# GROUND PROPERTIES COMPANY LIMITED

# 廣澤地產有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 989)**

## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

### RESULTS

The board of directors (the "Board") of Ground Properties Company Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2014 together with the comparative figures as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 September 2014*

| | | **Six months ended 30 September** | |
|---|---|---|---|
| | | **2014** | 2013 |
| | | **(Unaudited)** | (Unaudited) |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Turnover** | *4* | **42,946** | 28,535 |
| Cost of sales and services | | **(21,114)** | (9,056) |
| Gross profit | | **21,832** | 19,479 |
| Other revenue | *4* | **2,044** | 2,827 |
| Other net income | | **2,098** | 3 |
| Distribution costs | | **(2,415)** | (48) |
| Administrative expenses | | **(51,904)** | (35,386) |
| Finance costs | *5* | **(5,808)** | – |
| Share of results of associates | | **(891)** | – |
| **Loss before taxation** | *6* | **(35,044)** | (13,125) |
| Taxation | *7* | **(870)** | (75) |
| **Loss for the period** | | **(35,914)** | (13,200) |

| | Note | Six months ended 30 September **2014** **(Unaudited)** ***HK$'000*** | 2013 (Unaudited) *HK$'000* |
|---|---|---|---|
| **Loss attributable to:** | | | |
| Shareholders of the Company | | **(35,911)** | (13,197) |
| Non-controlling interests | | **(3)** | (3) |
| | | **(35,914)** | (13,200) |
| | | | (Restated) |
| **Losses per share** | *8* | | |
| – Basic and diluted | | **(4.67) HK cents** | (2.34) HK cents |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the six months ended 30 September 2014*

| | Six months ended 30 September 2014 (Unaudited) *HK$'000* | 2013 (Unaudited) *HK$'000* |
|---|---|---|
| **Loss for the period** | **(35,914)** | (13,200) |
| **Other comprehensive income for the period** | | |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Exchange difference on translation of foreign operations | **517** | 504 |
| **Total comprehensive income for the period** | **(35,397)** | (12,696) |
| **Total comprehensive income attributable to:** | | |
| Shareholders of the Company | **(35,394)** | (12,693) |
| Non-controlling interests | **(3)** | (3) |
| | **(35,397)** | (12,696) |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 30 September 2014*

| | Note | 30 September 2014 (Unaudited) *HK$'000* | 31 March 2014 (Audited) *HK$'000* |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Investment properties | | **315,000** | 315,000 |
| Property, plant and equipment | | **2,449** | 2,547 |
| Goodwill | | **–** | – |
| Interests in associates | | **383,028** | 383,919 |
| | | **700,477** | 701,466 |
| **Current assets** | | | |
| Inventories | | **29,785** | 1,580 |
| Trade and other receivables | *10* | **55,771** | 11,514 |
| Entrusted loan receivable | *11* | **181,945** | – |
| Pledged bank deposit | | **205,717** | – |
| Bank balances and cash | | **74,923** | 38,860 |
| | | **548,141** | 51,954 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **32,880** | 17,488 |
| Interest-bearing borrowings | *13* | **349,956** | 145,000 |
| Taxation | | **956** | 58 |
| | | **383,792** | 162,546 |
| **Net current assets (liabilities)** | | **164,349** | (110,592) |
| **Total assets less current liabilities** | | **864,826** | 590,874 |
| **Non-current liabilities** | | | |
| Interest-bearing borrowings | *13* | **150,000** | 150,000 |
| Deferred tax liabilities | | **5,099** | 5,099 |
| | | **155,099** | 155,099 |
| **NET ASSETS** | | **709,727** | 435,775 |

| | 30 September 2014 (Unaudited) *HK$'000* | 31 March 2014 (Audited) *HK$'000* |
|---|---|---|
| **CAPITAL AND RESERVES** | | |
| Issued capital | **42,923** | 28,532 |
| Reserves | **666,949** | 407,385 |
| **Total capital and reserves attributable to shareholders of the Company** | **709,872** | 435,917 |
| **Non-controlling interests** | **(145)** | (142) |
| **TOTAL EQUITY** | **709,727** | 435,775 |

*Notes:*

1. **BASIS OF PREPARATION**

These unaudited condensed consolidated interim financial statements have been prepared in accordance 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") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements of the Group for the year ended 31 March 2014.

