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**VERY SUBSTANTIAL ACQUISITION IN RELATION TO
ACQUISITION OF LAND USE RIGHTS IN MAOMING, THE PRC**

Capitalised terms used on this cover page shall have the same meanings as those set out in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 4 to 8 of this circular.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 28 November 2019 in relation to the Land Acquisition
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	China Uptown Group Company Limited (中國上城集團有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed and traded on the Main Board of the Stock Exchange (Stock Code: 2330)
“Confirmation Letter”	the confirmation letter entered into between the Purchaser and Maoming Trading Center* (茂名市公共資源交易中心), as agent of the Vendor, on 3 December 2019 confirming the successful bid of the Land at the Land Grant Price by the Purchaser
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	persons or companies which are independent of and not connected with any of the directors, chief executive and substantial shareholders (as defined under the Listing Rules) of the Company or any of its subsidiaries and their respective associates (as defined under the Listing Rules), and the term “Independent Third Party” shall be construed accordingly
“Land”	a parcel of land situated at JIXIANG-23, Maoming Jixiang District* (茂名市吉祥小區) JIXIANG-23 with a total site area of approximately 29,274.16 sq.m.

DEFINITIONS

“Land Acquisition”	the acquisition of land use rights of the Land through the Listing-For-Sale Process and the signing of the Land Use Rights Grant Contract
“Land Grant Price”	RMB241,511,900 (equivalent to approximately HK\$268,346,556), being the price for the acquisition of land use rights of the Land
“Land Use Rights Grant Contract”	the state-owned construction land use rights grant contract* (國有建設用地使用權出讓合同) in respect of the Land entered into between the Maonan District Natural Resources Bureau (as directed by the Vendor) and the Purchaser on 17 December 2019
“Latest Practicable Date”	22 January 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing-For-Sale Process”	the online listing-for-sale process* (掛牌出讓) conducted by the Maoming Trading Center for the sale of the land use rights of the Land
“Maoming Trading Center”	Maoming City Public Resources Trading Center* (茂名市公共資源交易中心)
“Maonan District Natural Resources Bureau”	Maoming Municipal Maonan District Natural Resources Bureau* (茂名市茂南區自然資源局), a sub-division of the Vendor
“Notification”	the written notification (國有建設用地使用權出讓成交通知) received from Maoming Trading Center to inform the Purchaser of its successful bid of the Land
“Percentage Ratios”	has the meaning ascribed to it in Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau and Taiwan)
“PRC Governmental Body”	has the meaning ascribed to it in Rule 19A.04 of the Listing Rules

DEFINITIONS

“PRC Law”	has the meaning ascribed to it in Rule 19A.04 of the Listing Rules
“PRC Working Day”	a day on which banks in the PRC are generally open for normal banking business
“Purchaser”	Maoming Shang Cheng Real Estate Company Limited* (茂名上誠置業有限公司), a company established in the PRC with limited liability and an indirect non-wholly owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	The Maoming Municipal Natural Resources Bureau* (茂名市自然資源局)
“%”	per cent.
“sq.m.”	square meter

* For identification purposes only

For the purpose of illustration only, any amount denominated in RMB in this circular was translated into HK\$ at the rate of HK\$1 = RMB0.9. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

LETTER FROM THE BOARD



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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2330)

Executive Directors:

Mr. Liu Feng
Mr. Chen Xian
Mr. Lau Sai Chung
Mr. Liu Zhongxiang

Registered office

Cricket Square
Hutchins Drive,
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent Non-Executive Directors:

Mr. Poon Lai Yin Michael
Mr. Char Shik Ngor Stephen
Mr. Chen Weijiang

Head Office and Principal

Place of Business
Unit 1501, 15th Floor
Tower 1, Silvercord
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

24 January 2020

To the Shareholders and for information only,

Dear Sir or Madam,

**VERY SUBSTANTIAL ACQUISITION IN RELATION TO
ACQUISITION OF LAND USE RIGHTS IN MAOMING, THE PRC**

INTRODUCTION

Reference is made to the Announcement made by the Company dated 28 November 2019 and the supplemental announcement made by the Company dated 20 January 2020 (the “**Supplemental Announcement**”) in relation to the Land Acquisition. The purpose of this circular is to provide you with further details regarding the Land Acquisition.

