and cash)	186,331	216,091	140,753	50,595
Financial liabilities				
Financial guarantee liabilities	1,105	879	–	–
Financial liabilities at amortised cost	352,767	369,658	39,669	164,192
	353,872	370,537	39,669	164,192

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Zhuhai Zhongzhu's major financial instruments including trade and other receivables, amount due from a shareholder, restricted bank deposits, bank balances and cash, trade and other payables, amount due to a shareholder, loan from shareholders and bank borrowings are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of Zhuhai Zhongzhu manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Interest rate risk

The interest income is derived from Zhuhai Zhongzhu's current and fixed deposits that carry interest at the respective banking deposit rate of the banks located in the PRC.

Zhuhai Zhongzhu's cash flow interest rate risk relates primarily to the variable-rate bank deposits (see Note 24 for details of these deposits) and variable-rate borrowings (see Note 28 for details of these borrowings). It is Zhuhai Zhongzhu's policy to keep its borrowings at floating rates of interest so as to minimise the fair value interest rate risk.

Zhuhai Zhongzhu's bank deposits are short-term in nature and the exposure to interest rate risk is minimal and no sensitivity to interest rate risk is presented.

Zhuhai Zhongzhu's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. Zhuhai Zhongzhu's cash flow interest rate risk is mainly concentrated on the fluctuation of the base lending rate published by the People's Bank of China.

Sensitivity analysis

As of 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, it is estimated that a general 50 basis point increase or decrease in interest rates, with all other variables held constant, would increase or decrease Zhuhai Zhongzhu's losses/profits for year/period and accumulated losses/profits by approximately RMB700,000, RMB750,000, Nil and RMB375,000, respectively.

The above sensitivity analysis has been determined assuming that a change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents directors' assessment of a reasonably possible change in interest rates. The analysis was performed on the same basis for the Relevant Periods.

Credit risk

At 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, Zhuhai Zhongzhu's maximum exposure to credit risk which will cause a financial loss to Zhuhai Zhongzhu due to the failure to discharge an obligation by the counterparties and financial guarantees provided by Zhuhai Zhongzhu is arising from the carrying amount of the respective recognised financial assets as stated in the statements of financial position and the amount of contingent liabilities in relation to financial guarantees issued by Zhuhai Zhongzhu as disclosed in Note 26. Based on expectations at the end of Relevant Periods, Zhuhai Zhongzhu considers that it is most likely than not that no amount will be payable under this financial guarantee arrangement.

Zhuhai Zhongzhu reviews the recoverable amount of each individual trade and other debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, the directors of Zhuhai Zhongzhu consider that Zhuhai Zhongzhu's credit risk is significantly reduced.

Zhuhai Zhongzhu has concentration of credit risk as 55% and 100% and 29% and 76% of the total trade receivables due from Zhuhai Zhongzhu's largest customer and the five largest customers at 31 December 2009 and 30 June 2010, respectively.

Zhuhai Zhongzhu has concentration of credit risk by geographical location as all of its trade receivables at 31 December 2009 and 30 June 2010 were located in the PRC.

The credit risk on liquid funds is limited because the counterparties are authorised banks in the PRC with high-credit ratings.

Liquidity risk

In the management of the liquidity risk, Zhuhai Zhongzhu monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Zhuhai Zhongzhu's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details Zhuhai Zhongzhu's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Zhuhai Zhongzhu can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	At 31 December 2007			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total undiscounted cash flows	Carrying amounts
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities				
Trade and other payables	83,079	–	83,079	83,079
Amount due to a shareholder	14,792	–	14,792	14,792
Loan from shareholders	–	134,015	134,015	114,896
Bank borrowings	–	158,523	158,523	140,000
	97,871	292,538	390,409	352,767

	At 31 December 2008			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total undiscounted cash flows	Carrying amounts
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities				
Trade and other payables	94,638	–	94,638	94,638
Amount due to a shareholder	906	–	906	906
Loan from shareholders	124,114	–	124,114	124,114
Bank borrowings	161,201	–	161,201	150,000
	380,859	–	380,859	369,658

	At 31 December 2009			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total undiscounted cash flow	Carrying amounts
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities				
Trade and other payables	38,766	–	38,766	38,766
Amount due to a shareholder	903	–	903	903
	39,669	–	39,669	39,669

	At 30 June 2010			
	Within 1 year or on demand	More than 1 year but less than 2 years	Total undiscounted cash flow	Carrying amounts
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities				
Trade and other payables	14,192	–	14,192	14,192
Bank borrowings	–	159,315	159,315	150,000
	14,192	159,315	173,507	164,192

8. FAIR VALUE

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of Zhuhai Zhongzhu consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values due to their short-term maturities.

The directors of Zhuhai Zhongzhu also consider that the carrying amount of the long-term portion of liabilities approximate to their fair value as they are carried at amortised cost by using the effective interest rate method.

9. TURNOVER AND OTHER OPERATING INCOME

Turnover represents income from the sale of properties, net of sales discounts and sales related tax for the Relevant Periods. Revenue recognised during the year/period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover					
Sales of properties	–	–	592,135	377,951	95,845
Other operating income					
Amortisation of financial guarantee liabilities	81	695	548	548	–
Interest income	388	2,986	1,271	580	430
Others	356	145	382	87	–
	825	3,826	2,201	1,215	430
	825	3,826	594,336	379,166	96,275

10. SEGMENT INFORMATION

Zhuhai Zhongzhu's revenues and expenses are primarily derived from the sales of properties in the PRC. Its assets and capital expenditure are located in the PRC.

During the Relevant Periods, there was no one single customer contributing to over 10% of the total revenue.

11. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest expenses on:					
– bank borrowings wholly repayable within five years	5,011	11,080	4,070	2,692	1,484
– imputed interest on interest-free loan from shareholders	7,944	9,218	5,886	4,828	–
Total borrowing costs	12,955	20,298	9,956	7,520	1,484
Less: Interest capitalised *(Note 19)*	(5,011)	(11,080)	(2,692)	(1,381)	(1,484)
	7,944	9,218	7,264	6,139	–

Borrowing costs capitalised arose from specific borrowings.

12. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current tax:					
– PRC Enterprise Income Tax ("EIT")	–	–	19,944	12,371	965
– PRC Land Appreciation Tax ("LAT")	–	–	43,892	14,106	(26,704)
Deferred taxation *(Note 30)*	–	–	2,094	1,555	(637)
	–	–	65,930	28,032	(26,376)

(a) 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 Zhuhai Zhongzhu is subject to PRC EIT at 15% for the year ended 31 December 2007, 18% for the year ended 31 December 2008, 20% for the six months ended 30 June 2009 and the year ended 31 December 2009 and 22% for the six months ended 30 June 2010.

In accordance with the tax legislations applicable to foreign investment enterprises, Zhuhai Zhongzhu 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 new law, the first year income tax exemption commenced for the year ended 31 December 2008 and Zhuhai Zhongzhu enjoys a 50% relief from PRC EIT for the six months period ended 30 June 2009, the year ended 31 December 2009 and the six months period ended 30 June 2010.

(b) 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.

The income tax expense (credit) for the Relevant Periods can be reconciled to the (loss) profit before taxation per the statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Loss) profit before taxation	(21,412)	(13,920)	263,095	157,288	(774)
Tax at the applicable tax rate of 15%, 18%, 20%, 20% and 22% for the year ended 31 December 2007, 2008, 2009 and six months ended 30 June 2009 and 2010	(3,212)	(2,506)	52,619	31,458	(170)
LAT expense (credit)	–	–	43,892	14,106	(26,704)
Tax effect of LAT	–	–	(8,778)	(2,822)	–
Tax effect of expenses not deductible for tax purpose	1,504	1,850	1,758	1,103	1,463
Tax effect of income not taxable for tax purpose	(12)	(125)	(285)	(110)	–
Tax effect of tax losses not recognised	1,720	781	–	–	–
Utilisation of tax losses previously not recognised	–	–	(3,332)	(3,332)	–
Tax exemption granted	–	–	(19,944)	(12,371)	(965)
Income tax expense (credit) for the year/period	–	–	65,930	28,032	(26,376)

Details of the deferred taxation are set out in Note 30.

13. (LOSS) PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Loss) profit for the year/period has been arrived at after charging:					
Staff cost (including directors' emoluments):					
Salaries, wages and other benefits in kind	526	864	774	657	250
Retirement benefit scheme contributions	9	22	26	14	5
Total staff costs	535	886	800	671	255
Auditors' remuneration	170	220	–	–	150
Bad debts directly written off	1,636	39	–	–	–
Depreciation of plant and equipment	42	95	95	47	49
Impairment loss recognised in respect of properties held for sale*	–	–	–	–	8,102

* This amount is included in cost of sales.

14. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, wages and other benefits in kind	526	864	774	657	250
Retirement benefit scheme contributions	9	22	26	14	5
	535	886	800	671	255

As stipulated by rules and regulations in the PRC, Zhuhai Zhongzhu is required to contribute to a state-sponsored retirement plan for all its employees at a certain percentage of the basic salaries of its employees. The state-sponsored retirement plan is responsible for the entire pension obligations payable to all retired employees. Under the state-sponsored retirement plan, Zhuhai Zhongzhu has no further obligations for the actual pension payments or post-retirement benefits beyond the annual contributions.

15. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emolument

Details of emoluments paid and payable to the directors of Zhuhai Zhongzhu for the Relevant Periods are as follows:

	Year ended 31 December 2007			
	Fees	Salaries, allowances and other benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Xu Delai (許德來)	–	–	–	–
Chen Xu (陳旭)	–	–	–	–
Liu Enquan (劉恩全)	–	–	–	–
Pang Weijie (彭偉杰)	–	–	–	–
Leong Siak Hung (梁碩鴻)	–	–	–	–
Michael Eugene Buquoi	–	–	–	–
Brian. David Chinappi	–	–	–	–
Total	–	–	–	–

	Year ended 31 December 2008			
	Fees	Salaries, allowances and other benefits in kind	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Xu Delai (許德來)	–	–	–	–
Chen Xian (陳賢) (appointed on 12 August 2006, resigned on 18 October 2006 and reappointed on 12 June 2008)	–	–	–	–
Chen Xu (陳旭) (resigned on 12 June 2008)	–	–	–	–
Liu Enquan (劉恩全) (resigned on 12 June 2008)	–	–	–	–
Pang Weijie (彭偉杰)	–	–	–	–
Liu Donghan (劉東漢) (appointed on 12 June 2008)	–	–	–	–
Leong Siak Hung (梁碩鴻)	–	–	–	–
Michael Eugene Buquoi	–	–	–	–
Brian. David Chinappi	–	–	–	–
Total	–	–	–	–

	Year ended 31 December 2009			
	Fees *RMB'000*	Salaries, allowances and other benefits in kind *RMB'000*	Retirement benefits scheme contributions *RMB'000*	Total *RMB'000*
Executive directors:				
Xu Delai (許德來) (resigned on 31 December 2009)	–	–	–	–
Chen Xian (陳賢) (resigned on 31 December 2009)	–	–	–	–
Pang Weijie (彭偉杰) (resigned on 20 November 2009)	–	–	–	–
Liu Donghan (劉東漢) (resigned on 20 November 2009)	–	–	–	–
Leong Siak Hung (梁碩鴻) (resigned on 31 December 2009)	–	–	–	–-
Michael Eugene Buquoi (resigned on 20 November 2009)	–	–	–	
Brian. David Chinappi (resigned on 20 November 2009)	–	–	–	–
Li Si (李思) (appointed on 20 November 2009)	–	–	–	–
Lau Sai Chung (劉世忠) (appointed on 20 November 2009)	–	–	–	–
Tsim Sze Hon (詹詩瀚) (appointed on 20 November 2009)	–	–	–	–
Xia Dan (appointed on 20 November 2009)	–	–	–	–
Fan Jun (范軍) (appointed on 31 December 2009)	–	–	–	–
Ho Man Hung (何敏雄) (appointed on 31 December 2009)	–	–	–	–
Luo Shu (羅淑) (appointed on 31 December 2009)	–	–	–	–
Total	–	–	–	–

	Six months ended 30 June 2009			
	Fees	**Salaries, allowances and other benefits in kind**	**Retirement benefits scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Xu Delai (許德來)	–	–	–	–
Chen Xian (陳賢)	–	–	–	–
Pang Weijie (彭偉杰)	–	–	–	–
Liu Donghan (劉東漢)	–	–	–	–
Leong Siak Hung (梁碩鴻)	–	–	–	–
Michael Eugene Buquoi	–	–	–	–
Brian. David Chinappi	–	–	–	–
Total	–	–	–	–

	Six months ended 30 June 2010			
	Fees	**Salaries, allowances and other benefits in kind**	**Retirement benefits scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Chen Xian (陳賢) (appointed on 2 February 2010)	–	–	–	–
Li Si (李思) (resigned on 2 February 2010)	–	–	–	–
Lau Sai Chung (劉世忠) (resigned on 2 February 2010)	–	–	–	–
Tsim Sze Hon (詹詩瀚) (resigned on 2 February 2010)	–	–	–	–
Xia Dan	–	–	–	–
Xiong Jianrui (熊劍瑞) (appointed on 2 February 2010)	–	–	–	–
Si Peichao (司培超) (appointed on 2 February 2010)	–	–	–	–
Fan Jun (范軍) (resigned on 2 February 2010)	–	–	–	–
Ho Man Hung (何敏雄) (resigned on 2 February 2010)	–	–	–	–
Luo Shu (羅淑)	–	–	–	–
Total	–	–	–	–

No directors waived or agreed to waive any emoluments during the Relevant Periods.

(b) Senior management's emolument

Of the five highest paid individuals in Zhuhai Zhongzhu, none were directors of Zhuhai Zhongzhu during the Relevant Periods. The aggregate emoluments of 5 individuals with the highest pay for the Relevant Periods were as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	251	346	404	167	110
Retirement benefits schemes contributions	30	30	32	16	16
	281	376	436	183	126

During the Relevant Periods, the emoluments for each of the above employees were below HK$1,000,000 (approximately RMB880,000) per annum.

(c) During the Relevant Periods, no emoluments was paid by Zhuhai Zhongzhu to any of the directors or the five highest paid individuals as an inducement to join or upon joining Zhuhai Zhongzhu, or as compensation for loss of office.

16. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2007, year ended 31 December 2008, six months ended 30 June 2009 and six months ended 30 June 2010.

For the year ended 31 December 2009, dividend of RMB100,000,000 had been declared and paid.

No dividend has been proposed since 30 June 2010.

17. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
COST			
At 1 January 2007	87	–	87
Additions	69	356	425
At 31 December 2007	156	356	512
Additions	7	–	7
At 31 December 2008 and 31 December 2009	163	356	519
Additions	32	–	32
At 30 June 2010	195	356	551
ACCUMULATED DEPRECIATION			
At 1 January 2007	11	–	11
Provided for the year	17	25	42
At 31 December 2007	28	25	53
Provided for the year	50	45	95
At 31 December 2008	78	70	148
Provided for the year	41	54	95
At 31 December 2009	119	124	243
Provided for the period	17	32	49
At 30 June 2010	136	156	292
CARRYING VALUES			
At 31 December 2007	128	331	459
At 31 December 2008	85	286	371
At 31 December 2009	44	232	276
At 30 June 2010	59	200	259

The above items of plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account of their residual values, as follows:

Furniture, fixtures and office equipment	20%
Motor vehicles	20%

18. INVESTMENT PROPERTIES

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	22,301	38,071	53,224	61,600
Additions	15,770	15,153	–	–
Transfers *(Note iv)*	–	–	–	(39,500)
Net increase (decrease) in fair value recognised in profit or loss	–	–	8,376	(9,500)
At the end of the year/period	38,071	53,224	61,600	12,600

(i) Investment properties shown are held under medium-term leases in the PRC.

(ii) All of Zhuhai Zhongzhu's investment properties are held under operating leases to earn rentals or for capital appreciation purposes and are revalued using the fair value model.

(iii) The fair value of the investment properties at the date of transfer and at the 31 December 2009 and 30 June 2010 were valued by Vigers Appraisal & Consulting Limited, independent valuers not connected with Zhuhai Zhongzhu. Vigers have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuations have been arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

(iv) During the six months ended 30 June 2010, there was a change of intention for certain investment properties which were transferred at fair value of approximately RMB39,500,000 to properties held for sale.

(v) At 31 December 2007 and 31 December 2008, investment properties amounting to RMB38,071,000 and RMB53,224,000 were still under construction. The fair value of these investment properties under construction could not be reliably determined and accordingly investment properties under construction were stated at cost.

19. PROPERTIES UNDER DEVELOPMENT

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	446,442	588,419	742,428	294,548
Additions	136,966	142,929	9,951	145,230
Interest capitalised *(Note 11)*	5,011	11,080	2,692	1,484
Transferred to properties held for sale	–	–	(460,523)	–
At the end of the year/period	588,419	742,428	294,548	441,262
Represented by:				
Land use rights	393,489	393,489	255,847	255,847
Construction costs and capitalised expenditure	194,930	348,939	38,701	185,415
	588,419	742,428	294,548	441,262

The capitalisation rate of borrowings for the year ended 31 December 2007, 2008, 2009 and six months ended 30 June 2010 is 6.3%, 7.56%, 5.4% and ranged from 6.21% to 6.48% respectively.

The carrying amounts of properties under development situated on leasehold land in the PRC are as follows:

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Medium-term lease	111,160	139,159	58,903	88,243
Long-term lease	477,259	603,269	235,645	353,019
	588,419	742,428	294,548	441,262

According to the accounting policy of Zhuhai Zhongzhu, properties under development are classified as current assets as the construction period of the relevant property development project is expected to be completed in the normal operating cycle.

20. PROPERTIES HELD FOR SALE

Properties held for sale are situated in the PRC.

21. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	7,106	3,471
Other receivables	13,585	25,875	3,129	30,107
	13,585	25,875	10,235	33,578

Trade receivables mainly arose from sales of properties. Proceeds in respect of sales of properties are to be received in accordance with the terms of the related sales and purchase agreements.

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

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 60 days	–	–	7,106	524
61 – 90 days	–	–	–	–
91 – 365 days	–	–	–	2,947
	–	–	7,106	3,471

(b) At each of the reporting date, the analysis of trade receivables that were past due but not impaired are as follows:

	Total	Neither past due nor impaired	Past due but not impaired		
			Less than 60 days	61-90 days	91-365 days
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2007	–	–	–	–	–
At 31 December 2008	–	–	–	–	–
At 31 December 2009	7,106	–	7,106	–	–
At 30 June 2010	3,471	–	524	–	2,947

Most of Zhuhai Zhongzhu's customers take out mortgages from banks to buy their properties. Should a customer fail to obtain a mortgage and honour the property sale and purchase agreement between himself and Zhuhai Zhongzhu, Zhuhai Zhongzhu has the right to revoke the agreement, reclaim the property and re-sell it in the market. Zhuhai Zhongzhu does not notice any significant changes in the credit quality of its trade receivables and the amounts are considered to be recoverable.

22. AMOUNT DUE FROM (TO) A SHAREHOLDER

Amounts are unsecured, non-interest bearing, repayable on demand and were fully settled during the six months ended 30 June 2010.

For the year ended 31 December 2007, 31 December 2008, 31 December 2009 and six months ended 30 June 2010, included in amount due from a shareholder is approximately RMB7,813,000, RMB6,580,000, RMB4,606,000 and Nil respectively which was trading in nature.

23. RESTRICTED BANK DEPOSITS

Restricted bank deposits represent pledged deposits for the facilities granted by the banks to Zhuhai Zhongzhu.

24. BANK BALANCES AND CASH

(i) Bank balances and cash comprised of cash on hand and deposits with an original maturity of three months of less.

(ii) Bank balances carried interest at prevailing market interest rate of 0.72% per annum for the year ended 31 December 2007, ranged from 0.72% to 1.53% per annum for the year ended 31 December 2008, and ranged from 0.36% to 0.72% for the year ended 31 December 2009 and six months ended 30 June 2010.

