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)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2011

The board of directors (the "Directors") of China Uptown Group Company Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Notes	**2011** *RMB'000*	2010 *RMB'000*
Turnover	*3*	**214,480**	328,080
Cost of sales		**(203,138)**	(377,729)
Gross profit (loss)		**11,342**	(49,649)
Other operating income	*3*	**8,537**	6,384
Change in fair value of investment properties		**12,999**	11,634
Change in fair value of convertible bonds		**45,393**	14,860
Gain on extinguishment of consideration payable		**6,006**	–
Selling and distribution costs		**(15,116)**	(10,922)
Administrative expenses		**(23,510)**	(30,816)
Equity-settled share-based payment expenses		**–**	(4,315)
Loss on debt restructuring		**–**	(18,049)
Finance costs		**(24,525)**	(27,040)
Profit (loss) before taxation		**21,126**	(107,913)
Income tax (expense) credit	*5*	**(2,935)**	46,494
Profit (loss) for the year	*6*	**18,191**	(61,419)
Exchange differences arising on translation of financial statements of foreign operations and total other comprehensive income for the year		**11,905**	5,823
Total comprehensive income (expense) for the year		**30,096**	(55,596)
Profit (loss) for the year attributable to:			
Owners of the Company		**22,529**	(30,853)
Non-controlling interests		**(4,338)**	(30,566)
		18,191	(61,419)
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		**34,434**	(25,030)
Non-controlling interests		**(4,338)**	(30,566)
		30,096	(55,596)
Earnings (loss) per share	*8*		
Basic		**RMB2.64 cents**	RMB(3.62 cents)
Diluted		**RMB1.69 cents**	RMB(3.62 cents)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Notes	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment		**31,619**	34,315
Investment properties		**162,025**	183,830
Prepaid lease payments		**240**	246
Goodwill		**184,231**	184,231
Available-for-sale investments		**–**	–
		378,115	402,622
Current assets			
Inventories		**3,540**	12,701
Properties under development		**971,642**	737,095
Properties held for sale		**64,762**	129,220
Trade and other receivables	*9*	**62,400**	42,265
Prepaid lease payments		**6**	6
Held-to-maturity investments		**–**	–
Held-for-trading investments		**219**	1,211
Income tax recoverable		**27,717**	–
Restricted bank deposits		**92,298**	32,776
Bank balances and cash		**136,693**	123,028
		1,359,277	1,078,302
Assets classified as held for sale		**–**	10,200
		1,359,277	1,088,502
Current liabilities			
Trade and other payables	*10*	**919,642**	401,808
Income tax payable		**1,176**	945
Bank borrowings		**99,357**	35,936
		1,020,175	438,689
Net current assets		**339,102**	649,813
Total assets less current liabilities		**717,217**	1,052,435

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 31 December 2011

	2011	2010
	RMB'000	*RMB'000*
Capital and reserves		
Ordinary share capital	**81,232**	81,232
Convertible redeemable preference shares	**184,653**	184,653
Reserves	**(10,519)**	65,847
Equity attributable to owners of the Company	**255,366**	331,732
Non-controlling interests	**75,505**	154,733
Total equity	**330,871**	486,465
Non-current liabilities		
Bank borrowings	**–**	350,000
Convertible bonds	**311,260**	184,391
Consideration payable	**44,645**	–
Deferred taxation	**30,441**	31,579
	386,346	565,970
	717,217	1,052,435

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountant (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
Hong Kong Accounting Standard ("HKAS") 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Interpretation ("Int") 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The directors of the Company anticipate that the application of the above new and revised HKFRSs has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 1	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
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]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 July 2012.
[6] Effective for annual periods beginning on or after 1 January 2014.

Amendments to HKFRS 7 Disclosures – Transfers of Financial Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors of the Company anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these fives standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK(SIC) – Int 12 *Consolidation – Special Purpose Entities*. 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) the 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.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structure entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 10 may result in the Group no longer consolidating some of its investees, and consolidating investees that were not previously consolidated (e.g. the Group's investment in associates may become the Group's subsidiaries based on the new definition of control and the related guidance in HKFRS 10). However, the directors of the Company have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the time basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments to HKAS 12 Deferred Tax – Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 January 2012. The directors of the Company anticipate that the application of the amendments to HKAS 12 in future accounting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. The Group is in the process of quantifying the potential financial impact on deferred tax recognised for investment properties that are measured using the fair value model.

