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China Uptown Group Company Limited

中國上城集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2330)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

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 2013.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		For the six months ended 30 June	
	Notes	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited and restated)
Continuing operations			
Turnover	3	580,481	35,270
Cost of sales		(355,663)	(29,129)
Gross profit		224,818	6,141
Other operating income		4,978	325
Selling and distribution costs		(5,280)	(5,660)
Administrative expenses		(10,269)	(9,098)
Change in fair value of investment properties		4,000	20,426
Change in fair value of convertible bonds		(12,610)	(14,430)
Gain on extinguishment of consideration payable		2,364	–
Equity-settled share-based payment expenses		–	(3,767)
Gain on disposal of subsidiaries	11	92,855	–
Finance costs		(4,633)	(5,725)
Profit (loss) before taxation		296,223	(11,788)
Income tax expense	4	(113,024)	(4,719)
Profit (loss) for the period from continuing operations	5	183,199	(16,507)

		For the six months ended 30 June	
	<i>Note</i>	2013 RMB'000 (unaudited)	2012 RMB'000 (unaudited and restated)
Discontinued operation			
Profit for the period from discontinued operation	6	<u>24,242</u>	–
Profit (loss) for the period		<u>207,441</u>	<u>(16,507)</u>
Profit (loss) for the period attributable to owners of the Company:			
– from continuing operations		157,726	(14,832)
– from discontinued operation		<u>24,242</u>	–
		<u>181,968</u>	<u>(14,832)</u>
Profit (loss) for the period attributable to non-controlling interests:			
– from continuing operations		25,473	(1,675)
– from discontinued operation		–	–
		<u>25,473</u>	<u>(1,675)</u>
		<u>207,441</u>	<u>(16,507)</u>
Profit (loss) for the period		207,441	(16,507)
Other comprehensive income (expense)			
Items that may be subsequently reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations:			
Exchange gain (loss) arising during the period		4,854	(3,189)
Reclassification of cumulative translation reserve upon disposal of subsidiaries to profit or loss		<u>(33,218)</u>	–
Total comprehensive income (expense) for the period		<u>179,077</u>	<u>(19,696)</u>

		For the six months ended 30 June	
	<i>Note</i>	2013	2012
		RMB'000	RMB'000
		(unaudited)	(unaudited and restated)
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		153,604	(18,021)
Non-controlling interests		25,473	(1,675)
		<u>179,077</u>	<u>(19,696)</u>
Earnings (loss) per share	8		
From continuing and discontinued operations			
Basic		<u>RMB19.33 cents</u>	<u>RMB(1.74 cents)</u>
Diluted		<u>RMB13.62 cents</u>	<u>RMB(1.74 cents)</u>
From continuing operations			
Basic		<u>RMB16.75 cents</u>	<u>RMB(1.74 cents)</u>
Diluted		<u>RMB11.80 cents</u>	<u>RMB(1.74 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	<i>Notes</i>	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Non-current assets			
Property, plant and equipment		28,393	29,683
Investment property		179,800	175,800
Prepaid lease payments		231	234
Goodwill		–	184,231
Available-for-sale investments		–	–
		<u>208,424</u>	<u>389,948</u>
Current assets			
Inventories		251	3,174
Properties under development		–	–
Properties held for sale		–	746,701
Trade and other receivables	9	11,768	18,606
Refundable deposit paid for a possible acquisition		150,000	150,000
Consideration receivable		350,000	–
Prepaid lease payments		6	6
Held-to-maturity investments		–	–
Held-for-trading investments		46	53
Income tax recoverable		174	–
Bank balances and cash		210,130	196,668
		<u>722,375</u>	<u>1,115,208</u>
Current liabilities			
Trade and other payables	10	12,253	541,866
Amount due to a former subsidiary		4,958	–
Income tax payable		51	147,951
Secured bank borrowings		8,578	13,198
Convertible bonds		320,407	132,405
Consideration payable		47,572	48,815
		<u>393,819</u>	<u>884,235</u>
Net current assets		<u>328,556</u>	<u>230,973</u>
Total assets less current liabilities		<u>536,980</u>	<u>620,921</u>
Capital and reserves			
Ordinary share capital		88,424	88,424
Convertible redeemable preference shares		152,006	152,006
Reserves		279,309	125,705
Equity attributable to owners of the Company		<u>519,739</u>	<u>366,135</u>
Non-controlling interests		<u>(1,309)</u>	<u>62,912</u>
Total equity		<u>518,430</u>	<u>429,047</u>
Non-current liabilities			
Convertible bonds		–	179,782
Deferred taxation		18,550	12,092
		<u>18,550</u>	<u>191,874</u>
		<u>536,980</u>	<u>620,921</u>