2. **PRINCIPAL ACCOUNTING POLICIES**

These unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for investment properties, which are measured at fair value, as appropriate.

The accounting policies used in the preparation of the interim financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 March 2014, except for the adoption of the new and revised Hong Kong Accounting Standards, Hong Kong Financial Reporting Standards and interpretations (collectively the "HKFRSs") described below.

In the current interim period, the Group has applied, for the first time, the following amendments issued by the HKICPA, which are effective for the Group's accounting period beginning on 1 April 2014.

| | |
|---|---|
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) | *Investment Entities* |
| Amendments to HKAS 32 | *Presentation – Offsetting Financial Assets and Financial Liabilities* |
| Amendments to HKAS 36 | *Recoverable Amount Disclosure for Non-Financial Assets* |
| Amendments to HKAS 39 | *Novation of Derivatives and Continuation of Hedge Accounting* |
| HK(IFRIC) – Int 21 | *Levies* |

The application of the above had no material effect on the results and financial positions of the Group for the current or prior accounting periods.

During the reporting period, the Group has changed the title for "income statement" to "statement of profit or loss" in accordance with the amendments to HKAS 1 (Revised).

The Group has not early adopted the new standards, amendments to standard and interpretations, which have been issued but are not effective for the financial year beginning on 1 April 2014.

The directors are in the process of assessing the possible impact on the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group's consolidated financial statements.

## 3. SEGMENT INFORMATION

The Group is principally engaged in the provision of retail sales and management services, property investment and property development and management.

During the reporting period, a new operating segment of property development and management has been presented to reflect the start-up operations for the Group's property development and management business.

The Group's reportable segments are as follows:

| | Operating segments | Nature of business activities | Place of operation |
|---|---|---|---|
| 1 | Retail sales and management services | Sales of mobile phones, headphones and other products and provision for retail sales and management services | PRC |
| 2 | Property investment | Property holding for long term investment and leasing purposes | Hong Kong |
| 3 | Property development and management | Property development and provision of management service to property project | PRC |
| 4 | Others | Other businesses including investment holdings | Hong Kong and PRC |

An analysis of the Group's turnover and results for the period by operating segments is as follows:

| For the six months ended 30 September 2014 | Retail sales and management services (Unaudited) *HK$'000* | Property Investment (Unaudited) *HK$'000* | Property Development and Management (Unaudited) *HK$'000* | Others (Unaudited) *HK$'000* | Group (Unaudited) *HK$'000* |
|---|---|---|---|---|---|
| **Segment Turnover** | | | | | |
| Revenue from external customers | 42,480 | 448 | 18 | – | 42,946 |
| **Segment results** | 4,056 | (801) | (16,117) | (17,746) | (30,608) |
| Interest income | | | | | 1,372 |
| Finance costs | | | | | (5,808) |
| **Loss before taxation** | | | | | (35,044) |
| Taxation | | | | | (870) |
| **Loss for the period** | | | | | (35,914) |

| For the six months ended 30 September 2013 | Retail sales and management services (Unaudited) *HK$'000* | Property Investment (Unaudited) *HK$'000* | Property Development and Management (Unaudited) *HK$'000* | Others (Unaudited) *HK$'000* | Group (Unaudited) *HK$'000* |
|---|---|---|---|---|---|
| **Segment Turnover** | | | | | |
| Revenue from external customers | 23,040 | 5,495 | – | – | 28,535 |
| **Segment results** | (727) | 2,135 | – | (16,508) | (15,100) |
| Interest income | | | | | 1,975 |
| **Loss before taxation** | | | | | (13,125) |
| Taxation | | | | | (75) |
| **Loss for the period** | | | | | (13,200) |

## 4. TURNOVER AND REVENUE

The Group's turnover and revenue recognised by category are as follows:

| | **Six months ended 30 September** | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Sale of mobile phones, headphones and other products | **26,269** | 6,321 |
| Rental income | **448** | 5,495 |
| Retail sales and management services income | **16,211** | 16,719 |
| Management income | **18** | – |
| **Turnover** | **42,946** | 28,535 |
| Interest income | **1,372** | 1,975 |
| Others | **672** | 852 |
| **Other revenue** | **2,044** | 2,827 |
| **Total revenue** | **44,990** | 31,362 |

## 5. FINANCE COSTS

| | Six months ended 30 September | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans | **3,363** | – |
| Interest on promissory notes | **2,445** | – |
| | **5,808** | – |