Except for the above, the directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND OTHER OPERATING INCOME

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

An analysis of the Group's turnover for the year is as follows:

	2011	2010
	RMB'000	*RMB'000*
Turnover		
Sales of automation products and electronic components	**143,585**	159,485
Sales of properties	**63,838**	156,488
Gross rental income from investment properties *(Note i)*	**7,057**	12,107
	214,480	328,080
Other operating income		
Interest income		
– bank	**1,652**	112
– other *(Note ii)*	**–**	375
Change in fair value of held-for-trading investments	**–**	736
Discount received on early settlement of consideration payable	**982**	4,704
Exchange gain, net	**1,657**	–
Gain on disposal of property, plant and equipment	**–**	50
Gain on disposal of investment properties	**1,281**	–
Gain on disposal of investment property under held for sale	**765**	–
Reversal of bad debts directly written off	**1,691**	–
Reversal of impairment loss recognised in respect of inventories	**58**	372
Written back of other payables	**52**	–
Sundry income	**399**	35
	8,537	6,384
Total revenues	**223,017**	334,464

Notes:

(i) An analysis of the Group's net rental income is as follows:

	2011	2010
	RMB'000	*RMB'000*
Gross rental income from investment properties	**7,057**	12,107
Less: Outgoings (included in cost of sales)	**(613)**	(633)
Net rental income from investment properties	**6,444**	11,474

(ii) The other interest income is derived from an advance for a co-operation agreement. Details of which are set in the announcement of the Company dated 30 June 2010.

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 and operating segments under HKFRS 8 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.

(a) Segment revenues and results

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

	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*
Turnover	**63,838**	156,488	**7,057**	12,107	**143,585**	159,485	**–**	–	**214,480**	328,080
Segment (loss) profit	**(15,006)**	(89,404)	**19,662**	30,426	**(839)**	(1,567)	**–**	–	**3,817**	(60,545)
Changes in fair value of convertible bonds									**45,393**	14,860
Changes in fair value of held-for-trading investments									**(960)**	736
Discount received on early settlement of consideration payable									**982**	4,704
Gain on extinguishment of consideration payable									**6,006**	–
Interest income									**1,652**	487
Equity-settled share-based payment expenses									**–**	(4,315)
Loss on debt restructuring									**–**	(18,049)
Settlement of court case									**–**	(4,080)
Unallocated corporate expenses									**(11,239)**	(14,671)
Finance costs									**(24,525)**	(27,040)
Profit (loss) before taxation									**21,126**	(107,913)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss/profit represents the loss/profit of each segment without allocation of change in fair values of convertible bonds, change in fair value of held-for-trading investments, discount received on early settlement of consideration payable, gain on extinguishment of consideration payable, interest income, equity-settled share-based payment expenses, loss on debt restructuring, settlement of court case, 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 purposes of resource allocation and performance assessment.

(b) Geographical information

For the year ended 31 December 2011, 100% (2010: 100%) of the Group's revenue and assets were derived from customers and operations based in the PRC including Hong Kong (country of domicile) and accordingly, no further analysis of the Group's geographical information is disclosed.

5. INCOME TAX EXPENSE (CREDIT)

	2011	2010
	RMB'000	*RMB'000*
Current tax		
Hong Kong	**68**	–
PRC Enterprise Income Tax	**4,214**	4,102
	4,282	4,102
PRC Land Appreciation Tax ("LAT")		
– Current year	**22**	6,742
– Overprovision in prior years	**–**	(26,704)
	22	(19,962)
Deferred taxation		
– Current year	**(1,369)**	(27,442)
– Effect of a change in tax rate	**–**	(4,272)
	(1,369)	(31,714)
Withholding tax *(Note d)*	**–**	1,080
	2,935	(46,494)

(a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Hong Kong Profits Tax has been provided for in the consolidated financial statements as the assessable profits of the Group was partially offset against tax losses brought forward for the year ended 31 December 2011.

Hong Kong Profits Tax has not been provided for in the consolidated financial statements as the Group has sufficient tax losses brought forward to offset against the assessable profits for the year ended 31 December 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 tax rate of certain subsidiaries of the Company was 25% for both the years.

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

For the year ended 31 December 2010, the subsidiary enjoyed a 50% relief from PRC EIT and is subject to tax at the rate of 11% on the estimate assessable profits for the year.

For the year ended 31 December 2011, the subsidiary is subject to tax at the rate of 25% on the estimated assessable profits for the year.

(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 31 December 2011, no deferred taxation (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 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. ("Zhuhai Zhongzhu").

