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

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2330)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The board of directors (the "Board") of China Uptown Group Company Limited (the "Company") is pleased to announce the unaudited consolidated interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		For the six months ended 30 June	
	Notes	**2011** **RMB'000** **(unaudited)**	2010 *RMB'000* (unaudited)
Turnover	*3, 4*	**148,269**	161,721
Cost of sales		**(142,843)**	(201,677)
Gross profit (loss)		**5,426**	(39,956)
Other operating income		**6,107**	2,985
Selling and distribution costs		**(7,223)**	(2,397)
Administrative expenses		**(11,338)**	(10,105)
Change in fair value of investment properties		**(1,112)**	4,011
Change in fair value of convertible bonds		**37,397**	–
Equity-settled share-based payment expenses		**–**	(4,315)
Finance costs		**(6,082)**	(20,312)
Profit (loss) before taxation		**23,175**	(70,089)
Income tax (expense) credit	*5*	**(2,142)**	48,450
Profit (loss) for the period	*6*	**21,033**	(21,639)
Exchange differences arising on translation of financial statements of foreign operations and total other comprehensive income for the period		**5,722**	848
Total comprehensive income (expenses) for the period		**26,755**	(20,791)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*
For the six months ended 30 June 2011

	Note	**2011** *RMB'000* **(unaudited)**	2010 *RMB'000* (unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		**26,925**	(15,829)
Non-controlling interests		**(5,892)**	(5,810)
		21,033	(21,639)
Total comprehensive income (expenses) for the period attributable to:			
Owners of the Company		**32,647**	(14,990)
Non-controlling interests		**(5,892)**	(5,801)
		26,755	(20,791)
Earnings (loss) per share			
Basic	*8*	**RMB3.16 cents**	RMB(1.86 cents)
Diluted		**RMB(0.48 cents)**	RMB(1.86 cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	Notes	30.6.2011 RMB'000 (unaudited)	31.12.2010 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		**32,892**	34,315
Investment properties		**148,057**	183,830
Prepaid lease payments		**243**	246
Goodwill		**184,231**	184,231
Available-for-sale investments		**–**	–
		365,423	402,622
Current assets			
Inventories		**8,287**	12,701
Properties under development		**856,371**	737,095
Properties held for sale		**80,726**	129,220
Trade and other receivables	*9*	**78,681**	42,265
Prepaid lease payments		**6**	6
Income tax recoverable		**15,820**	–
Held-to-maturity investments		**–**	–
Held-for-trading investments		**660**	1,211
Restricted bank deposits		**144,200**	32,776
Bank balances and cash		**146,201**	123,028
		1,330,952	1,078,302
Assets classified as held for sale		**–**	10,200
		1,330,952	1,088,502
Current liabilities			
Trade and other payables	*10*	**756,997**	401,808
Income tax payable		**–**	945
Bank borrowings		**15,419**	35,936
		772,416	438,689
Net current assets		**558,536**	649,813
		923,959	1,052,435

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 30 June 2011

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Capital and reserves		
Ordinary share capital	**81,232**	81,232
Convertible redeemable preference shares	**184,653**	184,653
Reserves	**(12,306)**	65,847
Equity attributable to owners of the Company	**253,579**	331,732
Non-controlling interests	**73,548**	154,733
Total equity	**327,127**	486,465
Non-current liabilities		
Bank borrowings	**240,000**	350,000
Convertible bonds	**326,979**	184,391
Deferred taxation	**29,853**	31,579
	596,832	565,970
	923,959	1,052,435

Notes:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except as described below.

In the current interim period, the Group has applied for the first time, the following new and revised standards and interpretations ("new or revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvements to HKFRSs 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Rights Issues
HK (IFRIC) – Interpretation ("Int") 14 (Amendments)	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early applied the following new and revised standards, and interpretations that have been issued but are not yet effective. The following new or revised standards and interpretations have been issued after the date the consolidated financial statements for the year ended 31 December 2010 were authorised for issuance and are not yet effective:

HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.

These five new or revised standards on consolidation, joint arrangement and disclosures were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2012. Earlier application is permitted provided that all five new or revised standards are applied early at the same time.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. Under HKFRS 10, there is only one basis for consolidation, that is control. In addition, HKFRS 10 includes a new definition of control that contains three elements; (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. Overall, the application of HKFRS 10 requires a lot of judgment. The application of HKFRS 10 might result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated.