LETTER FROM THE BOARD

On 27 November 2019, the Purchaser, an indirect non-wholly-owned subsidiary of the Company, successfully won the bid of land use rights of the Land offered for at the Land Grant Price and the Purchaser has received the relevant Notification. The Purchaser entered into the Confirmation Letter on 3 December 2019 to confirm the grant of the land use rights of the Land by the Vendor to the Purchaser. On 17 December 2019, the Purchaser signed the Land Use Rights Grant Contract with Maonan District Natural Resources Bureau (as directed by the Vendor) in accordance with the terms and conditions of the relevant listing-for-sale documents.

SUMMARY OF THE DETAILS OF THE LAND ACQUISITION

- Date : 27 November 2019
- (being the date the Purchaser was granted with the right to acquire the land use rights of the Land)
- Parties : (i) the Purchaser; and
- (ii) the Maoming Municipal Natural Resources Bureau* (茂名市自然資源局), being the Vendor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties of the Company and its connected persons.

Land Grant Price

The Land Grant Price of RMB241,511,900 (equivalent to approximately HK\$268,346,556) was the bid price made by the Purchaser, which is the reserved bidding price set by the Maoming Municipal Natural Resources Bureau* (茂名市自然資源局) in the Listing-for-Sale. The Purchaser made the bid after taking into account of (i) the current property market conditions of Maoming, the PRC; and (ii) the development potential of the Land.

An initial payment in the amount of RMB72,460,000 (equivalent to approximately HK\$80,511,111) (the “**Deposit**”), representing the deposit required in order for the Purchaser to qualify for tendering the bid of the Land through the Listing-For-Sale Process, has been duly paid by the Purchaser on 26 November 2019 before the bid was awarded. The Deposit has been applied towards settling part of the Land Grant Price. As disclosed in the Supplemental Announcement, an additional sum of RMB30,000,000 (equivalent to approximately HKD33,333,333) was paid by the Purchaser on 31 December 2019 as further and partial settlement of the Land Grant Price. Through various discussions between the Purchaser and the Vendor, the Purchaser understands that the Land will not be ready for delivery in accordance with the Land Use Rights Grant Contract, therefore the completion of the Land Acquisition will be delayed. As at the Latest Practicable Date, the Company has paid a further sum of RMB50,000,000 (equivalent to approximately HKD55,555,555), as further and partial settlement of the Land Grant Price. The remaining balance of the Land Grant Price is anticipated to be paid in March or April 2020 and the Land shall be delivered to the Purchaser accordingly after full and final settlement of the Land Grant Price. The Land Grant Price was and shall be satisfied by the internal resources and external borrowing of the Group.

LETTER FROM THE BOARD

Having considered the above, the Directors consider that the Land Grant Price is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Purchaser entered into the Confirmation Letter on 3 December 2019 to confirm the grant of the land use rights of the Land by the Vendor to the Purchaser. On 17 December 2019, the Purchaser signed the Land Use Rights Grant Contract with Maonan District Natural Resources Bureau (as directed by the Vendor) in accordance with the terms and conditions of the relevant listing-for-sale documents.

Information about the Land

The Land is situated at JIXIANG-23, Maoming Jixiang District* (茂名市吉祥小區 JIXIANG-23) with a total site area of 29,274.16 sq.m.. The Land is for residential, retail and commercial uses. The land use rights of the Land have been granted for a term of 70 years for residential use and 40 years for retail and commercial use.

INFORMATION OF THE PURCHASER

The Purchaser is a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company. The Company indirectly holds 65% interest in the Purchaser. The remaining 35% interest in the Purchaser was held by two individuals. The Purchaser is primarily engaged in, among other things, real estate development and sales, and property leasing.

INFORMATION OF THE VENDOR

The Vendor is a PRC Governmental Body. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the ultimate controller of the Vendor is the PRC government.

REASONS FOR AND BENEFITS OF THE LAND ACQUISITION

The Company is an investment holding company. The Group is principally engaged in (i) property development and investment; and (ii) trading of raw sugar. As disclosed in the Company's 2018 Annual Report and 2019 Interim Report, the Company is actively exploring new investment opportunities in the properties development business, particularly in third tier and satellite cities since these will be mostly benefitted by the continuous urbanisation in the PRC and less affected by real estate market policies. In particular, a new international airport, namely Yuexi International Airport* (粵西國際機場), and further development of high-speed rail networks around the city will greatly benefit the city development of Maoming.