(iii) Bank balances and cash are all denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

25. TRADE AND OTHER PAYABLES

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	–	–	31,732	6,797
Receipt in advance	227,053	441,166	123,008	82,808
Other payables	83,079	94,638	7,034	7,395
	310,132	535,804	161,774	97,000

(i) Zhuhai Zhongzhu normally receives credit periods from suppliers ranging from 30 days to 90 days. Zhuhai Zhongzhu has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

(ii) An aged analysis of the trade payables at the end of reporting period are as follows:

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-60 days	–	–	31,729	781
61-90 days	–	–	–	6,016
91-365 days	–	–	3	–
	–	–	31,732	6,797

(iii) Receipt in advance represents sales proceeds received from customers in connection with Zhuhai Zhongzhu's pre-sale of properties during the Relevant Periods.

26. FINANCIAL GUARANTEE LIABILITIES

	At 31 December			At 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	–	1,105	879	–
Charged (credited) to the statement of comprehensive income	1,186	469	(331)	–
Amortisation of financial guarantee liabilities	(81)	(695)	(548)	–
At the end of the year/period	1,105	879	–	–

Zhuhai Zhongzhu had arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments during the three years ended 31 December 2007, 2008 and 2009. The above balances represented the fair values of the financial guarantees granted.

27. LOAN FROM SHAREHOLDERS

Loan from shareholders are unsecured, non-interest and repayable in August 2009. The loan was fully settled in 2009. The imputed interest rate was carried at 8% throughout the Relevant Periods.

28. BANK BORROWINGS

		At 31 December			At 30 June
		2007	**2008**	**2009**	**2010**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings are:					
– secured	*(a)*	120,000	120,000	–	150,000
– unsecured	*(b)*	20,000	30,000	–	–
Total		140,000	150,000	–	150,000

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amounts repayable:				
On demand or within one year	–	150,000	–	–
More than one year but not exceeding two years	140,000	–	–	150,000
	140,000	150,000	–	150,000
Less: Amounts due within one year shown under current liabilities	–	150,000	–	–
Amounts due after one year	140,000	–	–	150,000

(a) The secured bank borrowings at 31 December 2007 and 31 December 2008 carried interest at floating rates of 6.3% per annum for the first year of withdrawal and thereafter at base rates published by the People's Bank of China. The first year of withdrawal of the secured bank borrowing was 31 December 2007.

The secured bank borrowings at 30 June 2010 carried interest at base rates published by the People's Bank of China.

(b) The unsecured bank borrowings at 31 December 2007 and 31 December 2008 carried interest at floating rates of interest of 7.0956% per annum for the first year of withdrawal and thereafter at base rates published by the People's Bank of China.

(c) The secured bank borrowings were secured against certain properties under development and investment properties of Zhuhai Zhongzhu as disclosed in Note 32.

(d) All bank borrowings were denominated in RMB.

29. PAID-UP CAPITAL

	31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010
	RMB'000
Registered and paid-up capital	250,000

30. DEFERRED TAXATION

The following is the major deferred tax liability recognised and movements thereon for the three years ended 31 December 2009 and six months ended 30 June 2010:

	Change in fair value of investment properties
	RMB'000
At 1 January 2007, 31 December 2007 and 31 December 2008	–
Charged to the statements of comprehensive income	2,094
At 31 December 2009	2,094
Credited to the statements of comprehensive income	(637)
At 30 June 2010	1,457

Zhuhai Zhongzhu had unused tax losses of approximately RMB12,323,000, RMB16,661,000, Nil, Nil as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire after five years from the year of assessment to which they relate to.

31. COMMITMENTS

At the end of the reporting period, Zhuhai Zhongzhu had the following commitments for properties under development:

	At 31 December			**At 30 June**
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for but not provided	112,167	45,247	294,363	171,029
Authorised but not contracted for	–	–	154,551	390,121

32. PLEDGED OF ASSETS

At the end of the reporting period, certain assets of Zhuhai Zhongzhu were pledged to secure banking facilities granted to Zhuhai Zhongzhu as follows:

	At 31 December			**At 30 June**
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Restricted bank deposits	3,000	3,000	–	–
Properties under development	325,400	742,428	294,548	441,262
Investment properties	38,071	53,224	–	–
	366,471	798,652	294,548	441,262

33. CONTINGENT LIABILITIES

Zhuhai Zhongzhu had arranged for bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments during the year ended 31 December 2007, year ended 31 December 2008, year ended 31 December 2009 and the six months ended 30 June 2010. The outstanding guarantees amounted to RMB60,930,000, RMB215,944,000, RMB90,759,000 and RMB15,793,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

34. RELATED PARTY TRANSACTIONS

(a) The balances with related parties at the end of the reporting period are disclosed elsewhere in the Financial Information. In addition, Zhuhai Zhongzhu entered into the following significant transactions with related parties:

	Year ended 31 December			**Six months ended 30 June**	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Project management fee paid to a shareholder *(Note)*	7,896	7,896	1,974	1,974	–
Property management fee paid to a subsidiary of a shareholder	248	715	2,002	1,213	–

Note: The project management fee had been capitalised in properties under development during the Relevant Periods.

(b) **Compensation of key management personnel**

No remuneration was paid to key management personnel during the Relevant Periods.

II. EVENTS AFTER THE REPORTING PERIOD

No significant events took place after the period ended 30 June 2010.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Zhuhai Zhongzhu in respect of any period subsequent to 30 June 2010.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798

Hong Kong

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

22 December 2010

The Board of Directors
China Uptown Group Company Limited
Suite 1501, 15/F
Tower 1, Silvercord
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of China Uptown Group Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and Armando Investments Limited ("Armando") and its wholly owned subsidiary, Universe Asia Pacific Limited (together with the Group, hereafter collectively referred to as the "Enlarged Group") set out in Appendix III of the circular dated 22 December 2010 (the "Circular") in connection with the proposed acquisition of the entire share capital of Armando (the "Proposed Acquisition"), which has been prepared by the directors of the Company (the "Directors"), for illustrative purposes only, to provide information about how the Proposed Acquisition might have affected the financial information presented. The basis of preparation of the unaudited pro forma information is set out on pages 112 and 113 of Appendix III to the Circular.

Respective Responsibilities of the Directors and Reporting Accountants

It is the responsibility solely of the Directors to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29 (7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the Directors. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgments and assumptions of the Directors, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 30 June 2010 or any future date; and
- the results and cash flows of the Enlarged Group for the six months ended 30 June 2010 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the Directors on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798

Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

On 3 December 2010, China Uptown Group Company Limited (the "Company") entered into a sale and purchase agreement (the "Acquisition Agreement") with Seaton Limited, a connected party of the Group (the "Vendor"), pursuant to which the Company has conditionally agreed to acquire and the Vendor have conditionally agreed to dispose of the entire share capital of Armando Investments Limited ("Armando") for a total consideration of HK$230,000,000 (equivalent to approximately RMB200,100,000 (the "Proposed Acquisition").

The accompanying unaudited pro forma consolidated statement of financial position, unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") (the "Unaudited Pro Forma Financial Information") have been prepared to illustrate the effect of how the Proposed Acquisition might have affected the financial information of the Group. The Group immediately after the completion of the Proposed Acquisition is referred to as the "Enlarged Group".

The unaudited pro forma consolidated statement of financial position of the Enlarged Group at 30 June 2010 is prepared based on the condensed consolidated statement of financial position of the Group at 30 June 2010 as extracted from the published interim report of the Company for the six months ended 30 June 2010 as set out in Appendix I to this Circular and adjusted in accordance with pro forma adjustments described in the notes thereto as if the Proposed Acquisition had been completed on 30 June 2010.

The unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the six months ended 30 June 2010 are prepared based on the condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2010 as extracted from the published interim report of the Company for the six months ended 30 June 2010 as set out in Appendix I to this Circular and adjusted in accordance with pro forma adjustments described in the notes thereto, as if the Proposed Acquisition had been completed on 1 January 2010.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position, results of operations or cash flow of the Enlarged Group had the Proposed Acquisition been completed as at the respective dates to which it is made up to or at any future dates.

	Unaudited consolidated statement of financial position of the Group as at 30 June 2010	Pro forma adjustment	Pro forma Adjustment	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Note a)	*(Note b)*	
Non-current assets				
Property, plant and equipment	35,731			35,731
Investment properties	200,176			200,176
Prepaid lease payments	249			249
Goodwill	184,231			184,231
Available-for-sale investments	–			–
	420,387			420,387
Current assets				
Properties under development	522,974			522,974
Properties held for sale	196,428			196,428
Trade and other receivables	48,056			48,056
Prepaid lease payments	6			6
Income tax recoverable	418			418
Held-to-maturity investments	–			–
Held-for-trading investments	444			444
Bank balances and cash	28,198			28,198
	796,524			796,524
Current liabilities				
Trade and other payables	165,939		1,760	167,699
Provision for claims	60,700			60,700
Income tax payable	7,830			7,830
Bank borrowings – repayable within one year	81,938			81,938
	316,407			318,167
Net current assets	480,117			478,357
	900,504			898,744

	Unaudited consolidated statement of financial position of the Group as at 30 June 2010	Pro forma adjustment	Pro forma Adjustment	Unaudited pro forma consolidated statement of financial position of the Enlarged Group as at 30 June 2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Note a)	*(Note b)*	
Capital and reserves				
Ordinary share capital	81,232			81,232
Convertible redeemable preference shares	184,653			184,653
Reserves	75,887	(110,287)	(1,760)	(36,160)
Equity attributable to owners of the parent	341,772			229,725
Non-controlling interests	243,773	(89,813)		153,960
Total equity	585,545			383,685
Non-current liabilities				
Bank borrowings				
– due after one year	160,694			160,694
Consideration payable	109,288			109,288
Convertible bonds at fair value through profit or loss	–	200,100		200,100
Deferred taxation	44,977			44,977
	314,959			515,059
	900,504			898,744

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	Unaudited consolidated statement of comprehensive income of the Group for the six months ended 30 June 2010	Pro forma adjustment	Pro forma adjustment	Unaudited pro forma consolidated statement of comprehensive income of the Enlarged Group for the six months ended 30 June 2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
		(Note b)	*(Note c)*	
Turnover	161,721			161,721
Cost of sales	(201,677)			(201,677)
Gross loss	(39,956)			(39,956)
Other operating income	2,985			2,985
Selling and distribution costs	(2,397)			(2,397)
Administrative expenses	(10,105)	(1,760)		(11,865)
Change in fair value of investment properties	4,011			4,011
Equity-settled share-based payment expenses	(4,315)			(4,315)
Finance costs	(20,312)			(20,312)
Loss before taxation	(70,089)			(71,849)
Income tax credit	48,450			48,450
Loss for the period	(21,639)			(23,399)
Exchange differences arising on translation of financial statements of foreign operations and total other comprehensive income for the period	848			848
Total comprehensive expenses for the period	(20,791)			(22,551)
Loss for the period attributable to:				
Owners of the parent	(15,829)	(1,760)	6,401	(11,188)
Non-controlling interests	(5,810)		(6,401)	(12,211)
	(21,639)			(23,399)
Total comprehensive expenses for the period attributable to:				
Owners of the parent	(14,990)	(1,760)	6,401	(10,349)
Non-controlling interests	(5,801)		(6,401)	(12,202)
	(20,791)			(22,551)

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP

	Unaudited consolidated statement of cash flows of the Group for the six months ended 30 June 2010 *RMB'000*	Pro forma adjustment *RMB'000* *(Note b)*	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the six months ended 30 June 2010 *RMB'000*
OPERATING ACTIVITIES			
Loss before taxation	(70,089)	(1,760)	(71,849)
Adjustment for:			
Amortisation of prepaid lease payment	3		3
Change in fair value of held for trading investments	61		61
Change in fair value of investment properties	(4,011)		(4,011)
Depreciation of property, plant and equipment	1,051		1,051
Discount received on consideration payable	(2,250)		(2,250)
Equity-settled share based payment expenses	4,315		4,315
Finance costs	20,312		20,312
Gain on disposal of property, plant and equipment	(58)		(58)
Impairment loss recognised in respect of trade receivables	1,811		1,811
Impairment loss recognised in respect of other receivables	41		41
Impairment loss recognised in respect of properties held for sale	11,299		11,299
Interest income	(69)		(69)
Reversal of impairment loss recognised in respect of inventories	(198)		(198)
Operating cash flows before movements in working capital	(37,782)		(39,542)
Increase in properties under development	(146,715)		(146,715)
Decrease in properties held for sales	113,399		113,399
Decrease in inventories	198		198
Increase in trade and other receivables	(21,389)		(21,389)
Decrease in trade and other payables	(48,115)	1,760	(46,355)
Net cash used in operations	(140,404)		(140,404)
Income tax paid	(3,835)		(3,835)
Land appreciation tax paid	(673)		(673)
NET CASH USED IN OPERATING ACTIVITIES	(144,912)		(144,912)

	Unaudited consolidated statement of cash flows of the Group for the six months ended 30 June 2010	Pro forma adjustment	Unaudited pro forma consolidated statement of cash flows of the Enlarged Group for the six months ended 30 June 2010
	RMB'000	*RMB'000*	*RMB'000*
		(Note b)	
INVESTING ACTIVITIES			
Settlement of consideration payable	(53,700)		(53,700)
Purchase of property, plant and equipment	(32)		(32)
Decrease in pledged bank deposits	12,466		12,466
Interest received	69		69
Proceeds from disposal of property, plant and equipment	58		58
NET CASH USED IN INVESTING ACTIVITIES	(41,139)		(41,139)
FINANCING ACTIVITIES			
New bank borrowing raised	150,000		150,000
Dividend paid	(55,000)		(55,000)
Repayment of bank borrowings	(23,865)		(23,865)
Interest paid	(5,782)		(5,782)
NET CASH FROM FINANCING ACTIVITIES	65,353		65,353
NET DECREASE IN CASH AND CASH EQUIVALENTS	(120,698)		(120,698)
EFFECT ON FOREIGN EXCHANGE RATE CHANGES	(9)		(9)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	148,905		148,905
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	28,198		28,198

NOTES TO THE FINANCIAL INFORMATION

(a) On 3 December 2010, China Uptown Company Group Limited (the "Company") entered into the Acquisition Agreement with the Vendor to acquire the entire share capital of Armando for a total consideration of HK$230,000,000 (equivalent to approximately RMB200,100,000).

(i) Pursuant to the Acquisition Agreement, the total consideration payable shall be settled by issuance of convertible bonds in the principal amount of HK$230,000,000 (equivalent of approximately RMB200,100,000) (which is the zero coupon bond) to the Vendor ("Convertible Bonds"). The Convertible Bonds will mature on the third anniversary from the date of issue of the Convertible Bonds and can be converted at any time during the period commencing from three months after the date of issue of the Convertible Bonds up to ten business days prior to the maturity date.

The Company may at any time after 12 months of the date of issue of the Convertible Bonds and before the maturity date with prior notice to the bondholder(s) redeem all, but not some only, of the Convertible Bonds at 110% of the outstanding principal amount of the Convertible Bonds.

The conversion price has been set at HK$0.8115 per share initially and is subject to reset and adjustment on each of the first and second anniversaries from the date of issue of the Convertible Bonds if the volume weighted average closing prices of the Company's shares over the preceding 30 trading days price to each of the first and second anniversaries is less than 85% of the then applicable conversion price. The new conversion price shall then be adjusted to be equivalent to 90% of the then conversion price immediately before the adjustment. The Convertible Bonds have been recognised at fair value through profit or loss and the principal amount has been taken as the fair value of at the date of issue. The fair value of the Convertible Bonds is subject to remeasurement at the date of completion, which may be different from the principal amount.

In accordance with Hong Kong Accounting Standard ("HKAS") 32 "Financial Instruments: Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement", at the end of each reporting period, subsequent to initial recognition, the Convertible Bonds are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. This adjustment is expected to have continuing effect.

(ii) Armando was incorporated on 8 October 2010 as an investment holding company and directly holds the entire share capital of Universe Asia Pacific Limited ("Universe Asia Pacific") which was incorporated on 27 September 2010. Armando and Universe Asia Pacific have not carried on any business since the dates of their respective incorporation save for the domestic acquisition as disclosed in the section headed "Letter from the Board" contained in this circular. Accordingly, no accountants' report have been prepared for Armando and Universe Asia Pacific.

The Vendor holds 25% of the equity interest in Zhuhai Zhongzhu Real Estate Development Company Limited ("Zhuhai Zhongzhu"). Pursuant to a reorganisation (the "Reorganisation"), the Vendor will transfer its 25% equity interest in Zhuhai Zhongzhu to Universe Asia Pacific. Details of the Reorganisation is disclosed in the section headed "Letter from the Board" contained in this circular.

The Group is effectively interested in 50% equity interest in Zhuhai Zhongzhu and has control over Zhuhai Zhongzhu since 20 November 2009.

Upon completion of the Proposed Acquisition and the Reorganisation, the Group will become the sole shareholder of Armando and therefore will be effectively interested in an aggregate of 75% equity interest in Zhuhai Zhongzhu.

As Armando and Universe Asia Pacific are investment vehicles only, in substance, the Group is acquiring 25% additional interest in Zhuhai Zhongzhu, and since the Group already had control over Zhuhai Zhongzhu, according to Hong Kong Financial Reporting Standard 3 (Revised), no change in goodwill will be resulted from the Proposed Acquisition. For the purposes of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, the carrying amount of the non-controlling interest at the date of acquisition are approximately equal to the 25% of the carrying amount of the net assets of Zhuhai Zhongzhu.

Assuming the Proposed Acquisition and the Reorganisation was completed on 30 June 2010:

	RMB'000
The carrying amount of the net assets of Zhughai Zhongzhu per the Accountants' Report as set out in Appendix II of the Circular ("Carrying Amounts")	359,253
25% of the Carrying Amounts	89,813

(iii) Upon the completion of the Proposed Acquisition and the Reorganisation, the Group recognised a decrease in non-controlling interests of approximately RMB89,813,000 and a decrease in equity attributable to owners of the parent of approximately RMB110,287,000.

The effect of the changes in the ownership interest of Zhuhai Zhongzhu on the equity attributable to owners of the parents is as follows:

	RMB'000
Carrying amount of non-controlling interests acquired	89,813
Consideration paid to non-controlling interests	(200,100)
Excess of consideration paid recognised in other reserve	(110,287)

(b) The adjustment represented the net transaction costs directly attributable to the Proposed Acquisition and the Reorganisation of approximately HK$2,000,000 (equivalent to approximately RMB1,760,000) as estimated by the directors of the Company. This unaudited pro forma adjustment will not have continuing effect on consolidated statement of comprehensive income and consolidated statement of financial position to the Enlarged Group.

(c) The adjustment represented the reversal of 25% of the profit of Zhuhai Zhongzhu for the six months ended 30 June 2010 per the Accountants' Report as set out in Appendix II of the Circular shared by the non-controlling interests assuming the Proposed Acquisition and the Reorganisation was completed on 1 January 2010.

(d) No adjustment has been made to reflect any trading results and other transactions of the Group and Armando entered into subsequent to 30 June 2010.

(e) Basis of translation

Transaction of RMB into HK$ is made in the Unaudited Pro Forma Financial Information of the Enlarged Group at the average rate of HK$1 = RMB0.88 for the preparation of the unaudited pro forma consolidated statement of comprehensive income and consolidated statement of cash flow and the closing rate of HK$1 = RMB0.88 for the preparation of unaudited pro forma consolidated statement of financial position.

A. MANAGEMENT DISCUSSION AND ANALYSIS ON THE GROUP

Set out below are the management discussion and analysis on the Group as extracted directly from the interim report of the Company for the six months ended 30 June 2010 and the annual reports of the Company for the six months ended 31 December 2009 and the three years ended 30 June 2009 (the "**Management Discussion and Analysis**"). Terms used below shall have the same meanings as those defined in the Management Discussion and Analysis. Furthermore, all pages/sections/appendices mentioned in the below text are referred to those of the Management Discussion and Analysis.

For the six months ended 30 June 2010

BUSINESS REVIEW

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

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.

SEGMENT INFORMATION

The details of segmental information are set out in Note 5 to the condensed consolidated financial statements.

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.

For the six months ended 30 June 2010, 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).

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. 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. 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 not utilised and available for the Group's future financing.