The amendments to HKAS 1 have been issued to improve the presentation of other comprehensive income. The amendments require entities to group together the items of other comprehensive income that may be reclassified to profit and loss in the future by presenting them separately from those that would never be reclassified to profit and loss. The application of the amendment to HKAS 1 might result in changes in presentation of the Group's statement of comprehensive income.

Other than disclosed above, the directors of the Company anticipate that the application of the new or revised standards will have no material impact on the results and the financial position of the Group.

3. TURNOVER

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

4. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

Principal activities are as follows:

Property development	–	Development of properties in the People's Republic of China (the "PRC").
Property investment	–	Rental income arising from investment properties situated in the PRC and in Hong Kong.
Trading	–	Trading of electronic components, mobile phone modules and automation products.
Technology	–	Provision of technical and consultancy services including the provision of automation products on a project basis.

Information regarding the above segments is reported below.

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment for the six months ended 30 June:

	Property development		Property investment		Trading		Technology		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)	**(unaudited)**	(unaudited)
Turnover	**46,981**	95,845	**3,729**	5,818	**97,559**	60,058	**–**	–	**148,269**	161,721
Segment results	**(9,609)**	(58,684)	**3,391**	18,633	**2,276**	(3,798)	**–**	–	**(3,942)**	(43,849)
Interest income									**662**	69
Change in fair value of convertible bonds									**37,397**	–
Change in fair value of held-for-trading investments									**(523)**	61
Discount received for early settlement of consideration payable									**993**	2,250
Unallocated corporate income									**18**	–
Unallocated corporate expenses									**(5,349)**	(8,308)
Finance costs									**(6,082)**	(20,312)
Profit (loss) before taxation									**23,174**	(70,089)

Segment results represent the results of each segment without allocation of interest income, change in fair value of convertible bonds, change in fair value of held-for-trading investments, discount received for early settlement of consideration payable, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker (board of directors) of the Group for the purpose of resource allocation and performance assessment.

(b) Segment assets

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

	Property development		Property investment		Trading		Technology		Consolidated	
	At	At	**At**	At	**At**	At	**At**	At	**At**	At
	30.6.2011	31.12.2010	**30.6.2011**	31.12.2010	**30.6.2011**	31.12.2010	**30.6.2011**	31.12.2010	**30.6.2011**	31.12.2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)	**(unaudited)**	(audited)
Segment assets	**1,185,554**	1,079,479	**148,419**	194,438	**23,034**	26,009	**–**	–	**1,357,007**	1,299,926
Unallocated corporate assets										
– Held-for-trading investments									**660**	1,211
– Restricted banks deposits									**144,200**	32,776
– Bank balances and cash									**146,201**	123,028
– Income tax recoverable									**15,820**	–
– Others									**32,487**	34,183
Consolidated total assets									**1,696,375**	1,491,124

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

(c) Geographical information

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

5. INCOME TAX EXPENSE (CREDIT)

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax		
– Hong Kong Profits Tax	**156**	–
– PRC Enterprise Income Tax ("PRC EIT")	**2,723**	1,811
– PRC Land Appreciation Tax ("LAT")	**989**	–
	3,868	1,811
Overprovision of LAT	**–**	(26,704)
	3,868	(24,893)
Deferred taxation	**(1,726)**	(23,557)
	2,142	(48,450)

(a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2011 and 2010.

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

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

In accordance with the tax legislations applicable to foreign investment enterprises, one subsidiary is entitled to exemptions from the PRC EIT for the first year commencing from the first profit-making year of operation and thereafter, entitled to a 50% relief from the PRC EIT for the following two years. According to the EIT Law, the first year of income tax exemption commenced for the year ended 31 December 2008. For the six months ended 30 June 2010, the subsidiary enjoys a 50% relief from PRC EIT and is subject to tax at the rate of 11% on the estimate assessable profits for that period.

(c) The provision of LAT is estimated according to the requirements set forth in the relevant PRC tax laws and regulations. LAT has been provided at progressive rates ranging from 30% to 60% on the appreciation value, with certain allowable deductions including land costs and the relevant property development expenditures. According to the State Administration of Taxation's official circulars, LAT shall be payable provisionally upon sales of the properties, followed by final ascertainment of the gain at the completion of the properties development.