LETTER FROM THE BOARD

Through the Land Acquisition, the Group will acquire the land use right of the Land, which is situated in Maoming, the PRC. The management of the Company believe its existing experience and understanding of property market and property development business in Maoming will greatly enhance the operational efficiency of the new project development. The strong local market reputation gained through existing property development project in Maoming will also strengthen the sales and our competitive edges in this new Maoming project.

The Board anticipates that the Land Acquisition will provide a positive investment opportunity for the Group to generate stable revenue, which will potentially bring a greater return for its Shareholders in the long run. Accordingly, the Company believes the Land Acquisition is in line with the Company's business strategy and will complement the Group's property development and investment business.

Based on the above reasons and benefits, the Directors are of the view that (i) the Land Acquisition is undertaken by the Company on a sole basis in the ordinary and usual course of business of the Group and, (ii) the terms of the Land Acquisition are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Immediately upon the completion of the Land Acquisition, the assets of the Group would have increased by RMB87,065,000 and the liabilities of the Group would have increased by RMB87,065,000 and the net assets would not be affected as a result. Immediately upon the completion of the acquisition, the earning of the Group would not be affected.

LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios in respect of the Land Acquisition are greater than 100% for the Company, the Land Acquisition constitutes a very substantial acquisition for the Company under the Listing Rules.

The Land Acquisition is also regarded as a "Qualified Property Acquisition" under Rule 14.04(10C) of the Listing Rules as the Land Acquisition involves an acquisition of governmental land in the PRC from a PRC Governmental Body (as defined under the Listing Rules) through a listing-for-sale governed by the PRC law (as defined under Rule 19A.04 of the Listing Rules).

The Land Acquisition is undertaken on a sole basis by the Group in its ordinary and usual course of business. The Land Acquisition is subject to reporting, announcement and circular requirements but is exempt from Shareholders' approval requirement pursuant to Rule 14.33A of the Listing Rules.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 December 2016, 2017 and 2018, and the six months ended 30 June 2019 are disclosed in the following documents which are available on the website of the Company at www.chinauptown.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The Company's 2016 annual report made up to 31 December 2016 is available at:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0427/ltn201704272098.pdf>

The Company's 2017 annual report made up to 31 December 2017 is available at:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0425/ltn20180425885.pdf>

The Company's 2018 annual report made up to 31 December 2018 is available at:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltn201904241300.pdf>

The Company's 2019 interim report made up to 30 June 2019 is available at:
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0924/2019092400489.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 November 2019 being the latest practicable date for the purpose of this indebtedness statement, the Group had the following liabilities:

(a) Bank and other borrowings

As at the close of business on 30 November 2019 (being the latest practicable date for the purpose of this indebtedness statement), the Group's total secured/unsecured borrowings were as follows:

	<i>RMB</i>
Bank borrowing – secured and guaranteed (<i>Note</i>)	1,895,949
Loan payables – unsecured and unguaranteed	34,573,405
Amount due to a related party – unsecured and unguaranteed	3,132,000
Amounts due to directors – unsecured and unguaranteed	<u>21,035,813</u>
 Total	 <u><u>60,637,167</u></u>

Note: Bank borrowing is secured by leasehold land and building of a subsidiary of the Company and is guaranteed by the Company.

(b) Pledge of assets

As at the close of business on 30 November 2019, the Group's property, plant and equipment was pledged to secure certain banking and credit facilities of the Group and the Group's pledged bank deposits were pledged for mortgage facilities provided to certain purchasers of the Group's properties for which guarantees was provided by the Group to the banks.

(c) Contingent liabilities and guarantees

As at the close of business on 30 November 2019 (being the latest practicable date for the purpose of this indebtedness statement), the Group has provided guarantees for RMB491,007,565 to certain banks in respect of the mortgage facilities provided to certain purchasers of the Group's properties.

(d) Lease liabilities

As at the close of business on 30 November 2019 (being the latest practicable date for the purpose of this indebtedness statement), the Group had lease liabilities for a lease of property of HK\$1,635,777 which were secured by rental deposit and unguaranteed.