Notes:

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 1	First-time Adoption of HKFRSs – Government Loans
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC)* – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

* HK(IFRIC) represents the Hong Kong (International Financial Reporting Interpretation Committee)

Except for the below, the directors of the Company anticipate that the application of the above new or revised HKFRSs in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or on the disclosures set out in these condensed consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. 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 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 same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and 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, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009 – 2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

3. TURNOVER AND SEGMENT INFORMATION

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

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. Technology segment, which was reported in prior period, was discontinued in the current period (details are set out in note 6). Accordingly, the Group's reportable and operating segments from continuing operations are as follows:

Property development	–	Development of properties in the PRC.
Property investment	–	Rental income arising from investment property situated in the PRC.
Trading	–	Trading of electronic components, mobile phone modules and automation products.

Segment revenues and results

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

Continuing operations

	Property development		Property investment		Trading		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Turnover	<u>542,138</u>	<u>11,436</u>	<u>4,777</u>	<u>3,720</u>	<u>33,566</u>	<u>20,114</u>	<u>580,481</u>	<u>35,270</u>
Segment profit (loss)	<u>308,860</u>	<u>(4,606)</u>	<u>8,146</u>	<u>23,152</u>	<u>(815)</u>	<u>(1,024)</u>	<u>316,191</u>	<u>17,522</u>
Change in fair value of convertible bonds							(12,610)	(14,430)
Change in fair value of held-for-trading investments							(7)	(131)
Gain on extinguishment of consideration payable							2,364	-
Equity-settled share-based payment expense							-	(3,767)
Interest income							426	308
Unallocated corporate expenses							(5,508)	(5,565)
Finance costs							(4,633)	(5,725)
Profit (loss) before taxation from continuing operations							<u>296,223</u>	<u>(11,788)</u>

Segment profit (loss) represent the profit (loss) of each segment without allocation of change in fair value of convertible bonds, change in fair value of held-for-trading investments, gain on extinguishment of consideration payable, equity-settled share-based payment expense, interest income, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker (board of directors of the Company) of the Group for the purposes of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Continuing operations		
Current tax		
PRC Enterprise Income Tax provided for the period	59,760	877
Over-provision in prior years	(1,070)	-
	<u>58,690</u>	<u>877</u>
Hong Kong Profits Tax	51	-
PRC Land Appreciation Tax ("LAT")	53,966	96
	<u>112,707</u>	<u>973</u>
Deferred taxation	317	3,746
	<u>113,024</u>	<u>4,719</u>

- (a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 2013 and 2012.

No Hong Kong Profits Tax was provided for in the condensed consolidated financial statements for the six months ended 30 June 2012 as no assessable profit was derived from Hong Kong during the period.

- (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 periods.
- (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 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 2013, deferred taxation of approximately RMB12,403,000 (31 December 2012: RMB4,194,000) has been provided for the portion of profits that are expected to be distributed by the PRC subsidiaries and deferred taxation has been provided for the remaining profits are expected to be distributed in the foreseeable future. The withholding tax represents the deferred tax liability arising on undistributed profits to non-controlling interests of a subsidiary in the PRC.

5. PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit (loss) for the period for continuing operations have been arrived at after (crediting) charging:		
Amortisation of prepaid lease payments	3	3
Change in fair value of held-for-trading investments	7	131
Cost of inventories recognised as expenses (included in cost of sales)	350,570	30,231
Depreciation of property, plant and equipment	842	930
Gain on disposal of property, plant and equipment	(78)	–
Interest income	(426)	(308)
Reversal of impairment loss recognised in respect of inventories	(4,462)	(10)
Reversal of impairment loss recognised in respect of properties held for sale (included in cost of sales)	–	(1,339)
	–	–

6. PROFIT FOR THE PERIOD FROM DISCONTINUING OPERATION

On 30 April 2013, the Company disposed of its 100% interest in Realtop Limited (the “Realtop”) and a subsidiary of Realtop (the “Realtop Group”) and non-interest bearing shareholder’s loan at a consideration of HK\$230,000 (equivalent to approximately RMB183,000). Upon completion, the Company ceased to hold any interest in Realtop Group. As the Realtop Group carried out all of the Group’s technology operation, this business segment is presented as discontinued operations.