CAPITAL AND OTHER COMMITMENTS

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

At the end of the reporting period, the Group had the following commitments for properties under development:

	30.6.2010	**31.12.2009**
	RMB'000	*RMB'000*
Contracted for but not provided	171,029	294,363
Authorised but not contracted for	390,121	154,551

RESERVES

Details of movements in the reserves of the Group during the period are presented in the condensed consolidated statement of changes in equity on page 25 of this Report.

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2010, the Group employed 45 full time employees (31 December 2009: 40) in Hong Kong and the PRC. Total staff cost for the six months ended 30 June 2010 amounted to RMB3,052,000 (for the six months ended 31 December 2009: RMB12,328,000, which included share option of approximately RMB10,063,000). 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.

LITIGATIONS AND CONTINGENT LIABILITIES

i) 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 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.

ii) 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.

iii) 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.

iv) 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).

For the six months ended 31 December 2009

BUSINESS REVIEW

For the six-month period ended 31 December 2009, the Group achieved a turnover of approximately RMB140,120,000 (for the year ended 30 June 2009: approximately RMB287,780,000).

The loss attributable to the owners of the parent was approximately RMB63,167,000 (for the year ended 30 June 2009: approximately RMB18,547,000).

The loss for the period from 1 July 2009 to 31 December 2009 was mainly caused by the disposal of an investment which was completed in December 2009. The Group completed the acquisition of the investment on 13 August 2009 which was settled by the issuance and allotment of 175,000,000 new ordinary shares of HK$0.10 each at a quoted market price of HK$1.16 at the date of completion of the acquisition. The fair value of the acquisition cost was approximately RMB178,579,000 which was much higher than management's initially calculation of HK$0.45 per consideration share at the date of entering the sales and purchase agreement which stipulated that the acquisition price of RMB69,300,000 (approximately HK$78,750,000) to be satisfied by issuance of 175,000,000 consideration shares. As this was the first major investment in recent years, the investors' response was overwhelming. Thus, the fair value of the consideration was out of management's expectations as the Company's share price soared from the date of signing the sales and purchase agreement in June 2009 of approximately HK$0.45 per share to HK$1.16 per share at the date of completion of the acquisition. In December 2009, the investment was disposed of for a consideration of approximately RMB110,880,000. Thus, a loss on disposal of approximately RMB67,699,000 was recognised.

For the six-month period ended 31 December 2009, the Company's financial position strengthened significantly as a result of a major acquisition, a major investment and a disposal of an investment, details of which are set out under the sections "SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION OF SUBSIDIARIES" and "MATERIAL DISPOSAL OF AN INVESTMENT."

Non-current assets increased by about 123%, to RMB457,285,000 at 31 December 2009 which was mainly attributable to the completed acquisition. Also, current assets strengthened significantly from approximately RMB41,722,000 at 30 June 2009 to approximately RMB959,617,000 at 31 December 2009 which included unpledged bank balances and cash of

RMB148,905,000 (30 June 2009: RMB13,289,000). As a result, the Directors are pleased to advise that the Company managed to achieve a healthier financial position with net current assets of approximately RMB423,153,000 at 31 December 2009 versus net current liabilities of approximately RMB182,293,000 at 30 June 2009. Also, the gearing ratio improved from 516% at 30 June 2009 to 13% at 31 December 2009. Furthermore, total equity per share achieved a very significant increase, from 2.73 cents in June 2009 to 76.53 cents at 31 December, 2009. Net asset value per share also increased substantially to RMB41.37 cents at 31 December 2009 (30 June 2009: RMB2.73 cents). Finally, the Company received an Independent Auditor's Report with no Disclaimer of Opinion.

For the debt-restructuring proposal of approximately RMB177,110,000 (30 June 2009: RMB174,588,000), our negotiations with Bank of China (the "Bank"), Shenzhen branch, the People's Republic of China (the "PRC") was slowed down due to the worldwide financial tsunami. With the recent rebound in economic situations in the PRC, we are continuing our negotiations with the Bank with an aim to finalising a restructuring plan before the end of 2010.

On 3 December 2009, with an aim to improve the overall liquidity of the Group, the Company entered into a sale and purchase agreement with Mr. Wu ZhiQin ("Mr. Wu"), an independent third party pursuant to which the Company has agreed to sell and Mr. Wu has agreed to acquire the entire issued share capital of Hill Light Investments Limited, which was acquired in May 2009, at a consideration of RMB110,880,000. The transaction was completed in January 2010.

In August 2009, the Company entered into a sale and purchase agreement (as supplemented by the supplemental agreement dated 20 August 2009) with Mr. Ho Man Hung ("Mr. Ho"), an independent third party. Pursuant to which the Company has conditionally agreed to acquire for and Mr. Ho has conditionally agreed to dispose of the entire issued capital of Boom Lotus Holdings Limited at a total consideration of HK$587,532,000 (equivalent to approximately RMB517,028,000).

Further details of the above significant investment, material acquisition and material disposal are set out in the sections "SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION OF SUBSIDIARIES" and "MATERIAL DISPOSAL OF AN INVESTMENT".

OPERATIONS REVIEW

(a) Technology

During the latter part of 2009, the automation and mobile handset markets showed some signs of recovery. However, as such projects involve substantial capital investments and resources, management continues to take a cautious and critical review on potential business opportunities.

(b) Trading

The Group's trading business comprises of distribution of imported automation products, trading of electronic related components and mobile phone modules.

Although the profit margin is quite low from the trading of mobile modules and electronic components, they require less financial resources and the risk can be mitigated by effective operation procedures. As such, the Group will continue such trading business and finding ways to improve the profit margin.

(c) Property investment

Property investment represents rental income from investment properties situated in the PRC and in Hong Kong.

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

(d) Property development

The Group currently holds a property development project which comprised of property A and property B both situated in Zhuhai City, Guangdong Province, the PRC ("Zhuhai projects"). As at 31 December 2009, approximately 80% of the residential and commercial units under property A have been sold to buyers. Property B is under construction and scheduled to be completed in May 2011.

LIQUIDITY AND FINANCIAL RESOURCES

The Group is vigorously dedicated to improving its financial position. We achieved a significant increase in net current assets, with approximately RMB423,153,000 as at 31 December 2009 instead of net current liabilities of approximately RMB182,293,000 as at 30 June 2009. The bank balance and cash of the Group have also increased significantly, at 31 December 2009, bank balance and cash comprised of pledged bank balance of approximately RMB12,609,000 (30 June 2009: RMB12,584,000) and unpledged bank balance and cash of approximately RMB148,905,000 (30 June 2009: RMB13,289,000). At 31 December 2009, the total amount of bank balance and cash was approximately RMB161,514,000 (30 June 2009: RMB25,873,000) which was mainly generated from sales of properties from our Zhuhai projects.

As at 31 December 2009, the total assets of the Group were approximately RMB1,416,902,000, representing an increase of approximately 474% as compared to 30 June 2009. As at 31 December 2009, the Group had total borrowings of approximately RMB116,873,000 (30 June 2009: RMB118,757,000), approximately RMB71,734,000 of which is owed to Bank of China, Shenzhen branch (the "Bank"). Although a judgment was made in favour of the Bank by the Shenzhen Arbitration Commission, the bank has principally agreed not to demand immediate full repayment from the Group and we have had numerous discussions with the Bank for the restructuring of the outstanding debts into a loan secured against the R&D Centre. The Company is continuing the negotiations for the restructuring of the guarantee provision of RMB60,700,000, short-term bank loan of approximately RMB71,734,000 with the Bank and RMB44,676,000 accrued interest ("Restructuring Proposal"). However, the terms and repayment schedules have not yet been finalised.

Taking into account of the broadening of the revenue base, the finalisation of the Restructuring Proposal in the near future, the ability of the Company to raise additional funds, and the Company's right to defend the questionable claims, the Directors are confident that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future.

CAPITAL STRUCTURE

The issued ordinary share capital of the Company as at 31 December 2009 was HK$85,198,000 divided into 851,980,000 shares of HK$0.10 each (30 June 2009: HK$42,918,000 divided into 429,180,000 shares of HK$0.10 each). As at 31 December 2009, the issued convertible redeemable preference share capital was HK$35,000,000 divided into 350,000,000 shares of HK$0.10 each (30 June 2009: 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 (30 June 2009: HK$11,000,000 divided into 110,000,000 shares of HK$0.10 each). As at 31 December 2009, none of the convertible redeemable preference shares and convertible redeemable preference A shares were converted into ordinary shares.

As at 31 December 2009, the Group's current bank borrowings are approximately RMB105,194,000. The Group's bank borrowings are denominated in Renminbi ("RMB") and Hong Kong dollars ("HK$"). Out of such borrowings of RMB83,734,000 are denominated in RMB of which approximately RMB71,734,000 carries fixed interest rate whilst the loan of approximately RMB12,000,000 carries interest at prevailing market rates.

In addition, the remaining loan of HK$24,386,000 (approximately RMB21,460,000) are revolving loan and mortgage loan. The secured bank loans carry interest at the prevailing market interest rates. The effective interest rates of the secured bank loans at 31 December 2009 ranged from 1.80% to 3.18% per annum.

Total bank borrowings of the Group is approximately RMB116,873,000 as at 31 December 2009 (30 June 2009: RMB118,757,000).

FOREIGN CURRENCY EXPOSURE

The Group mainly earns revenues and incurs costs in RMB, United States dollars and HKD. The Group's monetary assets and liabilities are denominated in RMB, United States dollars and HKD. Although the exchange rate of United States dollars against HKD were relatively unstable during the period under review, since the Group has no financial instrument for hedging purposes, treasury and funding policies, therefore the Group's exposure to fluctuations in exchange rates is considered minimal.

CHARGE ON ASSETS

As at 31 December 2009, certain of the Group's investment properties, leasehold buildings, prepaid lease payments, property under development and time deposits with an aggregate net carrying value of approximately RMB454,408,000 were pledged to banks for securing revolving loans and general banking facilities granted to the Group (30 June 2009: approximately RMB73,905,000).

SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITION OF SUBSIDIARIES

On 19 May 2009, Hill Light, a wholly-owned subsidiary of the Company, entered into the conditional sale and purchase agreement with Ms. Wong Sio Leng ("Ms. Wong") pursuant to which Hill Light has conditionally agreed to acquire for and Ms. Wong conditionally agreed to dispose of the sale shares, being the entire issued capital of the Ocean Vast Corporation Limited ("Ocean Vast"), at a consideration of RMB69,300,000 (equivalent to approximately HK$78,750,000) by allotting 175,000,000 shares in the capital of the Company to Ms. Wong at an issue price of HK$0.45 each. On the completion date of the investment in Ocean Vast, total fair value of the consideration was approximately RMB178,579,000 (equivalent to approximately HK$203,000,000).

On 11 August 2009, the Company entered into a sale and purchase agreement (as supplemented by the supplemental agreement dated 20 August 2009) with Mr. Ho pursuant to which the Company conditionally agreed to acquire for and Mr. Ho has conditionally agreed to dispose of the sale shares, being the entire issued capital of Boom Lotus Holdings Limited ("Boom Lotus"), a company established in the British Virgin Islands with limited liability and is wholly-owned by Mr. Ho, at a total consideration of HK$587,532,000 (equivalent to RMB517,028,000) (the "Boom Lotus Acquisition").

Pursuant to the sale and purchase agreement, the consideration for the Boom Lotus Acquisition shall be settled by the Company by a combination of the issuance and allotment of consideration shares and cash.

Boom Lotus is an investment holding company incorporated in the British Virgin Islands on 7 December 2007 with limited liability and is wholly-owned by Mr. Ho. Subject to the share charge, the principal asset of Boom Lotus is its 100% equity interest in Pine Global Investments Limited ("Pine Global") which in turn holds 50% equity interest in 珠海中珠房地產開發有限公司 (Zhuhai Zhongzhu Real Estate Development Company Ltd.*) ("Zhuhai Zhongzhu").

Zhuhai Zhongzhu is a sino-foreign joint venture established in the PRC on 8 November 2005 with limited liability and is owned as to 50% by Pine Global. The major asset of the Zhuhai Zhongzhu is a project which is consisted of two development properties, being Property A and Property B.

* *The English name is for identification purpose only*

Property A is situated at West Santaishi Road, North Xiaguang Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市前山三臺石路西、霞光路北側) and occupies approximately 48,382.70 square meters with a gross floor area of approximately 140,816.93 square meters. The construction of Property A was completed on 30 March 2009 and Property A has been developed into a residential and commercial complex with car parking spaces. As at the date of this report, approximately 80% of the residential and commercial units under Property A have been sold to buyers.

Property B is situated at South Renmin West Road, West Santaishi Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市香洲人民西路南、三臺石路西側) and occupies approximately 57,762.92 square meters with a planned gross floor area of approximately 171,336.68 square meters. The construction of Property B has commenced in October 2009 and is expected to be completed in May 2011. Property B will be developed into a residential and commercial complex with car parking spaces.

MATERIAL DISPOSAL OF AN INVESTMENT

On 3 December 2009, the Company entered into a sale and purchase agreement with Mr. Wu pursuant to which the Company has agreed to dispose of and the Mr. Wu has agreed to acquire for the entire issued share capital of Hill Light, at a total consideration of HK$126,000,000 (equivalent to approximately RMB110,880,000), details of which is set in the announcement dated 3 December 2009. The transaction was completed in December 2009.

CHANGE OF NAME

Pursuant to the resolution of the board of Directors passed on 27 October 2009, the Company announced the proposed change of the Company's name to "China Uptown Group Company Limited ("中國上城集團有限公司"). The change of name has been approved by passing of a special resolution by the shareholders of the Company at the annual general meeting of the Company held on 30 November 2009.

CHANGE OF FINANCIAL YEAR END DATE

The Board resolved on 27 October 2009 to change the financial year-end date from 30 June to 31 December in order to ensure the Company's financial year-end date is coterminous with those of its subsidiaries. Accordingly, these consolidated financial statements for the period under review covered the six-month period from 1 July 2009 to 31 December 2009. The corresponding comparative figures covered a twelve-month period from 1 July 2008 to 30 June 2009 and therefore may not be comparable with amounts shown for the current period.

EVENTS AFTER THE REPORTING PERIOD AND FUTURE PLANS FOR MATERIAL INVESTMENTS

On 19 February 2010, the Company announced the grant of 10,000,000 share options at an exercise price of HK$0.88 per share to eligible participants.

As disclosed above, it is the intention of the Company to hold the project for property development and investment in Zhuhai. The Group will continue to seek new business development opportunities.

GEARING RATIO

At 31 December 2009, the gearing ratio, expressed as a percentage of total borrowings over net assets was about 13% (30 June 2009: 516%).

SEGMENT INFORMATION

The details of segment information are set out in Note 10 to the consolidated financial statement.

CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following commitments for properties under development:

	31.12.2009	**30.6.2009**
	RMB'000	*RMB'000*
Contracted by provided for	294,363	–
Authorised but not contracted for	154,551	–

DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company did not have any distributable reserves.

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2009, the Group employed a total of approximately 40 full time employees (30 June 2009: 30) in Hong Kong and the PRC. Total staff cost for the six-month period ended 2009 was approximately RMB12,328,000, which included share option of approximately RMB10,063,000 (for the year ended 30 June 2009: approximately RMB4,828,000). 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.

LITIGATIONS AND CONTINGENT LIABILITIES

During the period, regarding the litigation as to the claims of approximately RMB9,500,000 raised by the main contractor of the R & D Centre, the relevant PRC court has made a judgement in favour of the plaintiff in December 2007. In January 2008, the Company submitted the appeal application to the relevant PRC court. In May 2008, the Company and the main contractor entered into a mutual agreement to withdraw from the litigation by settling a reasonable amount. But in early September 2008, the main contractor applied through the relevant PRC court to demand the Company settle the retainer fee due being RMB550,000 together with penalty. On 10 September 2008, the Company submitted a counterclaim to the relevant court counterclaiming the contractor breach of the subject agreement and is pending decision from the court.

In addition, Techwayson Industrial Limited ("TIL"), a subsidiary of 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 RMB71,734,000 overdue bank loan and the RMB60,700,000 guaranteed provisions and RMB44,676,000 accrued interest.

On 17 July 2008, TIL received a writ of summons issued by the Intermediate People's Court, Shenzhen City, the PRC, in respect of a claim of approximately RMB22,000,000 made by an independent third party (the "Party") against TIL, for a guarantee alleged to have been given by TIL in favour of the Party in November 2005. TIL has appointed a firm of PRC legal counsel to assist in the gathering of information and the investigation into the circumstances giving rise to the claim. The said firm of PRC legal counsel has defended the questionable claim during the court hearing late in October 2008 and is waiting for the court's judgment.

On November 2008, TIL (as plaintiff), brought a civil claim (the "**Claim**") against 上海天可華能源科技有限公司 (Shanghai Tian Ke Hua Power Technology Co., Ltd.* ("**Tian Ke Hua**") and 西安盈豐科技股份有限公司 (Xi'an Ying Feng Technology Co., Ltd*) ("**Ying Feng**") (both Tian Ke Hua and Ying Feng are defendants) for, inter alia, breach of contracts in respect of payment of service fees for certain construction works performed by TIL in the People's Republic of China.

On 21 April 2009, a judgment (the "**Judgment**") in respect of the Claim was handed down by 上海市第一中級人民法院 (First Intermediate People's Court of Shanghai*) which was received by the Company on 7 May 2009. According to the Judgment, TIL was awarded the outstanding service fees of RMB14,860,000 (equivalent to approximately HK$16,886,360) together with liquidated damages calculated at the rate of RMB0.001 per day.

Tian Ke Hua filed a notice of appeal (the "**Appeal**") against the Judgment with 上海市高級人民法院 (Higher People's Court of Shanghai*) within the time limit for appeal stated under the Civil Procedure Law of the PRC on 14 May 2009. During the appeal hearing on 28

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December 2009, Tien Ke Hua requested for a settlement agreement whereby it agreed to pay TIL RMB14,000,000 as full and final settlement. TIL agreed and the said funds was received on 29 December 2009. On 13 January 2010, TIL received a civil judgment dated 8 January 2010 approving Tien Ke Hua's application to the PRC court to withdraw the Appeal and thus the whole legal proceeds have been completed.

On 20 October 2009, the TIL received a writ of summons from Ying Feng. Ying Feng (as plaintiff) brought a civil claim at 山西省長治市中級人民法院 (Intermediate People's Court of Changzhi City, Shanxi Province*) against TIL, (as defendant), for damages of approximately RMB6,970,000 (equivalent to approximately HK$7,920,000) in respect of product liability arising from defects in the Programmable Logic Controllers system used in 長鋼 blast furnace top gas recovery turbine unit project (Changgang TRT project*) designed and manufactured by TIL.

On January 2010, the TIL received a civil judgment from the Intermediate People's Court of Changzhi City, Shanxi Province* approving Ying Feng's application to the PRC court to withdraw the writ of summons, which forms an integral part of the Settlement Agreement reached between TIL and Tien Ke Hua on 28 December 2009. As such, this litigation has been closed.

On 14 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.

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

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from 1 July 2009 to 31 December 2009. The outstanding amount guarantees amounted to RMB90,759,000 (30 June 2009: Nil).

PROSPECTS

The period from 1 July 2009 to 31 December 2009 has been a challenging period for the Group, facing both threats and opportunities caused by the financial tsunami. Whilst the Technology and Trading business showed signs of recovery, we are still cautious in exploring and expanding the business.

As a result of the expansionary policies executed by major economies in the world, especially the PRC government, the PRC economy has rebounded significantly in the second half of 2009. With the combined effect of low interest rates and strong underlying demand, the PRC's property market experienced a very significant rebound and property prices have rocketed in major cities such as Beijing and Shanghai. Taking advantage of the unstable environment with underlying growth opportunities, the Group invested in property development in Zhuhai, the PRC. For Property B, under our acquisition of Boom Lotus, which will be developed into a residential and commercial complex, construction has started in late 2009. It is preliminary scheduled to start pre-sale of properties by the end of 2010 which will further strengthen the Company's cash flow position.