Save as aforesaid or as otherwise disclosed in this circular, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 30 November 2019, the Group did not have any other debt securities issued and outstanding, and authorised or otherwise created but unissued, any outstanding bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

As at the Latest Practicable Date, after due and careful enquiry, the Directors were of the opinion that, after taking into account the Land Acquisition and the internal financial resources and facilities available to the Group, the Group has sufficient working capital for its present requirement for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group will maintain its focus on its core business segments, namely (i) property development and investment; and (ii) trading of raw sugar.

In order to enhance long-term growth of the Group and create substantial value to the Shareholders, the Group is dedicated to continuously explore opportunities to invest in property development projects and to expand on its raw sugar supply chain worldwide.

(i) Property development and investment

This segment develops and sells office premises, commercial and residential properties. It 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 PRC. The construction of the existing property development project in Maoming (the "Existing Property Project") is completed and the properties of phase 3 of the Existing Property Project started to be delivered to the customers in December 2018.

In order to enhance long-term growth of the Group and create substantial value to the Shareholders, the Group is actively exploring new investment opportunities in the property development business. The Land Acquisition provided an opportunity for continuous development and expansion of this business segment. The Land is in the central area of Maoming City which the management have a strong confidence in due to:

- i. the management team and human resources in the city;
- ii. reputation of Maoming property;
- iii. infrastructure development around Maoming, including further enhancement on High-Speed Railway and future establishment of Western Guangdong International Airport;

- iv. further urbanisation of Maoming; and
- v. future prospect of Maoming as the local government planned to strengthen Maoming's development with the Great Bay Area.

The management believe the above factors will greatly increase the Group's competitive edges for the project.

(ii) Trading of raw sugar

It is the goal of the Group to expand its raw sugar supply chain worldwide and to diversify its customers base in the coming years, including sales to global and PRC customers. With the steady supply from China Sugar Holdings Limited, who has extensive previous business experience in raw sugar trading, the Group anticipated that its business of trading of raw sugar in 2019 will be enlarged and is optimistic on the raw sugar business in the future.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up.

6. LITIGATION

The Directors confirm that since 31 December 2018, being the date to which the latest published audited consolidated financial information of the Group was made up and up to the Latest Practicable Date, there has been no litigations or claims of material importance pending or threatened against any member of the Group

7. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

Set out below is a management discussion and analysis of the Group's results of operation for each of the three years ended 31 December 2016, 2017 and 2018 and the six months ended 30 June 2019. The information set out below is principally extracted from the annual reports of the Company for the three years ended 31 December 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019, respectively, in order to provide further information relating to the financial condition and results of operations of the Group during the periods stated. The Group is principally engaged in (i) property development and investment; and (ii) trading of raw sugar.

i. For the six months ended 30 June 2019***Financial Review***

For the six months ended, the Group's revenue amounted to approximately RMB567,303,000. The profit attributable to owners of the Company was approximately RMB62,051,000. The surge of the revenue and profit compared to 2018 were mainly due to the delivery and sales recognition of certain properties of phase 3 of the Group's property development project located in Moaming City, Guangdong Province, the PRC (the "Maoming Project")

*Analysis on financial conditions**Liquidity and financial resources*

As at 30 June 2019, bank balances and cash were approximately RMB98,186,000, restricted bank deposit was approximately RMB891,000 and pledged bank deposits were approximately RMB36,409,000.

As at 30 June 2019, the total assets of the Group were approximately RMB1,259,016,000, representing a decrease of approximately 18%. The decrease was mainly due to the delivery of certain properties of phase 3 of the Maoming Project.

As at 30 June 2019, the Group's total secured bank borrowings and loan payables amounted to approximately RMB22,950,000. As at 30 June 2019, the gearing ratio, expressed as a percentage of total secured bank borrowings and loan payables over net assets was approximately 3% and the current ratio was approximately 2.1.

Capital Structure

The issued ordinary share capital of the Company as at 30 June 2019 was approximately HK\$182,469,000 divided into 1,824,690,520 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 2019, certain of the Group's leasehold land and buildings with an aggregate carrying values of approximately RMB16,076,000 were pledged to banks for securing general banking facilities granted to certain subsidiaries of the Company. As at 30 June 2019, banking facilities of approximately RMB11,162,000 were utilised and approximately RMB8,788,000 were unutilised and available for the Group's future financing.

