**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 2018

The board (the "Board") of directors (the "Directors") of China Uptown Group Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

| | | **Six months ended 30 June** | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *NOTES* | ***RMB'000*** | *RMB'000* |
| | | **(unaudited)** | (unaudited) |
| Revenue | *3* | **23,177** | 395,957 |
| Cost of sales | | **(21,377)** | (313,816) |
| Gross profit | | **1,800** | 82,141 |
| Other income | *5* | **119** | 110 |
| Fair value change on investment properties | | **1,213** | 38,073 |
| Fair value change on held-for-trading investments | | **–** | 6 |
| Fair value change on financial assets at fair value through profit or loss | | **2** | – |
| Selling and marketing expenses | | **(6,369)** | (1,809) |
| Administrative expenses | | **(15,497)** | (14,810) |
| Finance costs | | **(2,228)** | (5,676) |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*(CONTINUED)*

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *NOTES* | ***RMB'000*** | *RMB'000* |
| | | **(unaudited)** | (unaudited) |
| (Loss) profit before taxation | | **(20,960)** | 98,035 |
| Income tax expense | *6* | **(1,503)** | (49,242) |
| (Loss) profit for the period | *7* | **(22,463)** | 48,793 |
| (Loss) profit for the period attributable to: | | | |
| Owners of the Company | | **(21,467)** | 42,545 |
| Non-controlling interests | | **(996)** | 6,248 |
| | | **(22,463)** | 48,793 |
| (Loss) earnings per share (in RMB cents) | *9* | | |
| – Basic | | **(1.41)** | 2.79 |
| – Diluted | | **(1.41)** | N/A |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2018*

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| (Loss) profit for the period | **(22,463)** | 48,793 |
| Other comprehensive (expense) income: | | |
| Exchange differences arising on translation | **(1,126)** | 669 |
| Total comprehensive (expense) income for the period | **(23,589)** | 49,462 |
| Total comprehensive (expense) income for the period attributable to: | | |
| Owners of the Company | **(22,593)** | 43,214 |
| Non-controlling interests | **(996)** | 6,248 |
| | **(23,589)** | 49,462 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AT 30 JUNE 2018*

| | NOTES | At 30 June 2018 RMB'000 (unaudited) | At 31 December 2017 RMB'000 (audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **18,764** | 19,030 |
| Investment properties | | **95,028** | 93,815 |
| | | **113,792** | 112,845 |
| **CURRENT ASSETS** | | | |
| Properties under development | | **886,907** | 744,072 |
| Properties held for sale | | **379,945** | 394,860 |
| Other receivables | *10* | **12,555** | 83,328 |
| Financial assets at fair value through profit or loss | | **29** | – |
| Held-for-trading investments | | **–** | 27 |
| Restricted bank deposit | | **8,039** | 8,015 |
| Pledged bank deposits | | **14,003** | 12,908 |
| Bank balances and cash | | **102,754** | 26,322 |
| | | **1,404,232** | 1,269,532 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *11* | **98,540** | 564,953 |
| Contract liabilities | | **632,906** | – |
| Loan payables | | **54,699** | 16,656 |
| Amount due to a director | | **9,074** | 2,714 |
| Tax payable | | **652** | 20,919 |
| Secured bank borrowings | | **88,889** | 119,304 |
| | | **884,760** | 724,546 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*(CONTINUED)*

*AT 30 JUNE 2018*

| | At 30 June 2018 *RMB'000* (unaudited) | At 31 December 2017 *RMB'000* (audited) |
|---|---|---|
| **NET CURRENT ASSETS** | **519,472** | 544,986 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | **633,264** | 657,831 |
| **NON-CURRENT LIABILITY** | | |
| Deferred tax liabilities | **62,458** | 63,436 |
| **NET ASSETS** | **570,806** | 594,395 |
| **CAPITAL AND RESERVES** | | |
| Share capital | **136,015** | 136,015 |
| Reserves | **397,751** | 420,344 |
| Equity attributable to owners of the Company | **533,766** | 556,359 |
| Non-controlling interests | **37,040** | 38,036 |
| **TOTAL EQUITY** | **570,806** | 594,395 |

*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 ("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.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

**Application of new and amendments to HKFRSs**

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

## 2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

In the current interim period, the Group has applied HKFRS 15 for the first time retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations with no material effect on timing and amount of revenues recognised in these condensed consolidated financial statements.