## 6. LOSS BEFORE TAXATION

This is stated after charging (crediting):

| | | Six months ended 30 September | |
|---|---|---|---|
| | | **2014** | 2013 |
| | | **(Unaudited)** | (Unaudited) |
| | *Note* | ***HK$'000*** | *HK$'000* |
| Rental income from investment properties less direct outgoings | | **(360)** | (4,406) |
| Staff costs (including directors' emoluments) | *(a)* | **24,704** | 17,163 |
| Cost of inventories | | **19,269** | 5,948 |
| Depreciation | | **413** | 446 |
| Operating lease charges on premises | | **3,498** | 4,402 |
| Share-based payment in respect of consultancy services | *(a)* | **15,705** | – |
| Write off of trade receivables | | **–** | 139 |
| Loss on disposal of property, plant and equipment | | **2** | 243 |

*Note:*

(a) The share-based payment represents the fair value of 50,700,000 share options granted during the period and results in total share-based payment of HK$22,936,000. Among which, 14,700,000 share options were granted to directors and employees of the Group with an aggregate fair value of HK$7,231,000 which has been included in staff costs and 36,000,000 share options granted to certain consultants of the property development and management segment with an aggregate fair value of HK$15,705,000.

## 7. TAXATION

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements for both periods as the Group has no assessable profits arising in Hong Kong or taxable profits were wholly absorbed by estimated tax losses brought forward.

The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT") has been provided for based on the estimated assessable profits in accordance with the relevant tax laws applicable to the subsidiaries in the PRC. The statutory EIT rate in the PRC is 25% *(2013: 25%)*.

The major component of income tax charge is:

| | **Six months ended 30 September** | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Current tax | | |
| PRC Enterprise Income Tax | **870** | 75 |
| Tax charge for the period | **870** | 75 |

## 8. LOSSES PER SHARE

The calculation of basic and diluted losses per share is based on the following data:

| | **Six months ended 30 September** | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| **A. Number of shares:** | | |
| Weighted average number of ordinary shares for the purpose of basic losses per share | **769,120,546** | 564,100,000 |
| Effect of dilutive potential ordinary shares: Share options issued by the Company | **–** | – |
| Weighted average number of ordinary shares for the purpose of diluted losses per share | **769,120,546** | 564,100,000 |

| | **Six months ended 30 September** | |
|---|---|---|
| | **2014** | 2013 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **B. Losses for operations:** | | |
| Losses attributable to shareholders of the Company | **(35,911)** | (13,197) |

Diluted loss per share for the six months ended 30 September 2014 and 2013 are the same as the basic loss per share because the conversion of potential ordinary shares would have anti-dilutive effect.

## 9. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September 2014 *(2013: Nil)*.

## 10. TRADE AND OTHER RECEIVABLES

| | Note | **30 September 2014 (Unaudited)** ***HK$'000*** | 31 March 2014 (Audited) *HK$'000* |
|---|---|---|---|
| **Trade receivables** | | | |
| Trade receivables from third parties | *(a)* | **27,505** | 5,153 |
| **Other receivables** | | | |
| Deposits, prepayments and other receivables | | **37,592** | 15,687 |
| Allowance for doubtful debts | *(b)* | **(9,326)** | (9,326) |
| | | **28,266** | 6,361 |
| | | **55,771** | 11,514 |

*Notes:*

(a) Trade receivables

The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 31 to 90 days. The carrying amount of the amounts due approximates their fair values.

The ageing analysis of the trade receivables (net of allowance for doubtful debts) from the date of invoices as at the end of reporting period is as follows:

| | **30 September 2014 (Unaudited)** ***HK$'000*** | 31 March 2014 (Audited) *HK$'000* |
|---|---|---|
| 0 – 30 days | **17,700** | 2,879 |
| 31 – 60 days | **2,408** | 2,052 |
| 61 – 90 days | **2,217** | 150 |
| Over 90 days | **5,180** | 72 |
| | **27,505** | 5,153 |

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$7,397,000 *(31 March 2014: HK$222,000)* which are past due at the end of the reporting period for which the Group has not impaired as there has not been a significant change in credit quality and the directors consider that the amounts are recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 31-90 days *(31 March 2014: 31-60 days)*.