Employee and remuneration policies

As at 30 June 2019, the Group employed 47 full time employees in Hong Kong and the PRC. Total remuneration of the Group for the Period was approximately RMB7,249,000. 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 2019, the Group's maximum obligation in respect of the mortgage facilities provided to certain purchasers of the Group's properties amounted to approximately RMB627,765,000.

Significant investments held, material acquisitions and disposals of subsidiaries

Save as otherwise disclosed, there were neither significant investments held as at 30 June 2019 nor material acquisitions and disposals of subsidiaries during the year. There is no upcoming plan for material investments or capital assets.

ii. For the year ended 31 December 2018***Financial Review***

For the year ended 31 December 2018, the Group's revenue amounted to approximately RMB90,251,000. The loss attributable to owners of the Company was approximately RMB34,461,000. The downturn of the revenue and profit were mainly due to the following reasons: (i) The majority of Phase 1 & 2 of the Maoming Project, in particular the residential properties, was completed and recognised as revenue during the years ended 2016 and 2017. The majority of Phase 3 of the Maoming Project is scheduled to be delivered and recognised as revenue in 2019. As a result, the revenue and profit attributable to properties development business decreased significantly; (ii) The valuation of the Group's investment properties decreased slightly during the Year while a significant fair value change on investment properties were recorded in the corresponding period in 2017 upon the reclassification of investments properties from property held for sale. For the Year, the loss on fair value change on investment properties amounted to approximately RMB4,853,000; and (iii) No revenue was attributed to trading of raw sugar due to the underperforming market of raw sugar during the year.

Analysis on financial conditions**Liquidity and financial resources**

As at 31 December 2018, the Group's operating activities generated a net cash inflow of approximately RMB116,262,000. As at 31 December 2018, bank balances and cash was approximately RMB52,422,000, restricted bank deposit was approximately RMB8,169,000 and pledged bank deposits were approximately RMB38,085,000.

As at 31 December 2018, the total assets of the Group was approximately RMB1,535,616,000, representing an increase of approximately 11%. The increase was mainly due to further construction of phase 3 of the Maoming Project. As at 31 December 2018, the Group's total secured bank borrowings and loan payables amounted to approximately RMB45,001,000. As at 31 December 2018, the gearing ratio, expressed as a percentage of total secured bank borrowings and loan payables over net assets was approximately 8% and the current ratio was approximately 1.6.

Capital Structure

The issued ordinary share capital of the Company as at 31 December 2018 was approximately HK\$182,469,000 divided into 1,824,690,520 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 31 December 2018, certain of the Group's leasehold land and buildings with an aggregate carrying values of approximately RMB16,292,000 were pledged to banks for securing general banking facilities granted to certain subsidiaries of the Company. As at 31 December 2018, banking facilities of approximately RMB11,776,000 were utilised and approximately RMB8,780,000 were unutilised and available for the Group's future financing.

Employee and remuneration policies

As at 31 December 2018, the Group employed 54 full time employees in Hong Kong and the PRC. Total remuneration of the Group for the Year was approximately RMB11,826,000. 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 31 December 2018, the Group's maximum obligation in respect of the mortgage facilities provided to certain purchasers of the Group's properties amounted to approximately RMB632,271,000.

Significant investments held, material acquisitions and disposals of subsidiaries

Save as otherwise disclosed, there were neither significant investments held as at 31 December 2018 nor material acquisitions and disposals of subsidiaries during the year. There is no upcoming plan for material investments or capital assets.

iii. For the year ended 31 December 2017***Financial Review***

For the year ended 31 December 2017, the Group has achieved turnover of approximately RMB615,899,000. The profit attributable to owners of the Company was approximately RMB44,702,000. The upsurges in the turnover and improvements of the results of the Group, as disclosed in the Company's interim report 2017 and annual report 2016, were mainly attributable to the recognition of sales from phase 1 and 2 of the Maoming Project and fair value change on certain investment properties. During the year, over 95% and 55% (based on the gross saleable area) of the residential and commercial properties (including office premises) of phase 1 and 2, which were classified as properties held for sale of the Group, were delivered and recognised as sales respectively.