The Group recognises revenue from the following major sources in the current interim period:

- Sales of properties
- Leasing of investment properties

For property sales contracts of which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the control of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Revenue from leasing of investment properties will continue to be accounted for in accordance with HKAS 17 *Leases*.

***Summary of effects arising from initial application of HKFRS 15***

Upon the application of HKFRS 15, the Group's contract liabilities represent receipts in advance in respect of selling of properties that are yet to be recognised as revenue.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

*Impact on the condensed consolidated statement of financial position*

| | Carrying amounts previously reported at 31 December 2017 | Reclassification | **Carrying amounts under HKFRS 15 at 1 January 2018*** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | ***RMB'000*** |
| Trade and other payables | 564,953 | (445,462) | **119,491** |
| Contract liabilities | – | 445,462 | **445,462** |

* *The amounts in this column are before the adjustments from the application of HKFRS 9.*

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

*Impact on the condensed consolidated statement of financial position*

| | As reported | Adjustment | Amounts without application of HKFRS 15 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and other payables | 98,540 | 632,906 | 731,446 |
| Contract liabilities | 632,906 | (632,906) | – |

The application of HKFRS 15 has no significant impact on the timing and amounts of revenue in the current interim period and accumulated losses at 1 January 2018.

**2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments ("HKFRS 9")**

In the current interim period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities, ii) expected credit losses for financial assets and financial guarantee contracts; and iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments*: *Recognition and Measurement*.

***Summary of effects arising from initial application of HKFRS 9***

Listed equity securities with a fair value of RMB27,000 classified as held-for-trading under HKAS 39 are required to be classified as financial assets at FVTPL under HKFRS 9 at the date of initial application, 1 January 2018.

Except as described above, the application of new and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

## 3. REVENUE

An analysis of the Group's revenue for the period is as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Sales of properties | **22,225** | 326,157 |
| Sales of raw sugar | **–** | 69,800 |
| Revenue from sales of goods | **22,225** | 395,957 |
| Rental income | **952** | – |
| | **23,177** | 395,957 |

Revenue from sales of goods with fixed price contracts is recognised at a point in time.

## 4. SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (i.e. the executive directors of the Company) in order to allocate resources to the segment and to assess its performance.

The Group's operating segments under HKFRS 8 *Operating Segments* are identified as the follows:

- Property development and investment: this segment primarily develops and sells office premises, commercial and residential properties. This segment also generates rental income from investment properties and achieves gain from the appreciation in the properties' values in the long term. All the Group's activities in this segment are carried out in the People's Republic of China (the "PRC").

- Trading of raw sugar: this segment trades raw sugar on a worldwide basis.

Property development and investment and trading of raw sugar also represent the Group's reportable segments.

**Segment revenue and results**

The following is the analysis of the Group's revenue and results by operating segment for the period under review:

***Six months ended 30 June 2018 (unaudited)***

| | **Property development and investment** *RMB'000* | **Trading of raw sugar** *RMB'000* | **Total** *RMB'000* |
|---|---|---|---|
| Revenue | **23,177** | **–** | **23,117** |
| Segment loss | **(8,570)** | **(4,121)** | **(12,691)** |
| Bank interest income | | | **118** |
| Fair value changes on financial assets at fair value through profit or loss | | | **2** |
| Finance costs | | | **(721)** |
| Unallocated expenses | | | **(7,668)** |
| Loss before taxation | | | **(20,960)** |

*Six months ended 30 June 2017 (unaudited)*

| | Property development and investment *RMB'000* | Trading of raw sugar *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| Revenue | 326,157 | 69,800 | 395,957 |
| Segment profit | 101,892 | 3,295 | 105,187 |
| Bank interest income | | | 98 |
| Fair value changes on held-for-trading investments | | | 6 |
| Finance costs | | | (238) |
| Unallocated expenses | | | (7,018) |
| Profit before taxation | | | 98,035 |

## 5. OTHER INCOME

| | **Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Bank interest income | **118** | 98 |
| Sundry income | **1** | 12 |
| | **119** | 110 |