In 2010, in view of a possible property market bubble, the PRC government has taken various monetary and policy measures with an aim to slow down the surge in property prices. As such, in 2010 the PRC property market has become more volatile and uncertain. The Board is of the view that though there may be short-term unfavorable impact on the property market, these measures are good in the long-term for stability and healthy development of the property market. With growing GDP and increasing wealth of individuals in the PRC, there are strong underlying demand in real estate and thus, long-term development remains healthy.

Furthermore, the recent upsurge in property prices, mainly in first tier cities such as Beijing and Shanghai. Second and third tier cities experienced a smaller upsurge and there are room for catching up, especially those cities with beautiful environment, good town planning and well planned transportation network, such as Zhuhai, the PRC. Zhuhai is one of the fastest growing city in the Guangdong Province and in 2009 alone the Zhuhai Government invested over RMB24 billion in infrastructure projects, noticeably the Hong Kong-Zhuhai-Macau bridge (the "**Bridge**"). The Bridge will have a total length of approximately 50km with 6 expressway lanes. Once completed, it will greatly enhance the economy of Zhuhai and the property market will also benefit. As some members of the Board are well experienced in the property market in southern China, especially in Zhuhai, therefore the Board will continue to focus on investment opportunities there which have high quality and low cost land for large to medium scale development projects in the coming 3 to 5 years. In addition, the Group will continue to explore the feasibility of establishing a wholly-owned project investment company in Zhuhai with a team of property management professionals to manage our property projects.

During the year, the Board has taken various reorganisation measures to enhance efficiency and cash flow. It is the Company's objective to achieve a strong financial position and generate satisfactory returns for the shareholders and both the directors and management are dedicated to achieving this objective in the near future.

For the year ended 30 June 2009

BUSINESS REVIEW

For the year ended 30 June 2009, the Group achieved a turnover of approximately RMB287,780,000 (2008: approximately RMB152,826,000) which represented an increase of approximately 88.31% compared to the last corresponding year. The increase in turnover is mainly attributable to the trading of electronic components by one of the Group's Hong Kong subsidiaries.

The loss attributable to equity holders of the Company was approximately RMB18,547,000 (2008: approximately RMB112,622,000 which included an amount of approximately RMB60,700,000 set aside in respect of the alleged guarantee which are said to be issued by a PRC subsidiary of the Company).

For the debt-restructuring proposal on approximately RMB135,434,000, we are continuing our negotiations with the Bank of China, Shenzhen branch.

At present, the Hong Kong economy is recovering from the global economic tsunami of last year. The economic stimulus packages and measures taken by the world governments gradually took effect and the financial and investment climate has vastly improved. In the first half of 2009, the impacts of the financial crisis on the global economy lingered. Under the weakening export, a series of economic stimulus measures launched by the PRC government in the fourth quarter of last year have begun to take effect, boosting the economy of the country in the first half of the year. The strong supportive policies of the PRC government have driven consumer spending and consumption demand in the PRC, and in turn presented room for development of various industries.

During the year ended 30 June 2009, the consumer electronics products market in Asia, especially the PRC, has recovered rapidly which lead to a significant growth in our electronic components and related products trading business. Despite an increase in turnover of the Group for the year ended 30 June 2009, the Group's gross profit margin has decreased as trading in electronic components is very competitive with a relatively high cost of sales, thus resulting in lower profit margins as compared to the same period last year. As compared to the same period last year, 95.17% of the Group's turnover was generated by trading in mobile phones, machines of vertical impregnating line and the natural resources and industrial equipments which commanded a higher gross margin.

In May 2009, Hill Light Investments Limited, a wholly-owned subsidiary of the Company, entered into the conditional sale and purchase agreement with Ms. Wong Sio Leng pursuant to which Hill Light has conditionally agreed to acquire for and Ms. Wong conditionally agreed to dispose of the sale shares, being the entire issued capital of the Ocean Vast Corporation Limited, at a total fair value consideration of RMB178,579,000. The project was completed in August 2009.

In August 2009, the Company entered into a sale and purchase agreement (as supplemented by the supplemental agreement dated 20 August 2009) with Mr. Ho Man Hung pursuant to which the Company has conditionally agreed to acquire for and Mr. Ho has conditionally agreed to dispose of the sale shares, being the entire issued capital of Boom Lotus Holdings Limited, a company established in the British Virgin Islands with limited liability and is wholly-owned by Mr. Ho, at a total consideration of HK$590,000,000.

Further details of the above acquisitions are set out in the sections "SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITIONS OF SUBSIDIARIES AND ASSOCIATE COMPANIES" and "EVENTS AFTER THE BALANCE SHEET DATE AND FUTURE PLANS FOR MATERIAL INVESTMENTS" below.

As the series of economic stimulus measures launched by the PRC government in the fourth quarter of last year have begun to take effect, the Group is optimistic about the property investment business in the PRC and has been redeploying resources to the property investment business. In view of the economic prospect of Zhuhai, it is the intention of the Company to continue to look for projects for property development and investment in Zhuhai. The above acquisitions are expected to contribute revenue to the Group from 2010.

OPERATIONS REVIEW

(a) Technology (formerly classified under Project and Technical Services segment)

The segment of automation products has experienced a slow down due to adverse market conditions. As a result, turnover during this period came almost to a standstill. Though the automation and mobile handset markets are showing signs of recovery, management is taking a cautious approach and continue to critically review whether potential projects and business opportunities would benefit the Group or not.

(b) Trading

The Group's trading business comprises of distribution of imported automation products, trading of mineral resources such as iron ore, electronic related components and mobile phone modules. The Group noted there was a change of demand in the markets of infrastructural and natural resources, also with reference to the research reports of international markets, the Group will concentrate its resources to the mobile modules trading business in the short run.

(c) Property investment

The investment properties comprise six units of office premises in Hong Kong with total saleable areas of approximately 4,582 sq. ft. and the R & D Centre in Shenzhen with total floor area of approximately 15,084 sq. meters.

After the year-end the Group acquired two property projects in Zhuhai, PRC. For further details of the above acquisitions please refer the sections "SIGNIFICANT INVESTMENT

AND MATERIAL ACQUISITIONS OF SUBSIDIARIES AND ASSOCIATE COMPANIES" and "EVENTS AFTER THE BALANCE SHEET DATE AND FUTURE PLANS FOR MATERIAL INVESTMENTS" below.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the total assets of the Group were approximately RMB247,020,000, a decrease by approximately 11.59% as compared to 30 June 2008. As at 30 June 2009, the Group had total borrowings of approximately RMB118,757,000 (2008: RMB125,112,000), approximately RMB74,734,000 of which is owed to Bank of China, Shenzhen branch. Although a judgment was made in favour of the bank by the Shenzhen Arbitration Commission, the bank has principally agreed not to demand immediate full repayment from the Group and we have numbers of discussions for the restructuring of the outstanding debts into a loan secured against the R&D Centre. The Company is in the process of negotiation for the restructuring of the guarantee provision of RMB60,700,000 and short-term bank loan of approximately RMB74,734,000 with the bank. However, the terms and repayment schedules have not yet been finalised. It is expected that both the Company and the bank target to finalise the restructure proposal (the "Restructuring Proposal") before the end of December 2009.

Taking into account of the broadening of revenue base, the finalisation of the Restructuring Proposal, the ability of the Company to raise additional funds, and the Company's right to defend the questionable claim, the Directors are confident that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future.

CAPITAL STRUCTURE

The issued ordinary share capital of the Company as at 30 June 2009 was HK$42,918,000 divided into 429,180,000 shares of HK$0.10 each (2008: HK$42,868,000 divided into 428,680,000 shares of HK$0.10 each). As at 30 June 2009, the issued convertible redeemable preference share capital was HK$35,000,000 divided into 350,000,000 shares of HK$0.10 each (2008: 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 (2008: HK$11,000,000 divided into 110,000,000 shares of HK$0.10 each). As at 30 June 2009, none of the convertible redeemable preference shares and convertible redeemable preference A shares were converted into ordinary shares.

As at 30 June 2009, the Group's bank borrowings of approximately RMB86,734,000 on a short-term basis and was mainly in Renminbi. Out of such borrowings, the loan of approximately RMB74,734,000 bears fixed interest rate whilst the loan of approximately RMB12,000,000 bears interest at prevailing market rates. There are no known seasonal factors in our borrowing profiles.

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. Although the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively unstable during the year under review, since the Group has no financial instrument for hedging purposes, treasury and funding policies, therefore the Group's exposure to fluctuations in exchange rates is considered minimal.

CHARGE ON ASSETS

As at 30 June 2009, the Group's certain investment properties, property, plant and equipment, prepaid lease payments and time deposits with an aggregate net carrying value of approximately RMB73,905,000 were pledged to banks for securing revolving loans and general banking facilities granted to the Group (2008: approximately RMB77,654,000).

SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITIONS OF SUBSIDIARIES AND ASSOCIATE COMPANIES

On 19 May 2009, Hill Light Investments Limited, a wholly-owned subsidiary of the Company ("Hill Light"), entered into the conditional sale and purchase agreement with Ms. Wong Sio Leng ("Ms. Wong") pursuant to which Hill Light has conditionally agreed to acquire for and Ms. Wong conditionally agreed to dispose of the sale shares, being the entire issued capital of the Ocean Vast Corporation Limited ("Ocean Vast"), at a total fair value consideration of RMB178,600,000 million (equivalent to approximately HK$203,000,000) (the "Ocean Vast Acquisition").

Upon Completion, Hill Light has become the sole shareholder of Ocean Vast and therefore be effectively interested in 60% equity interest in the 珠海經濟特區合強實業有限公司 (Zhuhai Special Economic Zone Heqiang Industrial Company Limited*) ("Project Company"), a company established in the PRC with limited liability and is owned as to 60% by the PRC Company and 40% by an independent third party.

The only major asset of the Project Company is the project land. The project land is situated at South of Yuehai West Road, Gongbei, Zhuhai City, Guangdong Province, the PRC and occupies approximately 11,878.40 square meters with a planned gross floor area of 36,375.96 square meters. The project land will be developed into a residential and commercial complex with car parking spaces and the construction is scheduled to be completed in the second half of 2010. According to the Real Estate Ownership Certificate (房地產權證) (Document No.: Yue Fang Di Zheng Zi. No. (C6561410) registered on 31 October 2008, the Project Company has the right to use the Project Land for terms expiring on 10 July 2077 and 10 July 2047 for residential and commercial purposes, respectively.

The Ocean Vast Acquisition constituted a major transaction under the Listing Rules. The Ocean Vast Acquisition has been approved by the shareholders of the Company at an extraordinary general meeting held on 17 July 2009, details of the Ocean Vast Acquisition is set out in the announcement and circular of the Company dated 21 May 2009 and 30 June 2009, respectively.

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MATERIAL DISPOSAL OF SUBSIDIARIES AND ASSOCIATE COMPANIES

The Group did not have any material disposal of subsidiaries or associates during the year ended 30 June 2009.

EVENTS AFTER THE BALANCE SHEET DATE AND FUTURE PLANS FOR MATERIAL INVESTMENTS

On 11 August 2009, the Company entered into a sale and purchase agreement (as supplemented by the supplemental agreement dated 20 August 2009) with the Mr. Ho Man Hung ("Mr. Ho") pursuant to which the Company conditionally agreed to acquire for and the Mr. Ho has conditionally agreed to dispose of the sale shares, being the entire issued capital of Boom Lotus Holdings Limited ("Boom Lotus"), a company established in the British Virgin Islands with limited liability and is wholly-owned by Mr. Ho, at a total consideration of HK$590,000,000 (the "Boom Lotus Acquisition").

Pursuant to the sale and purchase agreement, the consideration for the Boom Lotus Acquisition shall be settled by the Company by a combination of the issuance and allotment of consideration shares and cash.

Boom Lotus is an investment holding company incorporated in the British Virgin Islands on 7 December 2007 with limited liability and is wholly-owned by the Mr. Ho. Subject to the share charge, the principal asset of Boom Lotus is its 100% equity interest in Pine Global Investments Limited ("Pine Global") which in turn holds 50% equity interest in 珠海中珠房地產開發有限公司 (Zhuhai Zhongzhu Real Estate Development Company Ltd.*) ("Zhuhai Zhongzhu").

Zhuhai Zhongzhu is a sino-foreign joint venture incorporated in the PRC on 8 November 2005 with limited liability and is owned as to 50% by Pine Global. The major asset of the Zhuhai Zhongzhu is the project which is consisted of two development properties, being Property A and Property B.

Property A is situated at West Santaishi Road, North Xiaguang Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市前山三臺石路西、霞光路北側) and occupies approximately 48,382.70 square meters with a gross floor area of approximately 140,816.93 square meters. The construction of Property A was completed on 30 March 2009 and Property A has been developed into a residential and commercial complex with car parking spaces. As at the date of this report, approximately 60% of the residential and commercial units under Property A have been sold to buyers.

Property B is situated at South Renmin West Road, West Santaishi Road, Zhuhai City, Guangdong Province, the PRC (中國廣東省珠海市香洲人民西路南、三臺石路西側) and occupies approximately 57,762.92 square meters with a planned gross floor area of

* *The English name is for identification purpose only*

approximately 171,336.68 square meters. The construction of Property B is preliminarily scheduled to commence in October 2009 and be completed in May 2011. Property B will be developed into a residential and commercial complex with car parking spaces. As mentioned in the foregoing, Property A was completed and approximately 60% of the residential and commercial units under Property A have been sold to buyers. Zhuhai Zhongzhu will retain the proceeds from such sale until the Completion and it intends to apply them for the development of Property B.

The Boom Lotus Acquisition constituted a very substantial acquisition under the Listing Rules. The Boom Lotus Acquisition has been approved by the shareholders of the Company at an extraordinary general meeting held on 9 October 2009, details of the Boom Lotus Acquisition is set out in the announcement and circular of the Company dated 20 August 2009 and 23 September 2009, respectively.

The Group is principally engaged in (i) the design, supply and integration of automation and control system; (ii) trading of automation products and electronic components; (iii) property investment; and (iv) trading of mobile modules. As disclosed in the sect ion "SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITIONS OF SUBSIDIARIES AND ASSOCIATE COMPANIES" and above, it is the intention of the Company to hold the project for property development and investment in Zhuhai. In view of the economic prospect of Zhuhai, the Directors are of the view that the Ocean Vast Acquisition and the Boom Lotus Acquisition of the Group are in the interests of the Company and the Shareholders as a whole. Save as disclosed above, the Group will continue to seek new business development opportunities.

Proposed change of name

Pursuant to the resolution of the board of Directors passed on 27 October 2009, the Company announced the proposed change of the Company's name to "China Uptown Group Company Limited ("中國上城集團有限公司")". The change of name will be subject to the passing of a special resolution by the shareholder of the Company at the forthcoming annual general meeting of the Company.

Proposed change of financial year end date

Pursuant to the resolution of the board of Directors passed on 27 October 2009, the Company announced the change of the financial year end date from 30 June to 31 December.

Extension and change of terms of convertible redeemable preference shares

On 23 October 2009, the Company entered into a second supplemental agreement to the Subscription Agreement to (a) allow the Preference Shares Conversion Period to be extended automatically for a period of twelve (12) months with effect from each expiry date of the Preference Shares Conversion Period unless (i) holder of Preference Shares serves a written notice on the Company notifying its intention of not extending the Preference Shares Conversion Period for a further twelve (12) months not later than seven (7) days prior to the expiry date of the Preference Shares Conversion Period, and (ii) the Company agrees not to extend the Preference Shares Conversion Period for a further twelve (12) months upon receiving such notice; and (b) amend the terms of the Subscription Agreement such that the Preference Shares become transferable.

In addition, on 23 October 2009, the Company entered into a supplemental agreement to (a) extend the Preference A Shares Conversion Period for a further 12 months from the expiry date of the Preference A Shares Conversion Period such that Preference A shareholder shall have the right to convert the Preference A Shares held by it at any time from the date of issue to 10 December 2010; (b) allow the Preference A Shares Conversion Period to be extended automatically for a period of twelve (12) months with effect from each expiry date of the Preference A Shares Conversion Period unless (i) Preference A shareholder serves a written notice on the Company notifying its intention of not extending the Preference A Conversion Period for a further twelve (12) months not later than seven (7) days before the expiry date of the Preference A Shares Conversion Period, and (ii) the Company agrees not to extend the Preference A Shares Conversion Period for a further twelve (12) months upon receiving such notice; and (c) amend the terms of the sale and purchase agreement such that the Preference A Shares become transferable.

SEGMENT INFORMATION

The details of segment information are set out in Note 11 to the consolidated financial statements.

GEARING RATIO

At 30 June 2009, the gearing ratio, expressed as a percentage of total borrowings over net assets, was about 5.16 (2008: 2.88).

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 30 June 2009.

DISTRIBUTABLE RESERVES

For the year ended 30 June 2009, loss attributable to equity holders of the Company amounted to approximately RMB18,547,000 (2008: loss amounted to approximately RMB122,622,000).

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2009, the Group employed a total of approximately 30 full time employees (2008: 40) in Hong Kong and the PRC. Total staff cost for the year ended 30 June 2009 was approximately RMB4,828,000 (2008: approximately RMB17,038,000). 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.

LITIGATIONS AND CONTINGENT LIABILITIES

During the year, regarding the litigation as to the claims of approximately RMB9,500,000 raised by the main contractor of the Shenzhen R & D Centre, the relevant PRC court has made a judgement in favour of the plaintiff in December 2007. In January 2008, the Company submitted the appeal application to the relevant PRC court. In May 2008, the Company and the main contractor entered into a mutual agreement to withdraw from the litigation by settling a reasonable amount. But in early September 2008, the main contractor applied through the relevant China court to demand the Company settle the retainer fee due being RMB550,000 together with penalty. On 10 September 2008, the Company submitted a counterclaim to the relevant court counterclaiming the contractor breach of the subject agreement and is pending decision from the court.

In addition, Techwayson Industrial (Shenzhen) Limited ("TIL"), a major subsidiary (as defined under the Listing Rules) of 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 RMB74,734,000 loan of the Shenzhen subsidiary and the RMB60,700,000 guaranteed loan.

On 17 July 2008, TIL received a writ of summons issued by the Intermediate People's Court, Shenzhen City, the PRC, in respect of a claim of approximately RMB22,000,000 made by an independent third party (the "Party") against TIL, for a guarantee alleged to have been given by TIL in favour of the Party in November 2005. TIL has appointed a firm of PRC legal counsel to assist in the gathering of information and the investigation into the circumstances giving rise to the claim. The said firm of PRC legal counsel has defended the questionable claim during the court hearing late last year and is waiting for the court's judgment.

On November 2008, TIL (as plaintiff), brought a civil claim (the "**Claim**") against 上海天可華能源科技有限公司 (Shanghai Tian Ke Hua Power Technology Co., Ltd.* ("**Tian Ke Hua**") and 西安盈豐科技股份有限公司 (Xi'an Ying Feng Technology Co., Ltd*) ("**Ying Feng**") (both Tian Ke Hua and Ying Feng are defendants) for, inter alia, breach of contracts in respect of payment of service fees for certain construction works performed by TIL in the People's Republic of China.

On 21 April 2009, a judgment (the "**Judgment**") in respect of the Claim was handed down by 上海市第一中級人民法院 (First Intermediate People's Court of Shanghai*) which was received by the Company on 7 May 2009. According to the Judgment, TIL was awarded the outstanding service fees of RMB14,860,000 (equivalent to approximately HK$16,886,000) together with liquidated damages calculated at the rate of RMB0.001 per day.

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Tian Ke Hua filed a notice of appeal (the "**Appeal**") against the Judgment with 上海市高級人民法院 (Higher People's Court of Shanghai*) within the time limit for appeal stated under the Civil Procedure Law of the PRC on 14 May 2009. To the knowledge and information of the directors of the Company, the date of hearing of the Appeal has not been decided as at the date of this announcement.

The Company has already made provision to write off the outstanding service fees which should be paid by Tian Ke Hua and Ying Feng in the consolidated financial statements of the Group for the year ended 30 June 2008. The Directors expect that there will not be any immediate financial effect on the Group's earnings, net assets and liabilities.