*Analysis on financial conditions**Liquidity and financial resources*

During the Year, the Group's operating activities generated a net cash outflow of approximately RMB10,333,000. As at 31 December 2017, bank balances and cash was approximately RMB26,322,000, restricted bank deposit was approximately RMB8,015,000 and pledged bank deposit was approximately RMB12,908,000.

As at 31 December 2017, the total assets of the Group was approximately RMB1,382,377,000, representing a decrease of approximately 8%. The decrease was mainly due to the sales of properties of the phase 1 and 2 of the Maoming Project.

As at 31 December 2017, the Group's total borrowings and loan payable increased to approximately RMB135,960,000. As at 31 December 2017, the gearing ratio, expressed as a percentage of total borrowings and loan payable over net assets was approximately 23% and the current ratio was approximately 1.8.

Capital Structure

The issued ordinary share capital of the Company as at 31 December 2017 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 31 December 2017, certain of the Group's leasehold land and buildings and properties under development with an aggregate carrying values of approximately RMB570,919,000 were pledged to banks for securing general banking facilities granted to certain subsidiaries of the Company. As at 31 December 2017, banking facilities of approximately RMB119,304,000 were utilised and approximately RMB8,686,000 were unutilised and available for the Group's future financing.

Employee and remuneration policies

As at 31 December 2017, the Group employed 71 full time employees in Hong Kong and the PRC. Total remuneration of the Group for the Year was approximately RMB21,117,000. 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 31 December 2017, the Group's maximum obligation in respect of the mortgage facilities provided to certain purchasers of the Group's properties amounted to approximately RMB443,460,000.

Significant investments held, material acquisitions and disposals of subsidiaries

Save as otherwise disclosed, there were neither significant investments held as at 31 December 2017 nor material acquisitions and disposals of subsidiaries during the year. There is no upcoming plan for material investments or capital assets.

iv. For the year ended 31 December 2016***Financial Review***

For the Year, the Group has achieved turnover of approximately RMB479,111,000. The profit attributable to owners of the Company was approximately RMB4,612,000. The upsurges in the turnover and improvements in the annual results were mainly attributable to the recognition of sales from the Phase 1 of the Project. During the Year, over 50% (based on the gross saleable area) of the residential properties of Phase 1 and 2, which were classified as properties held for sale of the Group, were delivered and recognised as sales. The majority of the remaining properties of Phase 1 and 2, which were contracted for pre-sale, are scheduled to be delivered and recognised as turnover in 2017.

*Analysis on financial conditions**Liquidity and financial resources*

For the Year, the Group's operating activities generated a net cash inflow of approximately RMB209,384,000. As at 31 December 2016, bank balances and cash was approximately RMB42,795,000, restricted bank deposit was approximately RMB7,888,000 and pledged bank deposit was approximately RMB34,044,000. As at 31 December 2016, the total assets of the Group was approximately RMB1,508,282,000, representing a decrease of approximately 9%. The decrease was mainly due to the sales of properties of the Phase 1 of the Project. As at 31 December 2016, the Group's total borrowings decreased to approximately RMB133,539,000 as a result of repayment of construction loan during the Year. As at 31 December 2016, the gearing ratio, expressed as a percentage of total borrowings over net assets was 25% and the current ratio was 1.7.

Capital Structure

The issued ordinary share capital of the Company as at 31 December 2016 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 31 December 2016, certain of the Group's leasehold land and buildings and properties under development with an aggregate carrying values of approximately RMB206,591,000 were pledged to banks for securing general banking facilities granted to certain subsidiaries of the Company. As at 31 December 2016, banking facilities of approximately RMB133,539,000 were utilised and approximately RMB9,851,000 were unutilised and available for the Group's future financing.

Employee and remuneration policies

As at 31 December 2016, the Group employed 66 full time employees 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.

Contingent liabilities

As at 31 December 2016, the Group's maximum obligation in respect of the mortgage facilities provided to certain purchasers of the Group's properties amounted to approximately RMB535,979,000.