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

At 30 June 2011, deferred taxation of approximately RMB106,000 (31 December 2010: RMB556,000) has been provided for the portion of profits that are expected to be distributed by the PRC subsidiaries and no deferred taxation has been provided for the remaining profits as the Group is able to control the timing of the distribution and it is probable that the amount will not be distributed in the foreseeable future. The withholding tax represents the deferred tax liability arising on undistributed profits to non-controlling interests in Zhuhai Zhongzhu Real Estate Development Co., Ltd* (珠海中珠房地產開發有限公司) ("Zhuhai Zhongzhu").

* *English name is for identification only.*

6. PROFIT (LOSS) FOR THE PERIOD

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**3**	3
Change in fair value of held-for-trading investments	**523**	61
Cost of inventories recognised as expenses	**93,983**	59,370
Depreciation	**966**	1,051
Impairment loss recognised in respect of trade receivables*	**–**	1,811
Impairment loss recognised in respect of other receivables*	**–**	41
Impairment loss recognised in respect of properties held for sale**	**3,880**	11,299
Bad debts recovered	**(1,676)**	–
Discount received for early settlement of consideration payable	**(993)**	(2,250)
Gain on disposal of investment properties	**(2,544)**	–
Gain on disposal of property, plant and equipment	**–**	(58)
Interest income	**(662)**	(69)
Reversal of impairment loss recognised in respect of inventories	**–**	(198)

* These amounts are included in administrative expenses.

** This amount is included in cost of sales.

7. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2011. The directors of the Company do not recommend the payment of an interim dividend.

8. EARNINGS (LOSS) PER SHARE

	For the six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Profit (loss)		
Profit (loss) for the purpose of basic earnings (loss) per share for the period attributable to the owners of the Company	**26,925**	(15,829)
Effect of dilutive potential shares:		
– Interest on convertible bonds	**2,688**	–
– Change in fair value of convertible bonds	**(37,397)**	–
	(7,784)	(15,829)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**851,980**	851,980
Effect of dilutive potential shares:		
– Conversion of convertible bonds	**271,186**	N/A
– Conversion of convertible redeemable preference shares *(Note (i))*	**484,211**	–
	1,607,377	851,980

Notes:

i) Diluted loss per share was the same as the basic loss per share for the six months ended 30 June 2010 since the conversion of the Company's convertible redeemable preference shares has an anti-dilutive effect to the loss per share.

ii) The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options as the exercise of these options is higher than the average market price of the Company's shares for the six months ended 30 June 2011 and 2010.

9. TRADE AND OTHER RECEIVABLES

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**44,698**	33,112
Less: Impairment loss recognised	**(5,239)**	(5,678)
	39,459	27,434
Prepayment, deposits and other receivables	**40,764**	16,392
Less: Impairment loss recognised	**(1,542)**	(1,561)
	78,681	42,265

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

Trade receivables from the sale of properties are received in accordance with the terms of the related sales and purchase agreement.

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

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0-60 days	**39,459**	27,434

Included in the trade receivables is an amount of approximately RMB31,900,000 (31 December 2010: approximately RMB21,500,000) derived from the sales of properties. In accordance with the terms of the sales and purchase agreement, this receivable is repayable by installment and contains a repayable on demand clause. The Group does not hold any collateral over these balances.

10. TRADE AND OTHER PAYABLES

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**23,738**	28,564
Receipt in advance *(Note (ii))*	**682,242**	282,672
Consideration payable	**36,237**	55,133
Accrued expenses and other payables	**14,780**	35,439
	756,997	401,808

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

Notes:

(i) An aged analysis of the trade payables at the end of the reporting period based on invoice date is as follows:

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 – 60 days	**23,738**	28,564

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Property Development

The Group currently holds a property development project – Zhongzhu Uptown which is situated in Zhuhai, Guangdong Province, the PRC. Zhongzhu Uptown was developed in two phases – Phase 1 and Phase 2. At 30 June 2011, approximately 99% of the residential units and 94% of the commercial units of Phase 1 were contracted for sales while 97% of the residential units and 82% of the commercial units were delivered to the customers and recognised as turnover of the Group.