On 20 October 2009, the Company received a writ of summons from Ying Feng. Ying Feng (as plaintiff) brought a civil claim at 山西省長治市中級人民法院 (Intermediate People's Court of Changzhi City, Shanxi Province*) against TIL, (as defendant), for damages of approximately RMB6,970,000 (equivalent to approximately HK$7,920,000) in respect of product liability arising from defects in the Programmable Logic Controllers system used in 長鋼 blast furnace top gas recovery turbine unit project ("TRT") (Changgang TRT project*) designed and manufactured by TIL. Hearing has been scheduled for 25 November 2009.

TIL have decided to defend against the claim and will seek legal advice in respect of the merits of the claim. The directors of the Company expect that there will not be any immediate adverse financial effect on the earnings, net assets and liabilities of the Company and its subsidiaries.

PROSPECTS

In order to overcome the adverse impact of the financial tsunami, both the Hong Kong and PRC Governments have launched various measures to improve the economy. As such, both the Hong Kong and PRC property markets have achieved a significant rebound due to the combined positive results of a stimulus fiscal policy, an eased monetary policy and much improved liquidity.

Whilst the Group will continue to explore business opportunities in Technology and Trading, we are optimistic about the long-term development of the property market in PRC which showed steady growth in terms of sales volume and selling price. Therefore the Group will focus on how to strategically increase our property investment in PRC, especially in Zhuhai since with the strong support of the Zhuhai Municipal Government to strengthen the environment and infrastructure, such as the bridge that connects Hong Kong, Zhuhai and Macau (which will start construction by the end of 2009), the light railway connecting Zhuhai and Guangzhou etc., it is expected that demand for residential/commercial property in Zhuhai will continue to grow in the coming years.

Furthermore, the Company proposed to change its name in order to better reflect the Company's new emphasis on property investment and management. Also, in order to strengthen the management of the recent major acquisitions in Zhuhai and to explore good investment opportunities, the Company is planning to establish a wholly-owned project investment company in Zhuhai and set up a team of property management professionals to manage our property projects.

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With the recent major acquisitions and reorganisation of our management focus, the Company is confident to achieve its objective to enhance operation performance and profitability of the Group and generate satisfactory returns for the shareholders.

For the year ended 30 June 2008

BUSINESS REVIEW

This year was a pivotal and transitional year for the Group, a year in which we have prudently assessed our existing businesses, commenced the rationalization of some of our Group's activities based on market changes, and establishing the core foundation deemed necessary in transforming the Group into a more focused and economically vibrant investment holding company. This year's initiatives were marked by a number of divestment in existing businesses as well as exploring the new business opportunities in the PRC.

In July 2007, the Company issued 70,000,000 new ordinary shares by private placing at an issue price of HK$0.30 each and the raised funds were used for general working capital of the Group.

In August 2007, the Company entered into a non-binding letter of intent with an independent third party relating to the development of a property located in the PRC. But unfortunately, this letter of intent was mutually agreed to be terminated in December 2007 as both parties were unable to reach a mutual agreement on the detailed terms and conditions.

In December 2007, the Company purchased an office premises in Hong Kong which is now being used as corporate office of the Group.

In late 2007, a joint venture company ("JV company") was formed in which the Company held 51%. The JV company is principally engaged in the provision/trading of electronic products components, including mobile phone modules. During the year, the JV company contributed significantly to our turnover and it is envisaged that the business will continue to grow in future.

In view of the fact that the JV company has experiences in the industry of mobile phone business and through the market surveys, we aligned with the China policy to relax the licence of domestically-made handsets and the increasing demand of the low cost handsets in the Asian country in 2008, we are anticipating to develop and sell our self-brand mobile handsets in PRC, India and the Middle East countries. In the second quarter of 2008, our wholly-owned subsidiary started the research and development of a new series of handsets, in addition, we succeeded in the registration of our self-brand in PRC and the business commenced in July 2008. We targeted to increase our market share by developing and producing numbers of brand series in the market, furthermore, we aimed to set up a mature and stabilized distribution and retail networks.

For the debt-restructuring proposal on approximately RMB140 million, we are continuing our negotiation with the Bank of China, Shenzhen branch on the terms.

OPERATIONS REVIEW

(a) Technology (formerly classified under Project and Technical Services segment)

The segment of automation products has experienced a slow down. As a result, turnover during this period came almost to a standstill. However, this segment is now recovering with the support from the committed workforce. The management believes that automation business will revive and offer a better return for the coming financial year.

With the China's policy in relaxing the handset license since 2008, the Group's business has aligned with this policy by having the experienced management in the trading of mobile handset business; reallocating its resources; increasing its service of self-branding; applying for the registration of its patent of self-developed technology. The management planned to expand and become one of the enterprises in the mobile handset industry by its technological innovation ability, the integration of research and development, production and trading of mobile phones accessories. In addition, the Group aimed at increasing technical innovations in the handsets and will continue to enhance its overall cost benefit and its competitive power in the market.

(b) Trading

The Group's trading business comprises of distribution of imported automation products, trading of mineral resources such as iron ore, electronic related components and mobile phone modules. The Group noted there was a change of demand in the markets of infrastructural and natural resources, also with reference to the research reports of international markets, the Group will concentrate its resources to the more profitable mobile phone modules business in the short run.

The global mobile handsets market enjoyed a double-digit growth in the past year, especially there was a strong demand for low-priced entry-level handsets from developing countries and emerging markets. In addition, the leading brand handset suppliers continued to introduce new models of handsets with enhanced features which aligned with the increasing demand in mature markets driven by replacement needs, that will bring more opportunity for the Group.

(c) Property investment

The investment properties comprise seven units of office premises in Hong Kong with total saleable areas of approximately 4,582 sq. ft. and the R & D Centre in Shenzhen with total floor area of approximately 17,500 sq. meters.

FINANCIAL REVIEW

(a) Liquidity and Financial Resources

As at 30 June 2008, the total assets of the Group were approximately RMB279,400,000, an decrease by approximately 15.18% as compared to 30 June 2007. As at 30 June 2008, the

Group had total borrowings of approximately RMB124,957,000 (2007: RMB139,520,000), approximately RMB80,734,000 of which is owed to Bank of China, Shenzhen branch. Although a judgment was made in favour of the bank by the Shenzhen Arbitration Commission, the bank has principally agreed not to demand immediate full repayment from the Group and we have numbers of discussions for the restructuring of the outstanding debts into a loan secured against the R&D Centre. Currently, the Group is making periodic principal repayments to the bank and will continue to make repayment until the debt restructuring proposal is finalized. At 30 June 2008, the gearing ratio, expressed as a percentage of total borrowings over net assets, was approximately 2.88 (2007: 1.19).

Taking into account of the broadening of revenue base, the finalization of the debt restructuring proposal, the ability of the Company to raise additional funds, and the Company's right to defend the questionable claim, the Directors are confident that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future.

(b) Capital Structure, Bank Borrowings and Exposure to Fluctuations in Exchange Rates

During the year, the Company issued 70,000,000 new ordinary shares by private placement at an issued price of HK$0.30 each and the raised funds were used for general working capital of the Group.

As at 30 June 2008, the Group's bank borrowings of approximately RMB112,397,000 on a short-term basis and was mainly in Renminbi. Out of such borrowings, the loan of approximately RMB80,734,000 bears fixed interest rate whilst the loan of approximately RMB31,663,000 bears prevailing market rates. There are no known seasonal factors in our borrowing profiles.

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. Although the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively unstable during the year under review, since the Group has no financial instrument has been used for hedging purposes, treasury and funding policies, therefore the Group's exposure to fluctuations in exchange rates is considered minimal.

(c) Contingent Liabilities

A guarantee made by the PRC subsidiary for a claim is approximately RMB22 million was alleged by a third party. The PRC subsidiary is now defending the case.

(d) Charge on Assets

As at 30 June 2008, the Group's certain investment properties, property, plant and equipment, prepaid lease payments and time deposits with an aggregate net carrying value of approximately RMB77,654,000 were pledged to banks for securing revolving loans and general banking facilities granted to certain subsidiaries of the Company.

LITIGATION

During the year under review, regarding the litigation as to the claims of approximately RMB9,500,000 raised by the main contractor of the Shenzhen R & D Centre, the relevant PRC court has made a judgement in favour of the plaintiff in December 2007. In January 2008, the Company submitted the appeal application to the relevant PRC court. In May 2008, the Company and the main contractor entered into a mutual agreement to withdraw from the litigation by settling a reasonable amount. But in early September 2008, the main contractor applied through the relevant China court to demand the Company settle the retainer fee due being RMB550,000 together with penalty. On 10 September 2008, the Company submitted a counterclaim to the relevant court counterclaiming the contractor breach of the subject agreement and is pending decision from the court.

In addition, Techwayson Industrial Limited ("TIL"), a major subsidiary (as defined under the Listing Rules) of the Company is in the best efforts to negotiate with the Bank of China, Shenzhen branch to finalize the terms of the debt-restructuring proposal on the RMB83,000,000 loan of the Shenzhen subsidiary and the RMB60,700,000 guaranteed loan.

On 17 July 2008, TIL received a writ of summons issued by the Intermediate People's Court, Shenzhen, the People's Republic of China ("PRC"), in respect of a claim of approximately RMB22 million made by an independent third party ("Party") against TIL, for a guarantee alleged to have been given by TIL in favour of the Party in November 2005 (the "Claim"). TIL has appointed a firm of PRC legal counsel to assist in the gathering of information and the investigation into the circumstances giving rise to the Claim. The said firm of PRC legal counsel was examining the relevant documents and gathering information regarding the Claim and TIL will actively defend the questionable Claim.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2008, the Group employed a total of approximately 40 employees (2007: 74) in Hong Kong and the PRC. Total staff cost for the year ended 30 June 2008 was approximately RMB4,828,000 (2007: approximately RMB11,100,000). 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.

PROSPECTS

There have been some changes in the composition of the Board after annual general meeting held in November 2007. The new Board will do their best to settle the litigation issues and look forward to improve the performance of the Group.

The Company will continue to focus on the target business areas with an objective to enhance operation performance and profitability of the Group. The Board is confident with the diversified business experience and resources from the new management team; we will strive to contribute ourselves to capture good business opportunities from the fluctuated and complicated market. The Company will look for more new projects for expansion in Asia, especially in the PRC.

For the year ended 30 June 2007

BUSINESS REVIEW

For the financial year ended 30 June 2007, the Group's audited turnover increased by about 26% to approximately RMB145 million when compared with the previous year of approximately RMB115 million. It was mainly due to the recognition of turnover upon the completion of the commissioning on the TRT (Top Pressure Recovery Turbine) projects and the contribution of rental income from investment properties.

Having improvement in each business unit of the Group and in view of the appreciation of market value of the R&D Centre in Shenzhen, the Group recorded an audited profit attributable to equity shareholders of approximately RMB7.8 million compared to an audited loss of approximately RMB247.5 million of the previous year.

Currently, the phenomenal growth of China has shaped the global economic landscape and there is no question that this extraordinary growth of China underpins the surging prosperity of Hong Kong. Like many Hong Kong companies, we are also depending heavily on the mainland market and benefiting with China's unprecedented growth. China shall remain the centre of our investment area.

During the year, the Company has successfully accomplished the recovery to solidify its financial position and resolved the major litigation issues involving the alleged guarantees previously given by the Group. Moreover, with the great effort given by the current board, the relevant staff and the professional parties, the Company has resumed its shares trading in June 2007. The management is endeavoring to revamp the business growth of the Company and will continue to focus on three major business fronts, i.e. technology, trading and property investment.

SEGMENTAL INFORMATION

Technology (formerly classified under Project and Technical Services segment)

In June 2007, the Group completed and successfully commissioned its three TRT contracts in the energy and environmental conservation, and the Group's PLCs (Programmable Logic Controllers) application in the projects had met the stringent standards. TRT is a generating system which utilizes the exhaust pressure and heat from the blast furnace of steel mill as its energy source. The electricity generated by the system will save energy for the steel mills of about 20% of electricity necessary for its operation. The Group is believed to be the first if not the only company in China that has to date undertaken three such projects at one go. With the good results, the Group will continue to engage in the provisions of such services and to provide sophisticated control and monitoring system in the coming year.

Trading

Trading business of the Group comprises distribution of imported automation products, trading of mineral resources such as iron ore, electronic related components and materials such as laminate products and related industries' raw material. In the mining and commodities trading in Indonesia, the Group has suffered an unfortunate setback. Although contracts and arrangements have been reached with the local suppliers, the sudden about turn of policy regarding the export of iron ores by the local authorities have left matter in abeyance. However, on the bright side, our associate company has recently fully installed the equipment and machineries in a mine owned by an Indonesian listed company. The Group has an exclusive sales contract for the products produced in the mine. Production of the iron ore sand are expected to start before end 2007. With the current facilities in place, monthly production is estimated at 30,000 dry metric tones. Buyer for the product has been identified.

Property investment

In our property portfolio, we own seven commercial units of approximately 4,582 sq. ft. in Hong Kong and the seven-storey R&D Centre with total floor area of approximately 17,500 sq. m. in Shenzhen. The seven-commercial units in Hong Kong have been fully let. During the year, we have completed the construction and renovation of the R&D Centre in Shenzhen, which serves also as our China office. Except of the ground floor and the first floor, which are now in the progress of leasing out, the remaining four floors of the R&D Centre have been fully let.

SIGNIFICANT INVESTMENT

Investment properties

With the completion of the acquisition of Weina Land Limited in end December 2006, the Group has diversified its business to property investment holding which has strengthened the asset and revenue bases of the Group. The investment properties comprise seven units of office premises in Hong Kong with total saleable area of approximately 4,582 sq. ft. and the R&D Centre in Shenzhen with total floor area of approximately 17,500 sq. meters.

As at 30 June 2007, all of the office units of the Hong Kong properties, having total carrying value of approximately HK$46.34 million and certain floors of the R&D Centre were leased out to independent third parties.

Investment in an associate

In July 2006, a wholly-owned subsidiary of the Company and an independent party formed a joint-venture company, namely Orient Metro Limited (the "JV Company"), which is owned as to 25% by the Group and 75% by such independent party. The JV Company together with its subsidiaries will be principally engaged in the provision of technical services (involving provision of equipment, machinery, technical advice and supporting services for excavating mines and the operation and management of mines) and export service (involving marketing, sale and export of the mined products such as iron ore, iron sand, coal and other natural mineral products from Indonesia) for an Indonesian company with local mining license, other Indonesian mining companies and/or mine owners. During the year, the installation of the necessary equipment for the first iron ore sand mine has been completed and the Group will be able to start shipment, as supplied by the JV Company's subsidiary, before end of 2007. In the coming years, we will also be looking for business opportunities in the mining industry in Asia including China.

PROSPECT

In the coming financial year, the Group shall focus on three basic priorities (i) to increase investment in properties to achieve recurring earnings and improve asset base; (ii) to expand by acquisition of market-orientated projects whether through joint ventures or otherwise; and (iii) to forge and strengthen relationship with strategic venture partners, customers and suppliers.

With the satisfactory results in the performance of our technology services, the Group is confident that it will be able to continue to perform and deliver the services required by the customers. The management is optimistic of establishing its market position in this field of energy saving system. In the production of its proprietary products such as V80s and V60s, the Group will concentrate its products that serve particularly the environmental and energy industries at large.

To strengthen its assets base, the Group will place more emphasis in the coming year on seeking joint-ventures and projects in the property investment area. The China property market has been rapidly growing since the adoption of the open door policy in the late 1980s. With its admission to the WTO in 2001, China has made tremendous progress in reforming its economy and is now experiencing exponential economic growth. However, investments in real estates in China are typically governed by governmental policies. Since 2003, the Chinese government has introduced various measures to prevent the overheating of certain sector of the property market, which, according to National Bureau of Statistics of China, the average selling prices for residential properties have risen from RMB1,948 per sq. m. in 2000 to RMB2,937 per sq. m. in 2005, representing a compound annual growth rate of 8.6%, and the average price of commercial properties have risen from RMB3,260 per sq.m. in 2000 to RMB5,022 per sq. m. in 2005, a compound annual growth rate of about 9%.

Subject to the applicable rules and regulations, the Group will endeavor to expand its investments in the lands and properties by seeking suitable projects. Barring any unforeseeable circumstances, we believe that property ownership and real-estates investments in China will continue to enjoy a sustainable growth in view of its prevalent economic growth, improved urbanisation and the availability of mortgage financing.

After the balance sheet date, in end August 2007, the Group has entered into a Letter of Intent with an independent party regarding the Group's intended investment in the development of a landed property in Zhuhai, China. The parties are in the final stage of negotiation on the detailed terms and conditions and the Company will make the necessary disclosures as soon as the formal contract is entered into. Besides, the Group is also looking at some other landed property projects in Zhuhai. Zhuhai, being one of the five Special Economic Zones in the PRC, is benefiting from growing commerce as well as from direct investment from the adjoining Special Administration Regions of Hong Kong and Macau, and also has one of the highest per capita GDPs in China. With the strong support of the Zhuhai municipal government to improve the environment and infrastructure in Zhuhai, it is expected that demand for residential/commercial property in Zhuhai will continue to grow in the coming years.

MATERIAL ACQUISITION OF SUBSIDIARIES

At the Company's extraordinary general meeting held on 28 December 2006, the Sale and Purchase Agreement entered into between the Company and Weina Holdings Limited was approved. Pursuant to the agreement, the Company agreed to acquire 100% equity interest in Weina Land Limited at HK$44 million by the issuance of 110,000,000 convertible redeemable preference A shares at HK$0.4 each to Weina Holdings Limited or its nominees. Upon completion of the acquisition which was taken place on 29 December 2006, Weina Land Limited became the wholly-owned subsidiary of the Company.

MATERIAL ACQUISITION OF ASSOCIATES

During the year, the Group entered into an agreement with an independent third party for the establishment of Orient Metro Limited at a maximum commitment of US$1.5 million (equivalent to approximately RMB11.2 million). Since 17 July 2006, Orient Metro Limited which is owned as to 25% by the Group became an associate of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the total assets of the Group were approximately RMB329,402,000, an increase by approximately 79.1% as compared to 30 June 2006. As at 30 June 2007, the Group had total borrowings of approximately RMB139,520,000 (2006: RMB107,390,000), approximately RMB88,200,000 of which is owed to Bank of China, Shenzhen branch. Although a judgment was made in favour of the bank by the Shenzhen Arbitration Commission, the bank has principally agreed not to demand immediate full repayment from the Group pending for the restructuring of the outstanding debt into a loan secured against the R&D Centre. Currently, the Group is making periodic principal repayments to the bank and will continue to make repayment in accordance with the finalized debt restructure proposal. At 30 June 2007, the gearing ratio, expressed as a percentage of total borrowings over net assets, was approximately 1.19 (2006: 3.16).

As at 30 June 2007, the total cash and bank balances of the Group amounted to approximately RMB57,551,000 (2006: RMB96,765,000). The Group's net current liabilities was approximately RMB81,441,000 (2006: RMB43,104,000) and the current ratio was about 0.61 (2006: 0.71). The decrease of the cash and bank balances was materially due to the injection of capital to a PRC subsidiary for the construction of the R&D Centre and for its general working capital, the repayment of the Group's indebtedness and the Company's investment in two joint-venture companies.

Taking into account of the broadening of the revenue base, the finalization of the debt restructuring proposal, the ability of the Company to raise additional funds, and the Company's right to defend the questionable claim, the Directors are confident that the Group has sufficient resources to meet in full its financial obligations as they fall due in the foreseeable future.

CAPITAL STRUCTURE, BANK BORROWINGS AND EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

In December 2006, the Company issued 110,000,000 convertible redeemable preference A shares at HK$0.4 each being payment of consideration for the acquisition of Weina Land Limited. In June 2007, the Company further issued 100,000,000 convertible redeemable preference shares at HK$0.4 each upon the Company's exercise of the option under the Subscription and Option Agreement dated 26 May 2006. As at 30 June 2007, the total convertible redeemable preference shares of the Company in issue were 460,000,000, all of which can be converted into ordinary shares at HK$0.4 per share, subject to adjustment.

During the year, there was no change in the issued ordinary share capital of the Company. Details of the share capital are set out in note 32 to the financial statements.