The profit for the period from discontinued operation is analysed as follows:

	Period from 1 January 2013 to 30 April 2013 RMB’000 (unaudited)	For the six months ended 30 June 2012 RMB’000 (unaudited)
Loss of technology operation for the period	–	–
Gain on disposal of Realtop Group	<u>24,242</u>	<u>–</u>
	<u>24,242</u>	<u>–</u>

The results of the discontinued technology operation for the period from 1 January 2013 to 30 April 2013 do not have any effect in the condensed consolidated statement of profit or loss.

Net cash (outflows) inflows on discontinued technology operation are as follows:

	Period from 1 January 2013 to 30 April 2013 RMB’000 (unaudited)	For the six months ended 30 June 2012 RMB’000 (unaudited)
Operating activities	141	(868)
Financing activities	<u>(836)</u>	<u>1,653</u>
	<u>(695)</u>	<u>785</u>

7. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

8. EARNINGS (LOSS) PER SHARE

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

Earnings (loss) figures are calculated as follows:

From continuing and discontinued operations

	For the six months ended 30 June	
	2013	2012
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share for the period attributable to the owners of the Company	181,968	(14,832)
	<u><u>181,968</u></u>	<u><u>(14,832)</u></u>
From continuing operations		
Earnings (loss)		
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share for the period attributable to the owners of the Company	157,726	(14,832)
	<u><u>157,726</u></u>	<u><u>(14,832)</u></u>
From discontinued operation		
Earnings		
Earnings for the purpose of basic and diluted earnings per share for the period attributable to the owners of the Company	24,242	–
	<u><u>24,242</u></u>	<u><u>–</u></u>
	2013	2012
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	941,454	851,980
Effect of dilutive potential ordinary shares:		
Share options issued by the Company (<i>note a and c</i>)	–	–
Conversion of convertible bonds (<i>note b</i>)	–	–
Conversion of convertible redeemable preference shares (<i>note c</i>)	394,737	–
	<u><u>394,737</u></u>	<u><u>–</u></u>
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	1,336,191	851,980
	<u><u>1,336,191</u></u>	<u><u>851,980</u></u>

Notes:

- (a) The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of these options was higher than the average market price of the Company's shares for the six months ended 30 June 2013.
- (b) The computation of diluted earnings (loss) per share does not assume the conversion of the Company's outstanding convertible bonds as the exercise price of these convertible bonds was higher than the average market price of the Company's shares for the six months ended 30 June 2013 and 2012.
- (c) Diluted loss per share was the same as the basic loss per share for the six months ended 30 June 2012 since the conversion of the Company's share options and convertible redeemable preference shares has an anti-dilutive effect to the loss per share.

9. TRADE AND OTHER RECEIVABLES

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Trade receivables	13,571	12,015
Less: Impairment loss recognised	<u>(4,557)</u>	<u>(5,172)</u>
	9,014	6,843
Prepayment, deposits and other receivables	3,264	14,330
Less: Impairment loss recognised	<u>(510)</u>	<u>(2,567)</u>
	2,754	11,763
	<u>11,768</u>	<u>18,606</u>

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, which approximated the revenue recognition date, at the end of the reporting period:

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Within 60 days	8,969	6,843
60-365 days	<u>45</u>	<u>–</u>
	<u>9,014</u>	<u>6,843</u>

10. TRADE AND OTHER PAYABLES

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Trade payables	4,285	41,335
Receipts in advance (<i>note (iii)</i>)	–	482,217
Accrued expenses and other payables	<u>7,968</u>	<u>18,314</u>
	<u>12,253</u>	<u>541,866</u>

Notes:

- (i) The Group normally receives credit period from suppliers ranging from 30 days to 90 days.

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

	30 June 2013 RMB'000 (unaudited)	31 December 2012 RMB'000 (audited)
Within 60 days	4,285	40,904
61 – 90 days	–	60
91 – 120 days	–	5
Over 365 days	–	366
	<u>4,285</u>	<u>41,335</u>

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

11. DISPOSAL OF SUBSIDIARIES

During the period, the Group disposed of the entire equity interest in Boom Lotus Holdings Limited (together with its subsidiaries collectively referred to the "Boom Lotus Group") on 28 June 2013 (details are set out in note a) and the entire equity interest in Realtop Group on 30 April 2013 (details are set out in note b) (the Group excluding the Boom Lotus Group and Realtop Group hereinafter referred to as the "Retained Group").