## 6. INCOME TAX EXPENSE

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Current tax | | |
| PRC Enterprise Income Tax ("EIT") | **1,181** | 16,793 |
| PRC Land Appreciation Tax ("LAT") | **1,300** | 28,796 |
| | **2,481** | 45,589 |
| Deferred taxation | | |
| Current period | **(978)** | 3,653 |
| Income tax expense | **1,503** | 49,242 |

Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2018 and 2017. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit arising in Hong Kong for both periods. At 30 June 2018, unrecognised tax losses of RMB18,786,000 (31 December 2017: RMB14,665,000) may be carried forward indefinitely.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

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 of land value, with certain allowable exemptions and deductions.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

## 7. (LOSS) PROFIT FOR THE PERIOD

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| (Loss) profit for the period has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | **468** | 348 |
| Net foreign exchange loss | **66** | 516 |
| Compensation on the cancellation of contract for trading of sugar | **2,393** | – |

## 8. DIVIDEND

No dividends were declared and proposed by the Company during the six months ended 30 June 2018 and 2017.

## 9. (LOSS) EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| **(Loss) earnings** | | |
| (Loss) earnings attributable to the owners of the Company for the purpose of calculation of basic (loss) earnings per share | **(21,467)** | 42,545 |
| (Loss) earnings attributable to the owners of the Company for the purpose of calculation of diluted (loss) earnings per share | **(21,467)** | N/A |

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share | **1,524,479** | 1,524,479 |
| Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share | **1,524,479** | N/A |

The computation of diluted loss per share for the six months ended 30 June 2018 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares during the same period.

No diluted earnings per share was presented for the six months ended 30 June 2017 as there was no potential ordinary share outstanding during the period.

## 10. OTHER RECEIVABLES

| | At 30 June 2018 | At 31 December 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (audited) |
| Other receivables | | |
| Prepayments, deposits and other receivables | **12,967** | 83,735 |
| *Less:* impairment loss recognised | **(412)** | (407) |
| | **12,555** | 83,328 |

Included in prepayments, deposits and other receivables mainly represented prepaid other taxes and construction costs.

## 11. TRADE AND OTHER PAYABLES

| | At<br>30 June<br>2018<br>*RMB'000*<br>(unaudited) | At<br>31 December<br>2017<br>*RMB'000*<br>(audited) |
|---|---|---|
| Trade payables | **1,181** | 36,641 |
| Accrued expenditure on construction | **71,988** | 51,827 |
| Other payables and accrued charges | **25,371** | 31,023 |
| Receipts in advance from pre-sale of properties | **–** | 412,983 |
| Receipts in advance from sales of raw sugar | **–** | 32,479 |
| | **98,540** | 564,953 |

Credit period granted to the Group by suppliers ranges from 0 to 90 days.

The following is an aging analysis of trade payables based on the invoice date at the end of the reporting period:

| | At<br>30 June<br>2018<br>*RMB'000*<br>(unaudited) | At<br>31 December<br>2017<br>*RMB'000*<br>(audited) |
|---|---|---|
| Within 90 days | **774** | 36,502 |
| 91 – 365 days | **407** | 139 |
| | **1,181** | 36,641 |

As at 31 December 2017, the Group's receipts in advance from the sales of raw sugar amounting to RMB32,479,000 carried interest at a rate of 5.3% plus 3-month London Interbank Offered Rate per annum.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The review of the major business segments of the Group during the six months ended 30 June 2018 (the "Period") is as follows:

### Property Development and Investment

The revenue attributed to the property development and investment business amounted to approximately RMB23,177,000 (2017: RMB326,157,000) representing sales of properties of approximately RMB22,225,000 (2017: RMB326,157,000) and rental income of approximately RMB952,000 (2017: Nil).

The Group owns a property development project located in Maoming City (the "Project"), Guangdong Province, the People's Republic of China (the "PRC"). The Project would be developed into a composite of residential and commercial properties in three phases. Majority of commercial and residential properties of phase 1 and 2 of the Project were delivered and recognised as the revenue of the Group during the year ended 31 December 2017. The construction of phase 3 of the Project was continuing during the Period and scheduled to be completed in late 2018 and early 2019. The financial performance of the property development business, as a result of reduced properties delivered during the Period, has declined as compared to the corresponding period in 2017.

A portion of the commercial properties of phase 1 and 2 of the Project of approximately 4,000 square metres was leased and classified as investment properties of the Group. Fair value gain on investment properties of approximately RMB1,213,000 (2017: RMB38,073,000) was recorded during the Period.