As at 30 June 2007, the Group's bank borrowings of approximately RMB139.5 million was on a short-term basis and was mainly in Renminbi. Out of such borrowings, the loan of around RMB88.2 million bears fixed interest rate whilst the loan of HK$40.9 million (approximately RMB39.3 million) and of RMB12 million bears prevailing market rates. There are no known seasonal factors in our borrowing profiles. Details of the bank loans are set out in note 31 to the financial statements.

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. As the exchange rates of United States dollars and Renminbi against Hong Kong dollars were relatively stable during the year under review, the Group's exposure to fluctuations in exchange rates is considered minimal and no financial instrument has been used for hedging purposes, treasury and funding policies.

CONTINGENT LIABILITIES

As at 30 June 2007, the Company and one of its subsidiaries had given corporate guarantees to two PRC banks for securing the short-term bank loans granted to a PRC subsidiary and the outstanding loan balance as at 30 June 2007 was approximately RMB100.2

million, together with interest. As at 30 June 2007, the Company and one of its subsidiaries had also given corporate guarantees to two banks for securing the bank loans and general banking facilities granted to two Hong Kong subsidiaries and the outstanding balance at 30 June 2007 was approximately HK$63.1 million (RMB60.6 million), together with interest.

Moreover, guarantee for the outstanding loan balance of approximately RMB60.7 million, together with interest, was allegedly provided by the PRC subsidiary for securing the loan borrowed by a third party, Shenzhen Ji Hai Industrial Company. The PRC subsidiary has made an appeal against the judgment and will defend the case.

Details of financial guarantees and contingent liabilities as at 30 June 2007 are set out in notes 42 and 43 to the financial statements.

CHARGE ON ASSETS

As at 30 June 2007, the Group's certain landed properties in Hong Kong with an aggregate net carrying value of approximately HK$46.3 million (equivalent to RMB44.49 million) were pledged to two local banks for securing revolving loans and general banking facilities granted to certain subsidiaries of the Company.

EMPLOYEE AND REMUNERATION POLICIES

For the year ended 30 June 2007, the Group has recorded staff costs of approximately RMB11.1 million (2006: RMB7 million), represented about 59% increase when compared with the previous year. The number of staff has increased from 66 employees (as at 30 June 2006) to 74 employees (as at 30 June 2007). The Group encourages high productivity and remunerates its employees based on their qualifications, work experience, prevailing market prices and his/her contributions to the Group. Incentive schemes comprised of discretionary bonus and other merit payments to reward employees based on performance are also offered. Other employee benefits include mandatory provident fund and medical benefits for its employees in Hong Kong and similar benefits for its employees in China.

LITIGATION

During the year, a PRC subsidiary of the Company received a writ of summon in respect of a claim of approximately RMB9.5 million raised by the main contractor of the Shenzhen R&D Centre in relation to the settlement price on the construction of the R&D Centre, which is in discrepancy with the contracted work. Hearing had been originally scheduled on 18 September 2007 but was postponed to end October. As advised by its PRC lawyer that there existed many irregularities in the relevant construction settlement documents submitted by the main contractor, the PRC subsidiary should have no difficulty in defending the case successfully. However, it is envisaged that in view of the delay in settlement on the construction fee, the obtaining of the title deed of the R&D Centre for the debt restructuring with the bank will be deferred. The bank is aware of the litigation issue and is still negotiating with the Group on finalizing the debt-restructuring proposal.

B. MANAGEMENT DISCUSSION AND ANALYSIS ON THE PROJECT COMPANY

Set out below is the management discussion and analysis on the Project Company for the six months ended 30 June 2010 and the three years ended 31 December 2009:

For the six months ended 30 June 2010 and three years ended 31 December 2009

Business Review

In November 2005, the Project Company was established in the PRC as a sino-foreign joint venture company with limited liability and the asset of the Project Company is the Project. Total revenue attributable to the Project Company amounted to approximately RMB95,845,000 and RMB592,135,000 respectively for the six months ended 30 June 2010 and the year ended 31 December 2009 respectively. The Project Company had not generated any revenue during the years ended 31 December 2008 and 2007.

Financial Review

Set out below is a summary of the audited financial information on the Project Company (on company level) for the three years ended 31 December 2009 and the six months ended 30 June 2010.

	Years ended 31 December			Six months ended 30 June
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Statements of comprehensive income				
Turnover	–	–	592,135	95,845
Net profit/(loss) before taxation	(21,412)	(13,920)	263,095	(774)
Profit/(loss) and total comprehensive income/(expense) for the year/period	(21,412)	(13,920)	197,165	25,602

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Statements of financial position				
Total assets	831,331	1,048,189	635,235	615,540
Total liabilities	(580,925)	(811,703)	(201,584)	(256,287)
Net assets	250,406	236,486	433,651	359,253

The development of Property A was completed in 2009 and the majority of the property units were delivered to customers during 2009. For the six months ended 30 June 2010, 47 units (2009: 743 units) of residential properties and 21 units (2009: 22 units) of commercial properties with approximately 5,931 sq.m. (2009: 86,508 sq.m.) and 1,870 sq.m. (2009: 1,970 sq.m.) respectively were delivered to the buyers and recognised as sales by the Project Company. Total revenue (including sales of car parks) amounted to RMB95,845,000 (2009: approximately RMB592,135,000). During the years ended 31 December 2008 and 2007, the properties were still under development and none of the property units had been delivered to the buyers, and no sales were recognised by the Project Company.

Liquidity and Financial Resources

As at 30 June 2010 and 31 December 2009, 2008 and 2007, the Project Company had bank borrowings of RMB150,000,000, nil, RMB150,000,000 and RMB140,000,000 respectively, with loan from shareholders of nil, nil, RMB124,114,000 and RMB114,896,000. The gearing ratio, expressed as a percentage of the sum of bank borrowings and loan from shareholders over net assets, as at 30 June 2010 and 31 December 2009, 2008 and 2007 were approximately 41.8%, nil, 115.9% and 101.8% respectively. As at 30 June 2010 and 31 December 2009, 2008 and 2007, the total cash and bank balances of the Project Company amounted to approximately RMB18,293,000, RMB128,342,000, RMB196,110,000 and RMB174,892,000.

As at 30 June 2010 and 31 December 2009, 2008 and 2007, the Project Company's current ratios, expressed by current assets over current liabilities, were approximately 5.7, 2.9, 1.2 and 2.4 respectively.

Capital Commitment

The Project Company did not have any significant capital commitments as at 30 June 2010 and 31 December 2009, 2008 and 2007.

As at 30 June 2010 and 31 December 2009, 2008 and 2007, the Project Company had commitments for property development expenditure (i) contracted for but not provided amounted to RMB171,029,000, RMB294,363,000, RMB45,247,000 and RMB112,167,000 respectively; (ii) authorised but not contracted for amounted to RMB390,121,000, RMB154,551,000, nil and nil respectively.

Treasury Policies

The Project Company had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the six months ended 30 June 2010 and the three years ended 31 December 2009, 2008 and 2007.

Exchange Rate Exposure

The Project Company had no material exchange rate exposure.

Contingent Liabilities

The Project Company had arranged for bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments during the six months ended 30 June 2010 and the three years ended 31 December 2009, 2008 and 2007. The outstanding guarantees amounted to RMB15,793,000, RMB90,759,000, RMB215,944,000 and RMB60,930,000 as at 30 June 2010 and 31 December 2009, 2008 and 2007 respectively.

Significant Investments, Material Acquisition and Disposals

The Project Company did not have any significant investments, material acquisition and disposals for the six months ended 30 June 2010 and the three years ended 31 December 2009, 2008 and 2007.

Employees

The Project Company had a work force of 12, 12, 12, 13 as at 30 June 2010 and 31 December 2009, 2008 and 2007 respectively. Total staff costs of the Project Company for the six months ended 30 June 2010 and for the year ended 31 December 2009, 2008 and 2007 amounted to RMB255,000, RMB800,000, RMB886,000 and RMB535,000 respectively.

The following is the text of a letter, a summary of valuation and valuation certificates prepared for the purpose of incorporation in this circular received from Vigers Appraisal & Consulting Limited, an independent valuer, in connection with its valuation as at 30 September 2010 of the market value of the Project.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

22 December 2010

The Directors
China Uptown Group Company Limited
Suite 1501, Tower 1,
Silvercord,
No. 30 Canton Road,
Tsim Sha Tsui,
Kowloon,
Hong Kong

Dear Sirs,

In accordance with the instructions of China Uptown Group Company Limited (the "Company") for us to value the property interests held by the Project Company in the People's Republic of China ("the PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 30 September 2010 ("date of valuation") for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing Property 1 which is held by the Project Company for sale in the PRC, we have valued the property by the direct comparison approach assuming sale of the property in their existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

In valuing Property 2 which is held by the Project Company under development in the PRC, we have valued on the basis that the property will be developed and completed in accordance with the latest development proposal as provided to us by the Company. We have assumed that all consents, approvals and licences from relevant government authorities for the development proposal have been obtained or will be obtained without onerous conditions or undue time delays. We have also assumed that the design and construction of the development are in compliance with the local planning regulations and have been approved by the relevant authorities. In arriving at our opinion of value, we have adopted the direct comparison approach by making reference to comparable sales evidences as available in the relevant market and have also taken into account the expended construction costs and the costs that will be expended to complete the development to reflect the quality of the completed development.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interests at the relevant government bureau in the PRC. We have been provided with certain extracts of title documents relating to the property interests. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests, we have relied on the legal opinion (the "PRC legal opinion") provided by the Company's PRC legal adviser, Guangdong Zhong Cheng Law Firm.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB). The exchange rate used in valuing the property interest in the PRC as at 30 September 2010 was HK$1=RMB0.862. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars (HK$) between that date and the date of this letter.

We enclose herewith a summary of valuation and valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty four years' experiences in undertaking valuations of properties in Hong Kong and has over seventeen years' experiences in valuations of properties in the PRC.

SUMMARY OF VALUATION

Group I – Property interest held by the Project Company for sale in the PRC

	Property	Market Value in existing state as at 30 September 2010
1.	Unsold portion of Phase 1 of Zhong Zhu Uptown, No. 299 Santaishi Road, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC	RMB200,800,000 (equivalent to approximately HK$232,950,000)
	Sub-total:	**RMB200,800,000 (equivalent to approximately HK$232,950,000)**

Group II – Property interest held by the Project Company under development in the PRC

	Property	Market Value in existing state as at 30 September 2010
2.	Phase 2 of Zhong Zhu Uptown, South of Renmin West Road, West of Santaishi Road, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC	RMB973,300,000 (equivalent to approximately HK$1,129,120,000)
	Sub-total:	**RMB973,300,000 (equivalent to approximately HK$1,129,120,000)**
	Grand total:	**RMB1,174,100,000 (equivalent to approximately HK$1,362,070,000)**

VALUATION CERTIFICATES

Group I – Property interest held by the Project Company for sale in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010
1.	Unsold portion of Phase 1 of Zhong Zhu Uptown, No. 299 Santaishi Road, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC	The property comprises the unsold portion of Phase I of Zhong Zhu Uptown having a total gross floor area of approximately 17,812.73 sq.m. and 292 car parking spaces completed in 2009. According to the Group, the gross floor area of the property is as follows:	The property is currently vacant.	RMB200,800,000 (equivalent to approximately HK$232,950,000)

Use	Approximate Gross Floor Area *(sq.m.)*
Residential	7,840.86
Commercial	7,104.06
Activity Centre	2,867.81
Total:	17,812.73

The property is held with the land use rights for terms expiring on 5 July 2076 and 5 July 2046 for residential and commercial uses respectively.

Notes:

1. According to a Real Estate Ownership Certificate (Document No.: Yue Fang Di Zheng Zi No. C4701426), the land use rights of the property having a site area of approximately 48,382.70 sq.m. have been granted to 珠海中珠房地產開發有限公司 (Zhuhai Zhong Zhu Real Estate Development Company Ltd.) for terms expiring on 5 July 2076 and 5 July 2046 for residential and commercial uses respectively.

2. According to a Real Estate Ownership Certificate (Document No.: Yue Fang Di Zheng Zi No. C4701427), the land use rights of the property having a site area of approximately 57,762.92 sq.m. have been granted to 珠海中珠房地產開發有限公司 (Zhuhai Zhong Zhu Real Estate Development Company Ltd.) for terms expiring on 5 July 2076 and 5 July 2046 for residential and commercial uses respectively.

3. According to a Planning Permit for Construction Land (Document No.: 2006 Yong Di Zi No. 079) issued by Zhuhai City Planning Bureau on 4 July 2006, the construction site of a parcel of land with a site area of approximately 48,382.70 sq.m. is in compliance with the urban construction requirements.

4. According to a Planning Permit for Construction Land (Document No.: 2006 Yong Di Zi No. 078) issued by Zhuhai City Planning Bureau on 4 July 2006, the construction site of a parcel of land with a site area of approximately 57,762.92 sq.m. is in compliance with the urban construction requirements.

5. According to 2 Planning Permits for Construction Works (Document Nos.: 2006 Gui Zi Nos. 0941-1 and 094-2) issued by Zhuhai City Planning Bureau on 31 May 2006, the construction works of the property with a total gross floor area of 143,876.93 sq.m. are in compliance with the urban construction requirements and are approved.

6. According to 3 Permits for Commencement of Construction Works (Document Nos.: 440400200605316101, 440400200605316001 and 440400200809080201) issued by Zhuhai City Construction Bureau, the construction works of the property with a total gross floor area of 149,785.84 sq.m. are in compliance with the requirements for works commencement and are approved.

7. According to 2 Commodity Housing Pre-sale Permits (Document Nos.: S200700036 and S200700036-2) issued by Zhuhai City Construction Bureau, the property with a total gross floor area of 107,305.72 sq.m. are permitted for pre-sale.

8. According to 3 Completion Certificates (Document Nos.: 2009 Gui Yan Zi Nos. 019-1, 019-2 and 019-3) issued by Zhuhai City Construction Bureau on 27 March 2009, the property were completed.

9. The PRC legal opinion states, inter alia, the following:

   (i) 珠海經濟特區合強實業有限公司 (Zhuhai Special Economic Zone Heqiang Industrial Company Ltd.) has legally obtained the title of the property and has the right to transfer and dispose the property.

   (ii) The land premium has been duly paid and settled.

   (iii) The property is subject to a loan agreement and a mortgage in favour of Industrial and Commercial Bank of China Limited, Zhuhai Branch.

10. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:

(i)	Real Estate Ownership Certificate	Yes
(ii)	Planning Permit for Construction Land	Yes
(iii)	Planning Permit for Construction Works	Yes
(iv)	Permit for Commencement of Construction Works	Yes
(v)	Commodity Housing Pre-sales Permit	Yes

Group II – Property interest held by the Project Company under development in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010
2.	Phase 2 of Zhong Zhu Uptown, South of Renmin West Road, West of Santaishi Road, Xiangzhou District, Zhuhai City, Guangdong Province, the PRC	The property comprises a parcel of land having a site area of approximately 57,762.92 sq.m. The property has been planned to be developed into a composite residential and commercial development. According to the Group, the planned gross floor area of the property is as follows:	The property is currently under construction.	RMB973,300,000 (equivalent to approximately HK$1,129,120,000)

Use	Approximate Gross Floor Area *(sq.m.)*
Residential	137,291.17
Commercial	12,576.86
Basement	25,096.40
Public Facilities	838.22
Total:	175,802.65

According to the Company, the property is scheduled to be completed in the second half of 2012.

The property is held with the land use rights for terms expiring on 5 July 2076 and 5 July 2046 for residential and commercial uses respectively.

Notes:

1. According to a Real Estate Ownership Certificate (Document No.: Yue Fang Di Zheng Zi No. C4701427), the land use rights of the property having a site area of approximately 57,762.92 sq.m. have been granted to 珠海中珠房地產開發有限公司 (Zhuhai Zhong Zhu Real Estate Development Company Ltd.) for terms expiring on 5 July 2076 and 5 July 2046 for residential and commercial uses respectively.

2. According to a Planning Permit for Construction Land (Document No.: 2006 Yong Di Zi No. 078) issued by Zhuhai City Planning Bureau on 4 July 2006, the construction site of a parcel of land with a site area of approximately 57,762.92 sq.m. is in compliance with the urban construction requirements.

3. According to 2 Planning Permits for Construction Works (Document Nos.: 2006 Gui Zi Nos. 0941-3 and 094-4) issued by Zhuhai City Planning Bureau on 31 May 2006, the construction works of the property with a total gross floor area of 176,747.59 sq.m. are in compliance with the urban construction requirements and are approved.

4. According to 2 Permits for Commencement of Construction Works (Document No.: 440400200605316001 and 440400201001180101) issued by Zhuhai City Construction Bureau, the construction works of the property with a total gross floor area of 176,460.54 sq.m. are in compliance with the requirements for works commencement and are approved.

5. According to a Commodity Housing Pre-sale Permit (Document No.: S200700036-3) issued by Zhuhai City Construction Bureau, portion of the property with a total gross floor area of 55,309.25 sq.m. are permitted for pre-sale.

6. According to the Company, the construction cost to complete the property is estimated to be approximately RMB472,000,000.

7. The capital value when completed of the proposed development is approximately RMB2,118,000,000.

8. The PRC legal opinion states, inter alia, the following:

   (i) 珠海經濟特區合強實業有限公司 (Zhuhai Special Economic Zone Heqiang Industrial Company Ltd.) has legally obtained the title of the property and has the right to transfer and dispose the property.

   (ii) The land premium has been duly paid and settled.

   (iii) The property is subject to a loan agreement and a mortgage in favour of Industrial and Commercial Bank of China Limited, Zhuhai Branch.

9. The status of title and grant of major approvals and permits in accordance with the PRC legal opinion and information provided by the Company are as follows:

(i)	Real Estate Ownership Certificate	Yes
(ii)	Planning Permit for Construction Land	Yes
(iii)	Planning Permit for Construction Works	Yes
(iv)	Permit for Commencement of Construction Works	Yes
(v)	Commodity Housing Pre-sales Permit	Yes (Portion)

The following is the text of a letter, a summary of valuation and valuation certificates, prepared for the purpose of incorporation in this circular received from Vigers Appraisal & Consulting Limited, an independent valuer, in respect of its valuation as at 30 September 2010 of the property interests held by the Enlarged Group.

Vigers Appraisal & Consulting Limited
International Assets Appraisal Consultants

10th Floor, The Grande Building
398 Kwun Tong Road
Kowloon
Hong Kong

22 December 2010

The Directors
China Uptown Group Company Limited
Suite 1501, Tower 1,
Silvercord,
No. 30 Canton Road,
Tsim Sha Tsui,
Kowloon,
Hong Kong

Dear Sirs,

In accordance with the instructions of China Uptown Group Company Limited (the "Company") for us to value the property interests (excluding the property interests in Appendix V) held by the Enlarged Group in the People's Republic of China ("the PRC") and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of such property interests as at 30 September 2010 ("date of valuation") for the purpose of incorporation in the circular.

Our valuation is our opinion of the market value of the property interest which we would define market value as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the property interest in Group I, which is owned by the Enlarged Group for owner-occupation and investment in the PRC, we have adopted a combination of the market and depreciated replacement cost approach in assessing the land portion of the property and the buildings and structures standing on the land respectively. Hence, the sum of the two results represents the market value of the property as a whole. In the valuation of the land portion, reference has been made to the standard land price and the sales evidence as available to us in the locality. As the nature of the buildings and structures cannot be valued on the basis of market value, they have therefore been valued on the basis of their depreciated replacement costs. The depreciated replacement cost approach considers the current cost of replacement (reproduction) of the buildings and improvements less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales. The approach is subject to adequate potential profitability of the business.

In valuing the property interest in Group II, which is owned by the Enlarged Group for owner-occupation in Hong Kong, we have valued the property interest by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

In valuing the property interests in Group III, which are owned by the Enlarged Group for investment in Hong Kong, we have valued either on the basis of capitalization of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or by reference to comparable market transactions.

Our valuation has been made on the assumption that the owner sells the property interests on the open market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property interests. In addition, no forced sale situation in any manner is assumed in our valuation.