Significant investments held, material acquisitions and disposals of subsidiaries

Save as otherwise disclosed, there were neither significant investments held as at 31 December 2016 nor material acquisitions and disposals of subsidiaries during the year. There is no upcoming plan for material investments or capital assets.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Directors' and chief executive's interests

As at the Latest Practicable Date, the interests of the Directors and their associates in the shares, underlying shares or debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), to be entered in the register maintained by the Company pursuant to section 352 of the SFO referred to therein, or to be notified to the Company and the Stock Exchange pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" in Appendix 10 to the Listing Rules, were as follows:

Name of Director	Capacity and nature of interest	Number of ordinary share(s) held	Number of shares underlying shares held pursuant to share options (Note 1)	Approximate percentage of shareholding
Mr. Liu Zhongxiang	Beneficial owner/share option		15,000,000(L)	0.82
	Interest of a controlled corporation (Note 2)	242,105,262		13.27
Mr. Liu Feng	Beneficial owner/share option		4,000,000(L)	0.22
Mr. Chen Xian	Beneficial owner/share option		10,000,000(L)	0.55
Mr. Lau Sai Chung	Beneficial owner/share option		8,000,000(L)	0.44
		148,000		0.01
Mr. Poon Lai Yin Michael	Beneficial owner/share option		1,000,000(L)	0.05
Mr. Char Shak Ngor Stephen	Beneficial owner/share option		1,000,000(L)	0.05

Notes:

1. The letters “L” denote a long position in the Shares respectively.
2. These shares of the Company are held by China Sugar Holdings Limited, which is 100% owned by Mr. Liu Zhongxiang. By virtue of the SFO, Mr. Liu Zhongxiang is deemed to be interested in the shares of the Company held by China Sugar Holdings Limited

Save as disclosed above, none of the Directors or chief executive of the Company are aware of any other Director or chief executive of the Company who has any interests or short positions in any Shares and underlying shares in, and debentures of, the Company or any associated corporation as at the Latest Practicable Date. Save and except as disclosed, none of the Director or proposed Director is a director or employee of a company which has an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial shareholders’ interests

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, the following persons, other than a Director or chief executive of the Company, has had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Capacity and nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding as at the Latest Practicable Date
China Sugar Holdings Limited (Note 2)	Beneficial owner	242,105,262(L)	13.27%
Guangdong Nanyue Bank First Direct Branch* (Note 3)	Person having a security interest in shares	242,105,262(L)	13.27%
Mr. Zhang Wei	Beneficial owner	149,500,000(L)	8.19%

Notes:

1. The letters “L” denote a long position in the Shares respectively.

2. 242,105,262 shares of the Company are beneficially owned by China Sugar Holdings Limited, a company wholly owned by Mr. Liu Zhongxiang, and therefore Mr. Liu Zhongxiang is deemed to be interested in these shares of the Company under the SFO.
 3. China Sugar Holdings Limited has provided a share charge in respect of the 242,105,262 shares held by it in favour of Guangdong Nanyue Bank First Direct Branch.
- * *The English translation of Chinese name is used for information purposes only, and should not be regarded as the official English translation of such Chinese names.*

Save for the disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which will have to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective close associates had interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be disclosed under the Listing Rules.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation, other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors has any direct or indirect interests in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2018, the date of which the latest published audited consolidated financial statements of the Group were made up.

Save as disclosed in this circular, no contract or arrangement in which a Director of the Company is materially interested and which is significant in relation to the business of the Group subsisted as at the Latest Practicable Date.

6. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the date of this circular:

- (a) the Notification,
- (b) Confirmation Letter, and
- (c) Land Use Rights Grant Contract.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, the date to which the latest published audited consolidated financial statements of the Group were made up.

9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Fu Lui, a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, the head office and principal place of business of the Company in Hong Kong is situated at Unit 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Union Registrars Limited, Suites 3301-4, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.
- (e) Translated English names of Chinese entities for which no official English translation exists are unofficial translations for identification purpose only and should not be regarded as the official English translation of the Chinese names.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the head office and principal place of business of the Company in Hong Kong at Unit 1501, 15th Floor, Tower 1, Silvercord, 30 Canton Road, Tsimshatsui, Hong Kong during normal business hours on any business day for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the three financial years ended 31 December 2016, 2017, 2018 and six months ended 30 June 2019;
- (c) each of the material contracts as referred to in the section headed “Material Contracts” in this appendix; and
- (d) this circular.