The total gross floor area of phase 3 of the Project is approximately 183,000 square metres with residential and commercial properties of saleable floor area of approximately 128,000 square metres, which mainly consists of nine buildings of 32 floors each. Phase 3 of the Project is scheduled to be completed in late 2018 and early 2019.

**Trading of raw sugar**

The Group has commenced its business in trading of raw sugar since late 2014. During the Period, in light of fluctuation in price of raw sugar and increased market risk, no trading of raw sugar was performed. In 2018, the Group has entered into a master agreement and a supplement agreement with China Sugar Holdings Limited ("China Sugar") to purchase raw cane sugar from China Sugar for a period of 34 months ending 31 December 2020. The management of the Company is of the view that such arrangement could enhance the sugar procurement network of the Group, mitigate price risk of raw sugar supply and achieve a more rapid expansion of its trading of raw sugar business.

## MARKET OUTLOOK AND PROSPECTS

In the first half 2018, the PRC economy remained complicated. In light of increasing tension as a result of trade dispute between the PRC and the United States of America, the economic performance will remain uncertain in the second half 2018. The operating environment of the nationwide real estate market was further restricted especially in first tier cities. The central government of the PRC reaffirmed that the real estate market regulation will be unwavering and such efforts will not be relaxed.

However, driven by urbanisation of third tier and satellite cities, the management of the Company is confident that our real estate project in Maoming City will not be materially affected. In particular (1) good reputation of the Project since the delivery of phase 1 & 2 of the Project; (2) majority of residential properties of phase 3 of the Project launched for pre-sale were contracted; (3) average selling price of phase 3 of the Project gradually increased and the property market in Maoming was rather stable during the Period; and (4) the local city transformation created a strong end-user housing demands in the district of the Project.

While the Company is cautious in its investment policies, the continuous urbanisation in the PRC and infrastructure development in western Guangdong province, including the construction of new regional airport and the expansion of China high-speed railway system in the region, the management of the Company is optimistic on the Project.

Regarding the trading of raw sugar business, it is the goal of the Group to expand its supply chain worldwide and to diversify its customer base in the coming years. As described above, securing a steady supply source from China Sugar will significantly improve the overall business flow and enhance the ability of the Group in exploring new customers in the coming future.

## FINANCIAL REVIEW

For the Period, the Group's revenue amounted to approximately RMB23,177,000 (2017: RMB395,957,000). The loss attributable to owners of the Company was approximately RMB21,467,000 (2017: profit of RMB42,545,000). The downturn of the revenue and profit were mainly due to the following reasons:

(i) The majority of phase 1 & 2 of the Project was completed and recognised as revenue during the year ended 31 December 2016 and the year ended 31 December 2017. Phase 3 of the Project is still in pre-sale stage and scheduled to be completed in late 2018. As the result, the revenue and profit attributed to sales of properties decreased significantly;

(ii) The valuation of the Group's investment properties remain stable during the Period while a significant fair value change on investment properties were recorded in the corresponding period in 2017. The fair value change on investment properties amounted to approximately RMB1,213,000 (2017: RMB38,073,000); and

(iii) No revenue was attributed to trading of raw sugar due to the underperforming market of raw sugar during the first half year of 2018.

For the Period, the Group's operating activities generated a net cash inflow of approximately RMB72,349,000 (2017: RMB33,633,000). As at 30 June 2018, bank balances and cash was approximately RMB102,754,000 (31.12.2017: RMB26,322,000), restricted bank deposit was approximately RMB8,039,000 (31.12.2017: RMB8,015,000) and pledged bank deposits were approximately RMB14,003,000 (31.12.2017: RMB12,908,000).

As at 30 June 2018, the total assets of the Group was approximately RMB1,518,024,000 (31.12.2017: RMB1,382,377,000), representing an increase of approximately 10%. The increase was mainly due to further construction of phase 3 of the Project. As at 30 June 2018, the Group's total secured bank borrowings and loan payables amounted to approximately RMB143,588,000 (31.12.2017: RMB135,960,000).

As at 30 June 2018, the gearing ratio, expressed as a percentage of total secured bank borrowings and loan payables over net assets was approximately 25% (31.12.2017: 23%) and the current ratio was approximately 1.6 (31.12.2017: 1.8).