We have not caused title searches to be made for the property interests at the relevant government bureau in the PRC. For the property interests in Hong Kong, we have caused searches to be made at the Land Registry. We have been provided with certain extracts of title documents relating to the property interests in the PRC. However, we have not inspected the original documents to verify the ownership, encumbrances or the existence of any subsequent amendments which may not appear on the copies handed to us. In undertaking our valuation for the property interests in the PRC, we have relied on the legal opinion (the "PRC legal opinion") provided by the Company's PRC legal adviser, Guangdong Zhong Cheng Law Firm.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us by the Company on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, site and floor areas and in the identification of the property and other relevant matter. We have also been advised by the Company that no material facts had been concealed or omitted in the information provided to us. All documents have been used for reference only.

All dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Company and are approximations only. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out a structural survey nor have we inspected woodwork or other parts of the structures which are covered, unexposed or inaccessible and we are therefore unable to report that any such parts of the properties are free from defect. No tests were carried out on any of the services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interest nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors (HKIS) and the requirements set out in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

Unless otherwise stated, all money amounts stated are in Renminbi (RMB) and Hong Kong Dollars (HK$). The exchange rate used in valuing the property interest in the PRC as at 30 September 2010 was HK$1=RMB0.862. There has been no significant fluctuation in the exchange rate for Renminbi against Hong Kong Dollars between that date and the date of this letter.

We enclose herewith a summary of valuation and valuation certificates.

Yours faithfully,
For and on behalf of
Vigers Appraisal & Consulting Limited
Raymond Ho Kai Kwong
Registered Professional Surveyor
MRICS MHKIS MSc(e-com)
Managing Director

Note: Mr. Raymond Ho Kai Kwong, Chartered Surveyor, MRICS MHKIS MSc(e-com), has over twenty four years' experiences in undertaking valuations of properties in Hong Kong and has over seventeen years' experiences in valuations of properties in the PRC.

SUMMARY OF VALUATION

Group I – Property interest owned by the Enlarged Group for owner-occupation and investment in the PRC

	Property	Market Value in existing state as at 30 September 2010	Interest attributable to the Enlarged Group	Market Value in existing state attributable to the Enlarged Group as at 30 September 2010
1.	Land Parcel No. T205-0035 together with the building erected thereon located at Hi-tech Industrial Park, Nanshan District, Shenzhen City, the PRC	No commercial value	100%	Nil
	Sub-total:	**Nil**		**Nil**

Group II – Property interest owned by the Enlarged Group for owner-occupation in Hong Kong

	Property	Market Value in existing state as at 30 September 2010	Interest attributable to the Enlarged Group	Market Value in existing state attributable to the Enlarged Group as at 30 September 2010
2.	Unit 1501 on 15th Floor of Tower 1, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	HK$36,500,000	100%	HK$36,500,000
	Sub-total:	**HK$36,500,000**		**HK$36,500,000**

Group III – Property interests owned by the Enlarged Group for investment in Hong Kong

	Property	Market Value in existing state as at 30 September 2010	Interest attributable to the Enlarged Group	Market Value in existing state attributable to the Enlarged Group as at 30 September 2010
3.	Unit 302 on 3rd Floor, Lippo Sun Plaza, No. 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	HK$10,400,000	100%	HK$10,400,000
4.	Unit 702 on 7th Floor, Lippo Sun Plaza, No. 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	HK$10,950,000	100%	HK$10,950,000
5.	Unit 520 on 5th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong	HK$6,500,000	100%	HK$6,500,000
6.	Units 708 and 709 on 7th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong	HK$14,300,000	100%	HK$14,300,000

	Property	Market Value in existing state as at 30 September 2010	Interest attributable to the Enlarged Group	Market Value in existing state attributable to the Enlarged Group as at 30 September 2010
7.	Unit 711 on 7th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong	HK$6,800,000	100%	HK$6,800,000
8.	Unit 713 on 7th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong	HK$6,800,000	100%	HK$6,800,000
	Sub-total:	**HK$55,750,000**		**HK$55,750,000**
	Grand total:	**HK$92,250,000**		**HK$92,250,000**

VALUATION CERTIFICATES

Group I – Property interest owned by the Enlarged Group for owner-occupation and investment in the PRC

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010
1.	Land Parcel No. T205-0035 together with the building erected thereon located at Hi-tech Industrial Park, Nanshan District, Shenzhen City, the PRC	The property comprises a parcel of land with a site area of approximately 8,159 sq.m. A 7-storey building with a basement of gross floor area of approximately 17,677.47 sq.m. completed in 2007 has been erected thereon. The land use rights of the property have been granted for a term of 50 years from 31 January 2002 to 30 January 2052 for hi-tech industrial park land use.	Portion of the property is currently occupied by the Enlarged Group for office use. The remaining portion of the property is leased to various tenants for the latest term expiring on 10 May 2013 at a total monthly rent of RMB1,179,235.	No commercial value **Interest attributable to the Enlarged Group** 100% **Market Value in existing state attributable to the Enlarged Group as at 30 September 2010** Nil

Notes:

1. According to a Real Estate Ownership Certificate (Document No.: Shen Fang Di Zi No. 4000091535), the land use rights of the property having a site area of approximately 8,159 sq.m. are vested in Techwayson Industrial Ltd. for a term of 50 years from 31 January 2002 to 30 January 2052 for hi-tech industrial park land use.

2. On account of the statement stated on the Real Estate Ownership Certificate that the property is not permitted to be transferred, we have ascribed no commercial value to the property. However, for reference purpose, the market value of the property as at the date of valuation was RMB170,000,000 (equivalent to approximately HK$197,200,000) assuming the property is entitled to be transferred in the open market.

3. Techwayson Industrial Ltd. is an indirect wholly-owned subsidiary of the Company.

4. The PRC legal opinion states, inter alia, the following:

   (i) Techwayson Industrial Ltd. has obtained the land use rights and the building ownership rights of the property.

   (ii) The land premium has been duly paid and settled.

   (iii) The property is subject to a court order issued by Intermediate People's Court in respect of a civil proceeding to the claims of retainer fee of RMB550,000 raised by the main contractor of the property for a term from 14 December 2009 to 13 December 2010.

Group II – Property interest owned by the Enlarged Group for owner-occupation in Hong Kong

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010
2.	Unit 1501 on 15th Floor of Tower 1, Silvercord, No. 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong 35/13,615th equal and undivided shares of and in Kowloon Inland Lot No. 10656	The property comprises an office unit on the 15th Floor of a 19-storey (including a basement) commercial building completed in 1983. The property has a saleable area of approximately 2,605 sq.ft. (242.01 sq.m.). The property is held under Conditions of Sale No. 11435 for a term of 75 years commencing on 30 September 1980 renewable for a further term of 75 years. The government rent payable for the lot is HK$1,000 per annum.	The property is occupied by the Enlarged Group for office use.	HK$36,500,000 **Interest attributable to the Enlarged Group** 100% **Market Value in existing state attributable to the Enlarged Group as at 30 September 2010** HK$36,500,000

Notes:

1. According to the record in the Land Registry, the current registered owner of the property is Weina Land Limited.

2. The property is subject to a tripartite legal charge/mortgage in favour of Citic Ka Wah Bank Limited (currently renamed as Citic Bank International Limited) vide Memorial No. 09102000950157 dated 30 September 2009.

3. The property is subject to a tripartite second legal charge/mortgage in favour of Citic Bank International Limited vide Memorial No. 10070600970085 dated 23 June 2010.

4. Weina Land Limited is a direct wholly-owned subsidiary of the Company.

Group III – Property interests owned by the Enlarged Group for investment in Hong Kong

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010
3.	Unit 302 on 3rd Floor, Lippo Sun Plaza, No. 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong 119,971/100,000,000th equal and undivided shares of and in Kowloon Inland Lot No. 10722	The property comprises an office unit on the 3rd Floor of a 19-storey (including 2 basements) commercial building completed in 1988. The property has a saleable area of approximately 851 sq.ft. (79.06 sq.m.). The property is held under Conditions of Sale No. 11856 for a term from 24 October 1985 to 30 June 2047. The annual government rent is at 3% of the prevailing rateable value of the property.	The property is subject to a tenancy agreement for a term of 2 years from 1 April 2009 to 31 March 2011 at a monthly rent of HK$20,800, exclusive of government rent, rates, management fees and other outgoings.	HK$10,400,000 **Interest attributable to the Enlarged Group** 100% **Market Value in existing state attributable to the Enlarged Group as at 30 September 2010** HK$10,400,000

Notes:

1. According to the record in the Land Registry, the current registered owner of the property is Weina Land Limited.

2. The property is subject to a mortgage to secure general banking facilities in favour of The Hongkong Chinese Bank Limited (currently renamed as Citic Bank International Limited) vide Memorial No. UB7303263 dated 26 September 1997.

3. The property is subject to a rental assignment in favour of Citic Ka Wah Bank Limited (currently renamed as Citic Bank International Limited) vide Memorial No. 09072200940037 dated 14 July 2009.

4. Weina Land Limited is a direct wholly-owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010
4.	Unit 702 on 7th Floor, Lippo Sun Plaza, No. 28 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong 122,535/100,000,000th equal and undivided shares of and in Kowloon Inland Lot No. 10722	The property comprises an office unit on the 7th Floor of a 19-storey (including 2 basements) commercial building completed in 1988. The property has a saleable area of approximately 851 sq.ft. (79.06 sq.m.). The property is held under Conditions of Sale No. 11856 for a term from 24 October 1985 to 30 June 2047. The annual government rent is at 3% of the prevailing rateable value of the property.	The property is subject to a tenancy agreement for a term of 2 years from 16 April 2010 to 15 April 2012 at a monthly rent of HK$31,158, exclusive of rates, government rent, management fees and air-conditioning fees.	HK$10,950,000 **Interest attributable to the Enlarged Group** 100% **Market Value in existing state attributable to the Enlarged Group as at 30 September 2010** HK$10,950,000

Notes:

1. According to the record in the Land Registry, the current registered owner of the property is Weina Land Limited.

2. The property is subject to a tripartite legal charge/mortgage in favour of Citic Ka Wah Bank Limited (currently renamed as Citic Bank International Limited) vide Memorial No. 09102000950137 dated 30 September 2009.

3. The property is subject to a rental assignment in favour of Citic Ka Wah Bank Limited (currently renamed as Citic Bank International Limited) vide Memorial No. 09102000950147 dated 30 September 2009.

4. The property is subject to a tripartite second legal charge/mortgage in favour of Citic Bank International Limited vide Memorial No. 10070600970064 dated 23 June 2010.

5. The property is subject to a rental assignment in favour of Citic Bank International Limited vide Memorial No. 10070600970076 dated 23 June 2010.

6. Weina Land Limited is a direct wholly-owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010
5.	Unit 520 on 5th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong 14/8,000th equal and undivided shares of and in Kowloon Inland Lot No. 10601	The property comprises an office unit on the 5th Floor of a 17-storey (including 2 basements) commercial building completed in 1982. The property has a saleable area of approximately 576 sq.ft. (53.51 sq.m.). The property is held under Conditions of Sale No. UB11285 for a term of 75 years commencing on 9 January 1979 renewable for a further term of 75 years. The government rent payable for the lot is HK$1,000 per annum.	The property is subject to a tenancy agreement for a term of 2 years from 17 November 2008 to 16 November 2010 at a monthly rent of HK$15,584, exclusive of rates, management fees and air-conditioning fees.	HK$6,500,000 **Interest attributable to the Enlarged Group** 100% **Market Value in existing state attributable to the Enlarged Group as at 30 September 2010** HK$6,500,000

Notes:

1. According to the record in the Land Registry, the current registered owner of the property is Weina Land Limited.

2. The property is subject to a tripartite legal charge/mortgage in favour of Citic Ka Wah Bank Limited (currently renamed as Citic Bank International Limited) vide Memorial No. 09102000950111 dated 30 September 2009.

3. The property is subject to a rental assignment in favour of Citic Ka Wah Bank Limited (currently renamed as Citic Bank International Limited) vide Memorial No. 09102000950127 dated 30 September 2009.

4. The property is subject to a tripartite second legal charge/mortgage in favour of Citic Bank International Limited vide Memorial No. 10070600970060 dated 23 June 2010.

5. The property is subject to a rental assignment in favour of Citic Bank International Limited vide Memorial No. 10070600970052 dated 23 June 2010.

6. Weina Land Limited is a direct wholly-owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010
6.	Units 708 and 709 on 7th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong 28/8,000th equal and undivided shares of and in Kowloon Inland Lot No. 10601	The property comprises two office units on the 7th Floor of a 17-storey (including 2 basements) commercial building completed in 1982. The property has a saleable area of approximately 1,152 sq.ft. (107.02 sq.m.). The property is held under Conditions of Sale No. UB11285 for a term of 75 years commencing on 9 January 1979 renewable for a further term of 75 years. The government rent payable for the lot is HK$1,000 per annum.	The property is subject to a tenancy agreement for a term of 2 years from 15 July 2009 to 14 July 2011 at a monthly rent of HK$33,440, exclusive of government rent, rates, management fees and other outgoings.	HK$14,300,000 **Interest attributable to the Enlarged Group** 100% **Market Value in existing state attributable to the Enlarged Group as at 30 September 2010** HK$14,300,000

Notes:

1. According to the record in the Land Registry, the current registered owner of the property is Weina Land Limited.

2. The property is subject to a tripartite legal charge/mortgage in favour of Citic Ka Wah Bank Limited (currently renamed as Citic Bank International Limited) vide Memorial No. 09102000950111 dated 30 September 2009.

3. The property is subject to a rental assignment in favour of Citic Ka Wah Bank Limited (currently renamed as Citic Bank International Limited) vide Memorial No. 09102000950127 dated 30 September 2009.

4. The property is subject to a tripartite second legal charge/mortgage in favour of Citic Bank International Limited vide Memorial No. 10070600970040 dated 23 June 2010.

5. The property is subject to a rental assignment in favour of Citic Bank International Limited vide Memorial No. 10070600970052 dated 23 June 2010.

6. Weina Land Limited is a direct wholly-owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010
7.	Unit 711 on 7th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong 14/8,000th equal and undivided shares of and in Kowloon Inland Lot No. 10601	The property comprises an office unit on the 7th Floor of a 17-storey (including 2 basements) commercial building completed in 1982. The property has a saleable area of approximately 576 sq.ft. (53.51 sq.m.). The property is held under Conditions of Sale No. UB11285 for a term of 75 years commencing on 9 January 1979 renewable for a further term of 75 years. The government rent payable for the lot is HK$1,000 per annum.	The property is subject to a tenancy agreement for a term of 2 years from 25 March 2009 to 24 March 2011 at a monthly rent of HK$15,048, exclusive of rates, government rent and management fees.	HK$6,800,000 **Interest attributable to the Enlarged Group** 100% **Market Value in existing state attributable to the Enlarged Group as at 30 September 2010** HK$6,800,000

Notes:

1. According to the record in the Land Registry, the current registered owner of the property is Weina Land Limited.

2. The property is subject to a mortgage to secure general banking facilities in favour of The Hongkong Chinese Bank Limited (currently renamed as Citic Ka Wah Bank Limited) vide Memorial No. UB7303261 dated 26 September 1997.

3. The property is subject to a rental assignment in favour of Citic Ka Wah Bank Limited (currently renamed as Citic Bank International Limited) vide Memorial No. 09072200940023 dated 14 July 2009.

4. Weina Land Limited is a direct wholly-owned subsidiary of the Company.

	Property	Description and Tenure	Particulars of occupancy	Market Value in existing state as at 30 September 2010
8.	Unit 713 on 7th Floor, East Ocean Centre, No. 98 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong 14/8,000th equal and undivided shares of and in Kowloon Inland Lot No. 10601	The property comprises an office unit on the 7th Floor of a 17-storey (including 2 basements) commercial building completed in 1982. The property has a saleable area of approximately 576 sq.ft. (53.51 sq.m.). The property is held under Conditions of Sale No. UB11285 for a term of 75 years commencing on 9 January 1979 renewable for a further term of 75 years. The government rent payable for the lot is HK$1,000 per annum.	The property is subject to a tenancy agreement for a term of 2 years from 21 December 2008 to 20 December 2010 at a monthly rent of HK$15,840, exclusive of government rent, rates, management fees and other outgoings.	HK$6,800,000 **Interest attributable to the Enlarged Group** 100% **Market Value in existing state attributable to the Enlarged Group as at 30 September 2010** HK$6,800,000

Notes:

1. According to the record in the Land Registry, the current registered owner of the property is Weina Land Limited.

2. The property is subject to a tripartite legal charge/mortgage in favour of Citic Ka Wah Bank Limited (currently renamed as Citic Bank International Limited) vide Memorial No. 09102000950111 dated 30 September 2009.

3. The property is subject to a rental assignment in favour of Citic Ka Wah Bank Limited (currently renamed as Citic Bank International Limited) vide Memorial No. 09102000950127 dated 30 September 2009.

4. The property is subject to a tripartite second legal charge/mortgage in favour of Citic Bank International Limited vide Memorial No. 10070600970040 dated 23 June 2010.

5. The property is subject to a rental assignment in favour of Citic Bank International Limited vide Memorial No. 10070600970052 dated 23 June 2010.

6. Weina Land Limited is a direct wholly-owned subsidiary of the Company.

PROPERTY INTEREST, PROPERTY VALUATION AND RECONCILIATION OF APPRAISED PROPERTY VALUES WITH NET BOOK VALUES (RULE 5.07)

Vigers Appraisal & Consulting Limited, an independent valuer, has valued the lands, buildings and structures erected on the property held by the Project Company and the Enlarged Group as at 30 September 2010 and is of the opinion that the market value of the lands, buildings and structures with land use rights certificates and building ownership certificates erected on the property and are permitted to be transferred in the open market was amounted to RMB1,174,100,000 and RMB1,253,620,000 respectively as at 30 September 2010. For the valuation of buildings and structures not permitted to be transferred in the open market, please refer to Note 1. Details of the valuation of lands, buildings and structures erected on the property as at 30 September 2010 are set out in Appendices V and VI to this circular.

Set forth below is the reconciliation of the valuation figure of the Project Company and the Enlarged Group's property with the figures included in the Combined Financial Statements:

	The Project Company	**The Group and the Enlarged Group**
	RMB'000	*RMB'000*
Net book value of the buildings and structures – as at 30 June 2010:		
Investment properties	12,600	200,176
Property under Development	441,262	522,974
Properties held for sale	108,284	196,428
Property, plant and equipment	–	32,305
Prepaid lease payments	–	255
	562,146	952,138
Movement during the period (unaudited)		
Additions during the period	89,836	89,836
Disposals during the period	(32,692)	(71,991)
Depreciation during the period	–	(32)
Net book value as at 30 September 2010	619,290	969,951
Valuation surplus	554,810	283,669
Valuation of the lands, buildings and structures with land use rights certificates and building ownership certificates erected on the property and are permitted to be transferred in the open market as at 30 September 2010 as set out in the valuation report contained in Appendix VII to this circular	1,174,100	1,253,620

Note:

1. Regarding Property 1, as advised by the Enlarged Group, the land use rights of the property having a site area of approximately 8,159 sq.m. are vested in Techwayson Industrial Ltd. for a term of 50 years from 31 January 2002 to 30 January 2052 for hi-tech industrial park land use. On account of the statement stated on the Real Estate Ownership Certificate that the property is not permitted to be transferred, the Valuer has ascribed no commercial value to the property. However, for reference purpose, the market value of the property as at the date of valuation was RMB170,000,000 (equivalent to approximately HK$197,216,000) assuming the property is entitled to be transferred in the open market.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Enlarged Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make may statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and immediately following the Completion were and are expected to be as follows:

Authorised:		*HK$*
3,000,000,000	Shares	300,000,000
Issued and fully paid:		
851,980,000	Shares as at the Latest Practicable Date	85,198,000
283,425,754	Conversion Shares to be issued upon the exercise of the Convertible Bonds in full	28,342,575
Total (for illustrative purposes)		
1,135,405,754	Shares	113,540,575

All of the Shares in issue and to be issued rank and will rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital. The Shares and the Conversion Shares in issue and to be issued are or will be listed on the Stock Exchange.