During the year ended 31 December 2010, Zhuhai Zhongzhu declared dividends of RMB228,550,000 (2011: Nil) on its retained earnings for the year 2009 of approximately RMB206,955,000 and for the year ended 31 December 2010 of approximately RMB21,595,000 respectively and distributed to its immediate holding company and non-controlling interests, which were incorporated in the BVI and Hong Kong respectively. The Group was subject to withholding tax at the rate of 10% and 5% on the distributions of profits accordingly.

6. PROFIT (LOSS) FOR THE YEAR

	2011	2010
	RMB'000	*RMB'000*
Profit (loss) for the year has been arrived at after charging (crediting):		
Staff cost (including directors' emoluments):		
Salaries, wages and other benefits in kind	**8,838**	6,377
Retirement benefit scheme contributions	**301**	215
	9,139	6,592
Amortisation of prepaid lease payments	**6**	6
Auditors' remuneration	**831**	827
Change in fair value of held-for-trading investments	**960**	(736)
Cost of inventories recognised as expenses (included in cost of sales)	**205,970**	350,470
Depreciation of property, plant and equipment	**1,904**	2,023
Equity-settled share-based payment expenses – business associates *(Note a)*	**–**	4,315
Impairment loss recognised in respect of trade receivables (included in administrative expenses)	**49**	1,811
Impairment loss recognised in respect of other receivables (included in administrative expenses)	**1,000**	–
Impairment loss recognised in respect of properties held for sale (included in cost of sales)	**3,430**	28,600
Reversal of impairment loss recognised in respect of properties held for sale (included in cost of sales)	**(6,904)**	–
Operating lease rentals of equipment	**30**	40
Operating lease rentals of rental premises	**194**	135
Settlement of court case *(Note b)*	**–**	4,080

Notes:

(a) The amount represented the fair value of consultancy services provided to the Group in the current year in relation to the exploration of new business opportunities for the Group. The consultancy service fees were settled through the issue of 10,000,000 share options in 2010.

(b) On 30 November 2010, the PRC subsidiary entered into a settlement agreement ("Settlement Agreement") with the plaintiff pursuant to which the PRC subsidiary shall pay HK$4,800,000 (equivalent to approximately RMB4,080,000) to plaintiff within five days upon entering into the Settlement Agreement for settlement of all responsibilities and claims of the Judgement. Payment was made on 1 December 2010. On 2 December 2010, the Senior People's Court of the Guangdong Province in the PRC approved the application for the withdrawal of the Judgement by the PRC subsidiary and the plaintiff.

7. DIVIDEND

No dividends were paid, declared or proposed during the year ended 31 December 2011. The directors of the Company do not recommend the payment of dividend.

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

Earnings (loss) figures are calculated as follows:

	2011	2010
	RMB'000	*RMB'000*
Earnings (loss)		
Earnings (loss) for the purpose of basic earnings (loss) per share for the year attributable to the owners of the Company	**22,529**	(30,853)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**–**	464
Change in fair value of convertible bonds	**–**	(14,860)
Earnings (loss) for the purpose of diluted earnings (loss) per share	**22,529**	(45,249)

	2011	2010
	'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 ordinary shares:		
Share options issued by the Company *(Note a)*	**–**	–
Conversion of convertible bonds *(Note b)*	**–**	23,032
Conversion of convertible redeemable preference shares	**484,211**	462,056
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**1,336,191**	1,337,068

Notes:

(a) The computation of diluted earnings (loss) per share does not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price of the Company's shares for the years ended 31 December 2011 and 31 December 2010.

(b) The computation of diluted earnings (loss) per share does not assume the conversion of the Company's outstanding convertible bonds as the conversion price of those convertible bonds was higher than the average market price of the Company's shares for the year ended 31 December 2011.

Diluted loss per share was the same as the basic loss per share for the year ended 31 December 2010 as the effect of conversion of the Company's share options, convertible bonds and convertible redeemable preference shares was anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**29,429**	33,112
Less: Impairment loss recognised	**(5,187)**	(5,678)
	24,242	27,434
Prepayments, deposits and other receivables	**40,733**	16,425
Less: Impairment loss recognised	**(2,575)**	(1,594)
	38,158	14,831
	62,400	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 rental income are due for settlement in accordance with the terms of the underlying agreements entered into with the tenants.

Trade receivables from the sale of properties are received in accordance with the terms of the related sales and purchase agreement. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables net of impairment loss recognised presented based on invoice date at the end of the reporting period.