## FINANCE COSTS

For the Period, the finance costs were approximately RMB2,228,000 (2017: RMB5,676,000). For the Period, interest expenses of approximately RMB5,348,000 (2017: Nil) was capitalised as properties under development. Finance costs mainly comprised of interests expenses on bank borrowings wholly repayable within five years of approximately RMB233,000 (2017: RMB4,288,000), interests expenses on loan payables of approximately RMB487,000 (2017: Nil) and interest expenses on receipt in advance of approximately RMB1,508,000 (2017: RMB1,388,000).

## CAPITAL STRUCTURE

The issued ordinary share capital of the Company as at 30 June 2018 was approximately HK$152,448,000 divided into 1,524,478,520 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, the management will monitor foreign exchange exposure closely and consider the use of hedging instruments when the need arises.

## CHARGE ON ASSETS

As at 30 June 2018, certain of the Group's leasehold land and buildings and properties under development with an aggregate carrying values of approximately RMB254,761,000 (31.12.2017: approximately RMB570,919,000) were pledged to banks for securing general banking facilities granted to certain subsidiaries of the Company. As at 30 June 2018, banking facilities of approximately RMB88,889,000 (31.12.2017: approximately RMB119,304,000) were utilised and approximately RMB8,434,000 (31.12.2017: approximately RMB8,686,000) were unutilised and available for the Group's future financing.

## SEGMENT INFORMATION

The details of segment information are set out in note 4 of notes to the condensed consolidated financial statement of this announcement.

## CAPITAL COMMITMENTS

As at 30 June 2018, the Group had commitments for properties under development contracted for but not provided in the condensed consolidated financial statements of approximately RMB15,132,000 (31.12.2017: RMB249,161,000).

## EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed 56 (31.12.2017: 71) full time employees in Hong Kong and the PRC. Total remuneration of the Group for the Period was approximately RMB7,387,000 (2017: RMB7,407,000). The Group's emolument policies are formulated on the basis of market trends, future plans and the performance of individuals, which will be reviewed periodically. Apart from provident fund scheme and state-managed social welfare scheme, share options will also be awarded to employees according to assessment of individuals' performance.

## CONTINGENT LIABILITIES

As at 30 June 2018, the Group's maximum obligation in respect of the mortgage facilities provided to certain purchasers of the Group's properties amounted to approximately RMB704,342,000 (31.12.2017: RMB443,460,000).

## DIVIDEND

No dividend was declared or proposed during the Period. The Board does not recommend the payment of an interim dividend for the Period.

## SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There were no significant investments held as at 30 June 2018 nor material acquisitions and disposals of subsidiaries during the Period. There is no plan for material investments or capital assets as at the date of this announcement.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions (the "Code Provisions") set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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, the Company confirms that all Directors have complied with the required standard set out in the Model Code during the Period.

## PURCHASE, 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 Period.

## AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code. On 31 December 2015, the Board adopted a set of the revised terms of reference of the Audit Committee, which has brought it in line with the new requirement of the Listing Rules in relation to the internal controls by introducing the concept of the risk management. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange. The existing Audit Committee has the following three members:

**Independent Non-executive Directors**

Mr. POON Lai Yin Michael *(Chairman)*
Mr. CHAR Shik Ngor Stephen
Ms. LI Jiansheng

The principal responsibilities of the Audit Committee include making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and accounts of the Group; and supervising the financial reporting process and effectiveness of the risk management and internal control systems of the Group.

The Audit Committee reviewed and made recommendations to the Board for approval of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018, discussed the accounting policies and practices which may affect the Group with the management and auditor of the Company, reviewed the fees charged by the external auditor and reviewed the effectiveness of risk management and internal control systems of the Group.

The unaudited condensed consolidated financial statements for the six months ended 30 June 2018 were prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and have been reviewed by Deloitte Touche Tohmatsu, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is available for viewing at the website of the Stock Exchange 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, 29 August 2018

*As at the date of this announcement, the Board comprises executive Directors, Mr. Liu Feng, Mr. Chen Xian, Mr. Lau Sai Chung and Mr. Liu Zhongxiang and independent non-executive Directors, Mr. Poon Lai Yin Michael, Mr. Char Shik Ngor Stephen and Ms. Li Jiansheng.*