For the six months ended 30 June 2011, total revenue attributable to the property development business amounted to approximately RMB46,981,000 (six months ended 30 June 2010: RMB95,845,000) which included sales of 20 units of residential properties and 6 units of commercial properties with 2,532 and 589 square metres and car parks. Phase 2 is still under construction and planned to be delivered with decorations starting from 2012. The pre-sales of Phase 2 began in November 2010. Up to 30 June 2011, approximately 428 residential units were contracted for sales. Due to the upsurge of properties prices in Zhuhai, the average selling prices was significantly higher than Phase 1. Pre-sales of the remaining properties of Phase 2 will continue in the second half of 2011 and 2012.

Property Investment

Property investment business represents rental income and capital appreciation from investment properties held in the PRC and in Hong Kong. During the period, rental income amounted to approximately RMB3,729,000 (six months ended 30 June 2010: RMB5,818,000) and net loss on change in fair value of investment properties amounted to approximately RMB1,112,000 (six months ended 30 June 2010: net gain of RMB4,011,000).

At 30 June 2011, the investment properties comprises of an office premise in Hong Kong with gross floor area of approximately 836 square feet and the research and development centre in Shenzhen, the PRC ("R&D Centre") with gross floor area of approximately 15,084 square metres.

During the period, the Group disposed certain investment properties in Hong Kong amounting to approximately RMB46,728,000 with a net gain on disposal of approximately RMB2,544,000 being recorded. The management are of the view that by focusing its resources in the PRC property development and other high growth business the Group's result could be improved.

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 RMB97,559,000 (six months ended 30 June 2010: RMB60,058,000) amid of the recovery of the electronic related components and mobile phone modules market during the period. Although the profit margin is relatively low from the trading business, the required financial and business resources are limited 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 further enhance 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.

MARKET OUTLOOK AND PROSPECTS

The management is of the view that market regulation and correction is a necessary stage in the course of healthy and continuous development in the property market, which also drives the Group in its adaptation to changes in the market and enhances its risk aversion ability. In the first half of 2011, the Group faced increasingly complicated economic and market conditions in its property development business amid the tightening property market measure imposed by the PRC government. To overcome the excessive liquidity and ease inflation, the People's Bank of China further raised the required capital reserve ratio and interest rate in 2011.

In the second half of 2011, easing inflation is still the PRC government's top priority. The real estate market in the PRC will be affected by the government's tightening measures. However, most of these measures and policies, including price restrictions order, purchase restrictions order and mortgage restrictions, generally affecting property prices in the tier one cities, for example in Shanghai, Beijing and Shenzhen. Although the PRC government has recently started to monitor the property market in tier two and three cities, the management believes significantly less policies and measures will be imposed since the property price in these cities, for example in Zhuhai, will be less affected as the price levels are substantially lower than tier one cities. Besides, Zhuhai is one of the fastest growing cities with pleasant living environment. After the completion of the Hong Kong-Zhuhai-Macau Bridge and the railway transportation connecting the major cities in the Guangdong Province and the China Railway High-speed network via Guangzhou, it will greatly enhance the local economies and the properties market. The Board is optimistic about the future prospects of the property market in Zhuhai.

Regarding the Zhongzhu Uptown Phase 2, its remaining properties will be launched for pre-sale in later half of 2011 and 2012. Due to the upsurge of property prices in Zhuhai in recent years, the selling price and the profit margin of Phase 2 are expected to be significantly higher than Phase 1. The pre-sale has generated a strong cash flow for our business, which greatly enable the Group to continue development in the existing tight monetary control environment in the PRC. The Group will continue to closely monitor future market trends and respond to market changes in a prudent and pro-active manner by strengthening its corporate development and maintaining stringent financial discipline.

FINANCIAL REVIEW

For the six months ended 30 June 2011, the Group achieved a turnover of approximately RMB148,269,000 (six months ended 30 June 2010: RMB161,721,000) which represented a decrease of approximately 8% as compared to the last corresponding period. The decrease in turnover is mainly due to majority units of Zhongzhu Uptown Phase 1 were sold in previous periods while Phase 2 was still in pre-sale stage. The management believes upon the delivery of properties of Phase 2, the turnover will be boosted.

The profit attributable to owners of the Company was approximately RMB26,925,000 (six months ended 30 June 2010: loss of RMB15,829,000). The profit is mainly attributable to the gain arising from the change in fair value of convertible bonds amounted to approximately RMB37,397,000 (six months ended 30 June 2010: Nil). Excluding the effect of change in fair value of the convertible bonds, a loss for the period attributable to the owners of the Company of approximately RMB10,472,000 was recorded (six months ended 30 June 2010: RMB15,829,000) which was mainly caused by the advertisement and other related costs for the pre-sale of Phase II of Zhongzhu Uptown amounted to approximately RMB6,118,000.