	2011	2010
	RMB'000	*RMB'000*
Within 60 days	**23,423**	27,434
Over 365 days	**819**	–
	24,242	27,434

Included in the Group's trade receivables is an amount of approximately RMB16,700,000 (2010: RMB21,500,000) derived from the sale of properties. In accordance with the terms of the sales and purchase agreement, this receivable is repayable by installment.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately RMB819,000 (2010: Nil) which are past due as at the reporting date for which the Group has not provided for impairment loss. Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

10. TRADE AND OTHER PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payables	**26,288**	28,564
Receipts in advance *(Note iii)*	**883,572**	282,672
Consideration payable	**–**	55,133
Accrued expenses and other payables	**9,782**	35,439
	919,642	401,808

(i) The Group normally receives credit period from suppliers ranging from 30 days to 90 days. The Group 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 the reporting period based on invoice date is as follows:

	2011	2010
	RMB'000	*RMB'000*
Within 60 days	**25,447**	28,564
Over 365 days	**841**	–
	26,288	28,564

(iii) Receipts 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 year is as follows:

Property Development

The Group currently holds a property development project – Zhongzhu Uptown in Zhuhai, Guangdong Province, the PRC. Zhongzhu Uptown was developed in two phases. More than 95% properties in Phase 1 of Zhongzhu Uptown were sold as at the report date. The pre-sale of Phase 2 of Zhongzhu Uptown began in late 2010, and continued during 2011 and 2012.

For year ended 31 December 2011, total revenue attributable to the property development business amounted to approximately RMB63,838,000 (2010: RMB156,488,000) which included sales of 32 units of residential properties and 9 units of commercial properties with 4,025 and 882 square metres respectively. Phase 2 of Zhongzhu Uptown has recently completed the buildings and exterior construction. The interior decoration is still under progress, and it is planned to begin the delivery in the second half of 2012. Despite the stringent control of the properties market in the PRC, more than half of the residential units were contracted for sales as at 31 December 2011. The average selling prices was significantly higher than Phase 1 as a result of the upsurge of properties price in Zhuhai in recent years.

Property Investment

Property investment business represents rental income and capital appreciation from investment properties held in the PRC and in Hong Kong. During the year, rental income amounted to approximately RMB7,057,000 (2010: RMB12,107,000). Less rental income was recorded as several units were pending to be leased after the previous tenants moved out. Net gain on change in fair value of investment properties amounted to approximately RMB12,999,000 (2010: RMB11,634,000).

At 31 December 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 with gross floor area of approximately 15,084 square metres. During the year, the Group disposed certain investment properties in Hong Kong amounted to approximately RMB43,935,000 with net gain on disposals of approximately RMB2,046,000. 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 components, mobile phone modules and automation products. The total revenue from the trading business during the year amounted to RMB143,585,000 (2010: RMB159,485,000) amid the downturn of the oversea markets. 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 operational procedures and internal controls. The Group has taken various measures to diversify the product range with an objective to further enhance the profit margin and the improvements are noted in recent months.

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 Group has decided to move out of the mobile handset business due to keen competition but will continue to take a cautious and critical review on potential automation business opportunities, and will engage in projects only if the business risks can be certainly managed and controlled.

MARKET OUTLOOK AND PROSPECTS

In 2011, the Group faced increasingly complicated economic and market conditions in its property development business as a result of the tightening property market measure imposed by the PRC government. The management believes these policies could benefit the PRC properties market in the long-term. 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. During the year, the "Price-restriction" and "Purchase-restriction" policies in Zhuhai also have adverse effect on the properties market.

In the 1st quarter of 2012, the PRC has started to gradually lower the required capital reserve ratio of banks. Though the Central Government still emphases that it will continue to closely monitor the property market, Zhuhai is one of the fastest growing cities with pleasant living environment. With 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, the local economies and the properties market will be greatly enhanced. Looking into 2012, it is anticipated that the properties market will be more stable. After recent reduction of the reserve requirement ratio, the market has rebuilt its confidence in the economy. The Directors are optimistic about the future prospects of the property market in Zhuhai.

Regarding the Zhongzhu Uptown Phase 2, the remaining properties will continue its pre-sale in 2012. The pre-sale has generated a strong cash flow for our business, which greatly enable the Group to continue develop in the tight monetary control environment in the PRC and to explore other investment opportunities. The Group will 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 year ended 31 December 2011, the Group achieved a turnover of approximately RMB214,480,000 (2010: RMB328,080,000) which represented a decrease of approximately 35%. The decrease in turnover is mainly due to majority units of Zhongzhu Uptown Phase 1 were sold in previous year while Phase 2 was still in pre-sale stage. Though more than 50% of the units in Phase 2 were contracted for sales, they were not recognised as turnover until being delivered to the purchasers. The management believes upon the delivery of properties of Phase 2 in late 2012, the turnover will be boosted.