- (a) On 28 June 2013, the Group entered into a sale agreement to dispose of its 100% equity interest in Boom Lotus Group at a consideration of RMB560,000,000. Upon the completion, the Company ceased to hold any interest in the Boom Lotus Group. The net assets of Boom Lotus Group at the date of disposal were as follows:

	As at 28 June 2013 RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	452
Property held for sale	431,949
Trade and other receivables	1,119
Bank balances and cash	394,586
Refundable deposit paid for a possible acquisition	150,000
Deferred tax assets	4,194
Trade and other payables	(264,591)
Amounts due to the Retained Group	(65,899)
Income tax liabilities	(193,169)
Net assets disposed of	<u>458,641</u>
Cash consideration	560,000
Transaction costs	(1,195)
Net assets disposed of	(458,641)
Goodwill	(184,231)
Non-controlling interest	89,694
Shareholder's loan assigned	(70,857)
Refundable deposit paid for a possible acquisition assigned	150,000
Cumulative exchange difference in respect of the net assets of subsidiaries reclassified from equity to profit or loss	<u>8,085</u>
Gain on disposal of Boom Lotus Group	<u>92,855</u>

As at 28 June 2013
RMB'000

Net cash outflow arising upon disposal:

Cash consideration received (<i>note</i>)	210,000
Less: bank balances and cash disposed of	(394,586)
	<hr/>
	(184,586)
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Note: As at 30 June 2013, consideration receivable amounted of RMB350,000,000 represents the undue third and fourth installments.

The subsidiaries disposed of during the six months period ended 30 June 2013 contributed approximately RMB212,838,000 to the Group's net operating cash flow and approximately RMB151,000 to cash flow from investing activities. The subsidiaries had no contribution to the Group's cash flow from financing activities.

- (b) On 30 April 2013, the Group discontinued its technology operation segment upon the disposal of its 100% interest in Realtop Group at a consideration of HK\$230,000 (equivalent to approximately RMB183,000). Upon completion, the Company ceased to hold any interest in Realtop Group. The net liabilities of Realtop Group at the date of disposal were as follows:

As at 30 April 2013
RMB'000

Analysis of assets and liabilities over which control was lost:

Property, plant and equipment	88
Held-to-maturity investments (net of impairment)	–
Trade and other receivables (net of impairment) (<i>note</i>)	568
Bank balances and cash	308
Deferred tax assets	1,947
Trade and other payables	(1,680)
Amounts due to the Retained Group	(75,038)
	<hr/>
Net liabilities disposed of	(73,807)
	<hr/> <hr/>
Cash consideration	183
Net liabilities disposed of	73,807
Shareholder's loan assigned	(74,881)
Cumulative exchange difference in respect of the net liabilities of subsidiary reclassified from equity to profit or loss	25,133
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Gain on disposal of Realtop Group	24,242
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Net cash outflow arising upon disposal:

Cash consideration received	183
Less: bank balances and cash disposed of	(308)
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	(125)
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Note: As at 30 April 2013, the carrying amounts of trade receivables and other receivables were nil and RMB568,000 respectively, net of impairment loss of approximately RMB551,000 and RMB2,052,000 respectively.

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 disposed a property development project – Zhongzhu Uptown which is situated in Zhuhai, Guangdong Province, the PRC during the period. Zhongzhu Uptown was developed in two phases. Approximately 72% of its residential and commercial properties of Zhongzhu Uptown Phase 2 were sold prior to the disposal date. Reference is made to the announcement of the Company dated 15 May 2013 and 28 June 2013 and the circular of the Company dated 31 May 2013, the disposal of the Companies holding Zhongzhu Uptown was completed at 28 June 2013.

For the six months ended 30 June 2013, total revenue attributable to the property development business amounted to approximately RMB542,138,000 (2012: RMB11,436,000).

Property Investment

Property investment business represents rental income and capital appreciation from investment properties held in the PRC. During the six months ended 30 June 2013, rental income amounted to approximately RMB4,777,000 (2012: RMB3,720,000). Net gain on change in fair value of investment properties amounted to approximately RMB4,000,000 (2012: RMB20,426,000).