The acquisition of additional 25% equity interests in Zhuhai Zhongzhu was completed at 1 March 2011. Please refer to the circular dated 22 December 2010 for details of the acquisition.

For the first half of 2011, the Group's operating activities generated a net cash inflow of approximately RMB240,136,000 (six months ended 30 June 2010: outflow of RMB144,912,000) which mainly represents receipts from Phase 2 pre-sales. At 30 June 2011, the total amount of bank balance and cash was approximately RMB290,401,000 (31 December 2010: RMB155,804,000), including restricted bank deposits of RMB144,200,000 (31 December 2010: RMB32,776,000).

At 30 June 2011, the total assets of the Group was approximately RMB1,696,375,000 (31 December 2010: RMB1,491,124,000), representing an increase of approximately 14%. The increase is mainly due to the construction of Zhongzhu Uptown Phase II. At 30 June 2011, the Group's total borrowings decreased to approximately RMB255,419,000 (31 December 2010: RMB385,936,000).

At 30 June 2011, the gearing ratio, expressed as a percentage of total borrowings over net assets was 78% (31 December 2010: 79%). The current ratio was 1.7 (31 December 2010: 2.5).

CAPITAL STRUCTURE

The issued ordinary share capital of the Company at 31 December 2010 and 30 June 2011 was HK$85,198,000 divided into 851,980,000 shares of HK$0.10 each. At 31 December 2010 and 30 June 2011, the issued convertible redeemable preference shares was HK$35,000,000 divided into 350,000,000 shares of HK$0.10 each and the convertible redeemable preference A shares was HK$11,000,000 divided into 110,000,000 shares of HK$0.10 each. Up to 30 June 2011, 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 2011, certain of the Group's investment properties, properties under development and leasehold buildings with an aggregate net carrying value of approximately RMB876,746,000 (31 December 2010: RMB802,214,000) 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 2011, facilities amounts of approximately RMB255,419,000 (31 December 2010: RMB385,936,000) were utilised and approximately RMB215,810,000 (31 December 2010: RMB102,314,000) were unutilised and available for the Group's future financing.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 30 June 2011.

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

	30.6.2011	31.12.2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Contracted for but not provided	**246,107**	190,969
Authorised but not contracted for	**180,558**	336,831

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2011, the Group employed 54 full time employees (31 December 2010: 57) in Hong Kong and the PRC. The Group's emolument policies are formulated on the basis of market trends, future plans and the performance of individuals, which will be reviewed periodically. Apart from provident fund scheme and state-managed social welfare scheme, share options will also be awarded to employees according to assessment of individuals' performance.

LITIGATIONS AND CONTINGENT LIABILITIES

(i) On 12 December 2009, the Company 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 Company 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 Company decided to defend against the Claim and obtained legal advice in respect of the merits of the Claim. The directors of the Company expect that there will not be any material adverse financial effect on the earnings, net assets and liabilities of the Company and its subsidiaries.

(ii) 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 six months ended 30 June 2011. At 30 June 2011, the outstanding amount of the guarantees amounted to approximately RMB192,142,000 (31 December 2010: RMB22,980,000).

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the code provisions and, where applicable, the recommended practices of the Code on Corporate Governance Practices ("Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors of the Company confirm that all Directors have complied with the required standard set out in the Model Code during the period under review.

PURCHASES, SALE AND REDEMPTION OF SECURITY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months period ended 30 June 2011.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") with written terms of reference in compliance with the Code. The principal duties of the Audit Committee include the review and supervision of the Group's internal control procedures and review of the Group's financial information. The existing Audit Committee comprises three members, namely Mr. POON Lai Yin, Michael (Chairman), Mr. NG Kwok Chu, Winfield and Mr. CHAN Chun Fai, all are independent non-executive Directors. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2011.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

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

Hong Kong, 30 August 2011

As at the date of this announcement, the Board comprises Executive Directors, Mr. Chen Xian, Mr. Lau Sai Chung, Mr. Xiong Jianrui and Ms. Xia Dan and Independent Non-executive Directors, Mr. Poon Lai Yin, Michael, Mr. Ng Kwok Chu, Winfield and Mr. Chan Chun Fai.