The profit attributable to owners of the Company was approximately RMB22,529,000 (2010: loss of RMB30,853,000). The profit is mainly attributable to the gain arising from the change in fair value of convertible bonds amounted to approximately RMB45,393,000 (2010: RMB14,860,000). Excluding the effect of change in fair value of the convertible bonds, a loss attributable to the owners of the Company of approximately RMB22,864,000 (2010: RMB45,713,000) was recorded which was mainly caused by the advertisement and other related costs for the pre-sale of Phase 2 of Zhongzhu Uptown amounted to approximately RMB12,926,000.

In 2011, the Group's operating activities generated a net cash inflow of approximately RMB354,901,000 (2010: outflow of RMB169,570,000) which mainly represents receipts from Phase 2 of Zhongzhu Uptown pre-sales. At 31 December 2011, the total amount of bank balance and cash was approximately RMB228,991,000 (2010: RMB155,804,000), including restricted bank deposits of RMB92,298,000 (2010: RMB32,776,000).

At 31 December 2011, the total assets of the Group was approximately RMB1,737,392,000 (2010: RMB1,491,124,000), representing an increase of approximately 17%. The increase is mainly due to the construction of Zhongzhu Uptown Phase 2. At 31 December 2011, the Group's total borrowings decreased to approximately RMB99,357,000 (2010: RMB385,936,000) as a result of repayment of construction loan during the year.

At 31 December 2011, the gearing ratio, expressed as a percentage of total borrowings over net assets was 30% (2010: 79%). The current ratio was 1.3 (2010: 2.5).

FINANCE COSTS

For the year ended 31 December 2011, the finance cost was approximately RMB24,525,000 (2010: RMB27,040,000). The charge comprises mainly of imputed interest expense on consideration payable in relating to the acquisition of the 50% interests in Zhuhai Zhongzhu Real Estate Development Co., Ltd. ("Zhuhai Zhongzhu") of approximately RMB18,491,000 (2010: RMB13,742,000) and interests expenses on convertible bonds of RMB5,318,000 (2010: RMB464,000). Since the convertible bonds was issued at 1 December 2010, a full year interest expenses was recorded in the current year. For the year ended 31 December 2010, it included interest expenses on bank borrowings due to Bank of China of approximately RMB12,211,000 which was fully repaid during year 2010 via refinancing by issuing 4% convertible bonds due 2013.

MATERIAL INVESTMENTS AND ACQUISITIONS

The acquisition of additional 25% equity interests in Zhuhai Zhongzhu was completed at 1 March 2011. Zhuhai Zhongzhu is engaged in the property development business in Zhuhai. The consideration for the acquisition was satisfied by the issue of convertible bonds in the principal amount of HK$230,000,000 at zero coupon rate to Seaton Limited. Please refer to the circular dated 22 December 2010 for details of the acquisition.

CAPITAL STRUCTURE

The issued ordinary share capital of the Company at 31 December 2010 and 2011 was HK$85,198,000 divided into 851,980,000 shares of HK$0.10 each. At 31 December 2010 and 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 31 December 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, the management will monitor foreign exchange exposure closely and consider the use of hedging instruments when the need arises.

CHARGE ON ASSETS

At 31 December 2011, certain of the Group's investment properties, properties under development and leasehold land and buildings with an aggregate net carrying value of approximately RMB995,884,000 (2010: RMB807,134,000) 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 31 December 2011, facilities amounts of approximately RMB99,357,000 (2010: RMB385,936,000) were utilised and approximately RMB810,000 (2010: RMB102,314,000) were unutilised and available for the Group's future financing.

SEGMENT INFORMATION

The details of segment information are set out in Note 4 of this announcement.

CAPITAL COMMITMENTS

The Group did not have any significant capital commitments as at 31 December 2011.

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

	2011	2010
	RMB'000	*RMB'000*
Contracted for but not provided in the consolidated financial statements	**144,746**	190,969
Authorised but not contracted for	**56,627**	336,831

EMPLOYEE AND REMUNERATION POLICIES

At 31 December 2011, the Group employed 53 full time employees (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. On 31 January 2012, Global Tide filed an amended statement of claim in the High Court. Pursuant to which the claim is revised and reduced to HK$7,967,000. 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 year ended 31 December 2011. At 31 December 2011, the outstanding amount of the guarantees amounted to approximately RMB266,904,000 (2010: RMB22,980,000).

DIVIDEND

The Board does not recommend any payment of dividend for the year ended 31 December 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 year ended 31 December 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 year under review.

PURCHASES, SALE AND REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 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 audited consolidated financial statements of the Group for the year ended 31 December 2011.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL 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 annual 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, 29 March 2012

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.