3. DISCLOSURE OF INTERESTS BY DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (1) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (2) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (3) which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") to be notified to the Company and the Stock Exchange, were as follows:

	Number of Shares held		**Number of options held**		**Approximate percentage of shareholding**
Name of Director	*Personal Interest*	*Corporate Interest*	*Personal Interest*	**Total**	
Ms. XIA Dan *(Note)*	–	79,500,000	3,500,000	83,000,00	9.74
Mr. LAU Sai Chung	148,000	–	3,352,000	3,500,000	0.41
Mr. Chen Xian	–	–	3,500,000	3,500,000	0.41
Mr. Xiong Jianrui	–	–	3,500,000	3,500,000	0.41
Mr. Poon Lai Yin, Michael	–	–	200,000	200,000	0.02
Mr. Choi Kai Ming, Raymond	–	–	348,000	348,000	0.04
Mr. Chong Yiu Chik	–	–	348,000	348,000	0.04

Note: Ms. Xia Dan is taken to be interested in 79,500,000 Shares held by Mega Edge International Limited, a company which is 100% owned by Ms. Xia. By virtue of the SFO, Ms. Xia is deemed to have interest of the Shares held by Mega Edge International Limited.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive of the Company nor their associates had any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

4. DISCLOSURE OF INTERESTS BY SUBSTANTIAL SHAREHOLDERS

(i) Long position in ordinary shares

As at the Latest Practicable Date, so far as was known to the Directors, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO.

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate percentage of total issued shares
Mega Edge International Limited *(Note)*	Beneficial owner	79,500,000	9.33
Mr. Chak Joaquim Emilio Kin Man	Beneficial owner	96,824,000	11.36
Ms. Wong Sio Leng	Beneficial owner	115,000,000	13.50
Mr. Ho Man Hung	Beneficial owner	226,800,000	26.62

Note: Mega Edge International Limited is 100% owned by Ms. Xia Dan, an executive Director. By virtue of the SFO, Ms. Xia is deemed to have interest of the Shares held by Mega Edge International Limited.

(ii) Long position in underlying shares

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate percentage of total issued shares
Weina (BVI) Limited ("Weina") *(Note 1)*	Beneficial owner	110,000,000	12.91
Weina Group Limited ("Weina Group") *(Note 2)*	Interest of a controlled corporation	110,000,000	12.91
Mr. TSIM Wing Kong ("Mr. Tsim") *(Note 2)*	Interest of a controlled corporation	110,000,000	12.91
Best Contact Holdings Limited ("Best Contact") *(Note 1)*	Beneficial owner	230,000,000	27.00
Mr. Xu Deliang *(Note 3)*	Interest of a controlled corporation	230,000,000	27.00
Zilver Yuan Investment Partners Limited ("Zilver Yuan") *(Note 4)*	Beneficial owner	271,186,440	31.83%

Notes:

1. The Company entered into a subscription and option agreement on 26 May 2006 with Weina and through such agreement and the exercise of option by the Company, Weina is interested in 350,000,000 convertible redeemable preference shares of the Company and has the right to convert the aforesaid shares into 350,000,000 Shares (based on its initial conversion price). On 2 June 2009, the Company and Weina entered into a first supplemental agreement to extend the conversion period for the aforesaid shares for a further 12 months from the expiry date of the conversion period under the subscription and option agreement. By a second supplemental agreement dated 23 October 2009, the conversion period shall be extended automatically for a period of 12 months with effect from each expiry date of the said conversion period unless (i) Weina serves a written notice on the Company notifying its intention of not extending the said conversion period for a further 12 months not later than seven days prior to the expiry date of the said conversion period, and (ii) the Company agrees not to extend the said conversion period for a further 12 months upon receiving such notice. It is also agreed that the convertible redeemable preference shares shall become transferable. On 25 May 2010, Weina transferred 225,000,000 convertible redeemable preference shares to Best Contact. On 31 August 2010, Weina further transferred 50,000,000 convertible redeemable preference shares to certain individuals.

   Moreover, the Company entered into a sale and purchase agreement on 17 November 2006 with Weina Holdings Limited and through such agreement, Weina (as designated by Weina Holdings Limited) is interested in 110,000,000 convertible redeemable preference A shares of the Company and has the right to convert the aforesaid convertible redeemable preference A shares into 110,000,000 Shares. Weina Group owns the entire issued share capital of Weina and is therefore deemed to have interests in the underlying Shares in which Weina is interested. By a supplemental agreement dated 23 October 2009, the conversion period for the aforesaid convertible redeemable preference A shares is extended for a further 12 months from the expiry date of the conversion period; and the said conversion period shall be extended automatically for a period of 12 months with effect from each expiry date of the said conversion period unless (i) Weina serves a written notice on the Company notifying its intention of not extending the said conversion period for a further 12 months not later than seven days prior to the expiry date of the said conversion period, and (ii) the Company agrees not to extend the said conversion period for a further 12 months upon receiving such notice. It is also agreed that the convertible redeemable preference A shares shall become transferable. On 25 May 2010, Weina transferred 5,000,000 convertible redeemable preference A shares to Best Contact. On 31 August 2010, Weina further transferred 70,000,000 convertible redeemable preference A shares to certain individuals.

In accordance with the terms and conditions of the convertible redeemable preference shares and the convertible redeemable preference A shares, the conversion price of the convertible redeemable preference shares and the convertible redeemable preference A shares will be adjusted as a result of the issue of the convertible bonds (also see note (4) below) as announced by the Company on 16 September 2010. As disclosed in the Company's announcement dated 1 December 2010, the conversion price of the convertible redeemable preference shares and the convertible redeemable preference A shares has been adjusted from HK$0.40 to HK$0.38 with effect from 1 December 2010.

2. Weina Group owns the entire issued share capital of Weina and is therefore deemed to have interests in the underlying shares of the Company in which Weina is interested. Mr. Tsim is deemed to be interested in the underlying shares of the Company by virtue of his controlling interest in Weina Group. Mr. Tsim is the father of Mr. Tsim Sze Hon. Mr. Tsim Sze Hon was a former executive Director and he resigned on 27 October 2010.

3. Best Contact is legally and beneficially owned by Mr. Xu Deliang. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Xu Deliang is an independent third party of the substantial shareholders of the Company and the Directors.

4. The Company entered into a subscription agreement with Zilver Yuan on 16 September 2010 pursuant to which the Company agreed to issue the secured convertible bonds in the principal amount of HK$160,000,000 at 4% coupon rate due 2013 at an initial conversion price of HK$0.59 (subject to adjustment), being convertible into a maximum of 271,186,440 Shares. According to the disclosure of interest form filed by Zilver Yuan, Zilver Yuan is a wholly-owned subsidiary of Bank of China Group Investment Limited which is in turn held by Bank of China Limited. Bank of China Limited is held as to approximately 67.53% by Central Huijin Investment Ltd..

Save as disclosed above, no person had registered interest in the share capital of the Company that was required to be disclosed under Divisions 2 and 3 of the Part XV of the SFO and the Listing Rules.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons, who, as at the Latest Practicable Date, were entitled to exercise or control the exercise of 5% or more of the voting power at the general meeting of the Company and were also, a practicable matter, able to direct or influence the management of the Company.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors nor proposed Directors had any existing or proposed service contracts with any member of the Enlarged Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN THE ENLARGED GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE ENLARGED GROUP

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had since 31 December 2009 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

There was no contract or arrangement subsisting at the Latest Practicable Date, in which any of the Directors were materially interested and which was significant to the business of the Enlarged Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Enlarged Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

8. QUALIFICATIONS AND CONSENTS OF EXPERTS

The followings are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
Wallbanck Brothers	a corporation licensed to carry out type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
廣東中晟律師事務所 (Guangdong Zhongsheng Law Firm*)	Practicing lawyers in the PRC
SHINEWING (HK) CPA Limited	Certified public accountants
Vigers Appraisal & Consulting Limited	Professional surveyors and valuers

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

As at the Latest Practicable Date, all the experts above were not beneficially interested in the share capital of any member of the Enlarged Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, all the experts above did not, directly or indirectly, have any interest in any assets which had since 31 December 2009 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts in the ordinary course of business of the Enlarged Group) had been entered into by the Enlarged Group within two years immediately preceding the date of this circular which are or may be material:

(1) the sale and purchase agreement dated 19 May 2009 entered into between Ms. Wong Sio Leng ("**Ms. Wong**") (as vendor) and Hill Light Investments Limited ("**Hill Light**") (as purchaser), a wholly-owned subsidiary of the Company, pursuant to which Hill Light agreed to purchase the entire equity interest in Ocean Vast Corporation Limited at a consideration of RMB69.3 million;

(2) a debt transfer agreement dated 18 June 2009 entered into among Ms. Wong (as transferee), 珠海正懋源投資顧問有限公司 (ZhengMao Yuan Investment Consultant Co., Limited*) ("**Zheng Mao Yuan**") (as transferor) and 珠海廣海信息科技有限公司 (Zhuhai Guanghai Information Technology Company Limited*) ("**Zhuhai Guanghai**"), a wholly-owned subsidiary of the Company, pursuant to which the amounts of RMB35,411,833.41 and RMB10,693,909.58 indebted to Zheng Mao Yuan by Zhuhai Guanghai, together with the relevant interests accrued thereon, have been transferred to Ms. Wong;

(3) a debt transfer agreement dated 18 June 2009 entered into among Ms. Wong (as transferee), Zheng Mao Yuan (as transferor) and 珠海經濟特區合強實業有限公司 (Zhuhai Special Economic Zone Heqiang Industrial Company Limited*) ("**Heqiang**"), a non-wholly owned subsidiary of the Company, pursuant to which the amount of RMB3,050,000 indebted to Zheng Mao Yuan by Heqiang, together with the relevant interests accrued thereon, has been transferred to Ms. Wong;

(4) a deed of tax indemnity dated 13 August 2009 entered into by Ms. Wong in favour of Hill Light in relation to taxation indemnity given to Hill Light by Ms. Wong;

(5) a deed of tax indemnity dated 13 August 2009 entered into by Zheng Mao Yuan in favour of Hill Light in relation to taxation indemnity given to Hill Light by Zheng Mao Yuan;

(6) a sale and purchase agreement dated 11 August 2009 entered into between Mr. Ho (as vendor) and the Company (as purchaser), pursuant to which the Company agreed to purchase the entire equity interest in Boom Lotus Holdings Limited at a consideration of HK$590 million;

(7) the supplemental agreement to the sale and purchase agreement dated 20 August 2009 entered into between Mr. Ho and the Company amending certain conditions precedent to the sale and purchase agreement dated 11 August 2009;

(8) a deed of tax indemnity dated 20 November 2009 entered into between Mr. Ho and the Company in relation to the tax indemnity given to the Company by Mr. Ho;

(9) a sale and purchase agreement dated 3 December 2009 entered into between the Company (as vendor) and Mr. Wu Zhi Qin (as purchaser) pursuant to which the Company agreed to sell the entire equity interest in Hill Light to Mr. Wu Zhi Qin;

(10) a co-operation agreement dated 5 January 2010 entered into between the Project Company and 珠海中珠股份有限公司 (Zhuhai Zhongzhu Holdings Limited*) in relation to the co-operation to set up a joint venture company for the purpose of bidding for a property development project pursuant to which the Project Company was required to advance a refundable deposit in the sum of RMB15,000,000 to 珠海中珠股份有限公司 (Zhuhai Zhongzhu Holdings Limited*). The said deposit had been returned to the Project Company on 28 June 2010 upon termination of such co-operation agreement by a written notice dated 21 June 2010;

(11) a subscription agreement dated 16 September 2010 entered into between the Company (as issuer) and Zilver Yuan (as subscriber), pursuant to which Zilver Yuan agreed to pay HK$160,000,000 as consideration and the Company agreed to issue convertible bonds in the principal amount of HK$160,000,000 at 4.0% per annum coupon rate due 2013 convertible into the Shares; and

(12) the Sale and Purchase Agreement.

10. LITIGATION

During the period ended 30 June 2008, regarding the litigation as to the claims on Techwayson Industrial Limited ("**TIL**"), a major subsidiary of the Company, of approximately RMB9,500,000 raised by the main contractor of the R & D Centre, the relevant PRC court has made a judgement in favour of the plaintiff in December 2007. In January 2008, the Company submitted the appeal application to the relevant PRC court. In May 2008, the Company and the main contractor entered into a mutual agreement to withdraw from the litigation by settling a reasonable amount. But in early September 2008, the main contractor applied through the relevant PRC court to demand the Company settle the retainer fee due being RMB550,000 together with penalty. On 10 September 2008, the Company submitted a counterclaim to the relevant court counterclaiming the contractor breach of the subject agreement and is still pending for the decision from the court.

TIL has reached an agreement with Bank of China, Shenzhen Branch on the settlement of RMB67,734,000 loan, the RMB60,700,000 guaranteed loan and the accrued interests of the loans. Under the debt-restructuring proposal, TIL will repay approximately RMB140,000,000 to the lender as the final settlement amount of the aforesaid loans and accrued interests of the loans.

On 17 July 2008, TIL received a writ of summons issued by the Intermediate People's Court, Shenzhen City, the PRC, in respect of a claim of approximately RMB22 million made by an independent third party (the "**Party**") against TIL, for a guarantee alleged to have been given by TIL in favour of the Party in November 2005 (the "**Claim**").

On 14 June 2010, TIL received a civil judgment (the "**Judgment**") issued by Intermediate People's Court, Shenzhen City, the PRC. The other defendant (the "**First 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 Party and the First Defendant in October and November 2005 respectively which stipulated that the Party could get a fixed return of 15% above the investment amount. It was stated in the Judgment that the First Defendant was required to pay approximately HK$23 million, being the investment amount of HK$20 million invested by the Party together with the fixed return of HK$3 million which the Party should be entitled to under the investment agreements. For any shortfall amount that the First Defendant is unable to pay, TIL was required to bear 50% of such balance. TIL filed a notice of appeal on 22 June 2010. On 30 November 2010, TIL entered into a settlement agreement (the "**Settlement Agreement**") with the Party pursuant to which (i) TIL shall pay HK$4,800,000 (the "**Settlement Sum**") to the Party upon entering into of the Settlement Agreement; (ii) the Settlement Agreement will lapse if the Party fails to receive the Settlement Sum within five days upon entering into of the Settlement Agreement due to any reasons caused by TIL; (iii) upon receipt of the Settlement Sum by the Party, the responsibilities and disputes between TIL and the Party arising from the Claim shall terminate; and (iv) upon payment of the Settlement Sum by TIL, the Party shall not lodge any applications for execution of the Judgment with any courts of the PRC or any other organisations and shall not re-institute any proceedings against TIL in respect of the Claim. The Company paid HK$4,800,000 to the Party on 1 December 2010.

In addition, upon entering into of the Settlement Agreement, both TIL and the Party shall apply for withdrawal of the appeal (the "**Withdrawal Application**") with the Senior People's Court, Guangdong Province, the PRC. The Senior People's Court, Guangdong Province, the PRC issued a judgment on 2 December 2010 pursuant to which the Withdrawal Application was duly approved.

On 14 December 2009, the Company received a writ of summons from Global Tide Limited ("**Global Tide**"). Global Tide (as plaintiff) brought a claim (the "**Global Tide Claim**") against the Company (as first defendant) and Mr. Siek Fui (also known as Andy Siek) (as second defendant), a former executive Director, 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 (the "**Magic Gain Agreement**") 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 license and/or the actual amount of capital injection to Orient Metro Limited. As such, the plaintiff alleged that the Company was in breach of the warranties and representations given by it in the Magic Gain Agreement. The Company has sought legal advice in respect of the merits of the Global Tide Claim and defended the Global Tide Claim vigorously. On 16 March 2010, the Company filed the defence with the Court. On 23 March 2010, the Company's solicitors filed and served a Notice of Contribution on the solicitors for the plaintiff and the Solicitors for the second defendant. On 24 March 2010, the second defendant filed his defence with the court. On 31 May 2010, the second defendant filed a Defence and Counterclaim of the second defendant to the first defendant's Notice of Contribution. On 28 June 2010, the first defendant filed a Reply and Defence to the Defence and Counterclaim of the second defendant. In October 2010, the parties were discussing proposed directions for further steps to be taken in the action. On 25 October 2010, the second defendant proposed that the action be stayed for 42 days for parties to attempt mediation of the disputes. However, the plaintiff has not yet responded to this proposal.

Save as disclosed above, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

11. GENERAL

(a) The registered address of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at Suite 1501, 15/F., Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

(c) The principal share registrar and transfer office of the Company is at Butterfield Bank (Cayman) Limited, Butterfield House, 68 Fort Street, P.O. Box 75, Grand Cayman KY1-1107, the Cayman Islands.

(d) The Hong Kong branch share registrar and transfer office of the Company is at Union Registrars Limited, 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.

(e) The company secretary of the Company is Mr. Fu Lui. Mr. Fu has been appointed as the financial controller and company secretary of the Company with effect from 2 July 2010. Mr. Fu is a member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He holds a master degree in business administration from The Chinese University of Hong Kong and a bachelor degree in accountancy from The Hong Kong Polytechnic University. He has extensive professional experience in accounting.

(f) In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the head office and principal place of business of the Company in Hong Kong at Suite 1501, 15/F., Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the letter from the Independent Board Committee as set out on page 35 of this circular;

(c) the letter from the Independent Financial Adviser as set out from pages 36 to 64 of this circular;

(d) the valuation report on the Project as set out in Appendix V to this circular;

(e) the valuation report on the properties of the Enlarged Group as set out in Appendix VI to this circular;

(f) the report on unaudited pro forma financial information on the Enlarged Group as set out in Appendix III to this circular;

(g) the accountants' report on the Project Company as set out in Appendix II to this circular;

(h) the material contracts as referred to under the section headed "Material Contracts" in this appendix;

(i) the written consents from the experts as referred to under the section headed "Qualifications and Consents of Experts" in this appendix;

(j) the interim report of the Company for the six months ended 30 June 2010 and the annual reports of the Company for the six months ended 31 December 2009 and each of the two years ended 30 June 2009 and 30 June 2008; and

(k) this circular.

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)

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting of China Uptown Group Company Limited (the "**Company**") will be held at Fountains Room 5, LG/F, Hotel Nikko Hongkong, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong on Friday, 14 January 2011 at 10:30 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT** the conditional agreement dated 3 December 2010 (the "**Agreement**") entered into between Seaton Limited as vendor (the "**Vendor**") and Boom Lotus Investment Limited (the "**Purchaser**") pursuant to which the Purchaser agrees to acquire the entire issued share capital of Armando Investments Limited from the Vendor at a consideration of HK$230,000,000 (the "**Acquisition**"), upon the terms and subject to the conditions set out in the Agreement, be and is hereby approved, ratified and confirmed;"

2. "**THAT** subject to and conditional upon the passing of resolution no.1 above, the board of directors (the "**Board**") be and is hereby authroised to issue the zero coupon rate convertible bonds (the "**Convertible Bonds**") for a term of 3 years in the principal amount of HK$230,000,000 upon the terms and subject to the conditions set out in the Agreement to the Vendor (or its nominee) for the purpose of satisfying the consideration for the Acquisition;"

3. "**THAT** subject to and conditional upon the passing of resolution no.1 above, the Board be and is hereby authroised to allot and issue 283,425,754 conversion shares (the "**Conversion Shares**") at an initial conversion price of HK$0.8115 upon exercise of the conversion right attaching to the Convertible Bonds; and"

4. "**THAT** any one director of the Company be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in or relating to the Agreement, the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares as he/she/they may consider necessary, desirable or expedient."

By order of the Board
China Uptown Group Company Limited
Chen Xian
Chairman

Hong Kong, 22 December 2010

Head office and principal place of business in Hong Kong:
Suite 1501, 15/F.
Tower 1, Silvercord
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

Notes:

1. A form of proxy for use at the meeting is enclosed with the circular despatched on 22 December 2010 to the members of the Company.

2. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy needs not be a member.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the principal place of business of the Company in Hong Kong at Suite 1501, 15th Floor, Tower 1, Silivercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.

5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

7. The Register of Members of the Company will be closed for a period commencing from Monday, 10 January 2011 to Friday, 14 January 2011, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for attending the meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited at 18/F., Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Friday, 7 January 2011.