At 30 June 2013, the investment property represents the research and development centre in Shenzhen, the PRC with gross floor area of approximately 15,084 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 six months ended 30 June 2013 amounted to approximately RMB33,566,000 (2012: RMB20,114,000). The Group is taking various measures to diversify the product range with an objective to increase its market shares and further enhance the profit margin, including exploring the opportunity in trading and licensed distribution in smartphone business and overseas markets.

MARKET OUTLOOK AND PROSPECTS

In 2013, the deepening of urbanization and different demand in each city in the PRC will provide the growth opportunities in the real estate business. While the PRC government may continue to impose strict property market measures, the Board is optimistic in the long term residential property market sector.

The Board will actively explore other potential property development projects or (in case no suitable property development project is identified by the Group) other investment opportunities that may strengthen the business and/or investment portfolio of the Group. The Board will closely monitor future market trends and respond to market changes in a prudent and pro-active manner to mitigate the investments risk in particular those caused by the increasing measures towards property markets of the PRC Government via investing in the PRC.

MATERIAL DISPOSAL

During the six months ended 30 June 2013, the Group has disposed its equity interests in Boom Lotus Holdings Limited (the “Disposal”), which indirectly held the entire interests of Zhongzhu Uptown property project.

FINANCIAL REVIEW

For the six months ended 30 June 2013, the Group’s turnover is approximately RMB580,481,000 (2012: RMB35,270,000) which represented an increase of approximately 15.5 times as compared to the last corresponding period. The profit attributable to owners of the Company was approximately RMB181,968,000 (2012: loss of RMB14,832,000). The upsurges in the turnover and profit are mainly attributable to the recognition of sales from the Phase 2 of Zhongzhou Uptown. During the period approximately 26%, and in aggregate 72% (based on the gross floor area) of the residential and commercial properties were delivered and recognised as sales.

For the first half of 2013, the Group’s operating activities generated a net cash inflow of approximately RMB206,362,000 (2012: outflow of RMB24,834,000) which mainly represents the receipts from the sales of Phase 2. At 30 June 2013, the total amount of bank balances and cash was approximately RMB210,130,000 (31 December 2012: RMB196,668,000).

At 30 June 2013, the total assets of the Group was approximately RMB930,799,000 (31 December 2012: RMB1,505,156,000). The decrease is mainly due to the Disposal.

At 30 June 2013, the gearing ratio, expressed as a percentage of total borrowings over net assets was 1.7% (31 December 2012: 3.0%). The current ratio was 1.8 (31 December 2012: 1.3).

CAPITAL STRUCTURE

The issued ordinary share capital of the Company at 30 June 2013 and 31 December 2012 was approximately HK\$94,145,000 divided into 941,453,683 shares of HK\$0.10 each. At 30 June 2013 and 31 December 2012, the issued convertible redeemable preference shares was HK\$27,500,000 divided into 275,000,000 shares of HK\$0.10 each and the convertible redeemable preference A shares was HK\$10,000,000 divided into 100,000,000 shares of HK\$0.10 each.

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 2013, certain of the Group’s investment properties and leasehold land and buildings with an aggregate net carrying value of approximately RMB208,190,000 (31 December 2012: RMB204,787,000) were pledged to banks for securing convertible bonds, revolving loans, general banking facilities and banking facilities of construction loan granted to certain subsidiaries of the Company. At 30 June 2013, facilities amounts of approximately RMB8,578,000 (31 December 2012: RMB13,198,000) were utilised and approximately RMB3,950,000 (31 December 2012: RMB803,000) 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 2013.

EMPLOYEE AND REMUNERATION POLICIES

At 30 June 2013, the Group employed 18 full time employees (31 December 2012: 56) 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) On 31 January 2013, an indirectly wholly-owned subsidiary, 德維森實業(深圳)有限公司 received a writ of summons from 廣東國暉律師事務所 in relation to the full payment of a legal fee of RMB18,000,000 for the professional services rendered for the investigation of an investment in the Kinghing Trust & Investment Co., Ltd.

The Company decided to defend against 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.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2013.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules.

Throughout the period under review, the Company has fully complied with the Code Provisions of the CG Code.

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, the Directors of the Company confirm that all they have complied with the required standard as 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 2013.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") with written terms of reference in compliance with the CG 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 of 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 2013 and is of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosures have been made.

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, 23 August 2013

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