(b) Allowance for doubtful debts – Other receivables

| | 30 September 2014 (Unaudited) *HK$'000* | 31 March 2014 (Audited) *HK$'000* |
|---|---|---|
| Balance at beginning and end of period/year | **9,326** | 9,326 |

## 11. ENTRUSTED LOAN RECEIVABLE

On 25 September 2014, a wholly-owned subsidiary of the Company entered into an entrusted loan agreement with a property development company in the PRC (the "Borrower"), an independent third party, to grant a loan in the principal amount of RMB143,900,000 (equivalent to approximately HK$181,945,000) through a bank in the PRC.

The entrusted loan is due in 6 months from 25 September 2014 with loan interest rate of 10% per annum. The entrusted loan is secured by share charge over the 100% equity interest of the Borrower pursuant to a deed of guarantee dated 25 September 2014, and the account receivable balance generated from the sale of the property development project of the Borrower.

Meanwhile, the Company has entered into a memorandum of understanding to acquire the entire equity interest of the Borrower.

## 12. TRADE AND OTHER PAYABLES

| | *Note* | 30 September 2014 (Unaudited) *HK$'000* | 31 March 2014 (Audited) *HK$'000* |
|---|---|---|---|
| **Trade and bills payables** | | **12,894** | 757 |
| **Other payables** | | | |
| Accrued charges and other creditors | | **19,877** | 13,532 |
| Deposits received | | **109** | 619 |
| Due to a related party | *(a)* | **–** | 2,580 |
| | | **19,986** | 16,731 |
| | | **32,880** | 17,488 |

The ageing analysis of trade and bills payables from date of invoices as at the end of the reporting period is as follows:

| | 30 September 2014 (Unaudited) *HK$'000* | 31 March 2014 (Audited) *HK$'000* |
|---|---|---|
| 0 – 30 days | **7,193** | 273 |
| 31 – 60 days | **67** | 116 |
| 61 – 90 days | **230** | 80 |
| Over 90 days | **5,404** | 288 |
| | **12,894** | 757 |

*Note:*

(a) The amount due to a related party is unsecured, interest free and has no fixed repayment term. The related party is an entity controlled by a close family member of a controlling shareholder of the Company. The amount due was wholly repaid in August 2014.

## 13. INTEREST-BEARING BORROWINGS

| | *Note* | 30 September 2014 (Unaudited) *HK$'000* | 31 March 2014 (Audited) *HK$'000* |
|---|---|---|---|
| Secured bank loans | | **233,011** | 210,000 |
| Secured entrusted bank loan | *(a)* | **181,945** | – |
| Promissory notes | | **85,000** | 85,000 |
| | | **499,956** | 295,000 |

The maturity of the interest-bearing borrowings is as follows:

| | 30 September 2014 (Unaudited) *HK$'000* | 31 March 2014 (Audited) *HK$'000* |
|---|---|---|
| Within one year | **305,956** | 85,000 |
| In the second year | **32,000** | 32,000 |
| In the third to fifth years, inclusive | **162,000** | 178,000 |
| | **499,956** | 295,000 |
| Portion classified as current liabilities | **(349,956)** | (145,000) |
| Non-current portion | **150,000** | 150,000 |

The maturity of secured bank loans of HK$194,000,000 *(31 March 2014: HK$210,000,000)* is after one year from the end of the reporting period. However, there is a clause in their terms that gives the lender an overriding right to demand repayment of HK$44,000,000 *(31 March 2014: HK$60,000,000)* without notice at its sole discretion. Accordingly such portion has been classified as current liabilities even though the directors do not expect that the lender would exercise their rights to demand repayment.

*Note:*

(a) The secured entrusted bank loan was raised to facilitate the entrusted loan receivable of HK$181,945,000.

## 14. COMPARATIVE FIGURES

Following the passing of the ordinary resolution approving the share consolidation of every five issued and unissued shares of HK$0.01 each into one consolidated share of HK$0.05 each at the special general meeting held on 14 May 2014, the weighted average number of ordinary shares for the calculation of losses per share and so the losses per share in 2013 have been restated.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results and Operations Review

Ground Properties has been engaging in the provision of retail sales and management services, property investment as well as property development and management with a fresh corporate image, aiming to drive its sustainable growth in these three business segments.

As for the retail sales and management services business, the telecommunications industry has been facing more intense competition resulting from the proliferation of 4G communication technologies and telecommunications networks in China. To further optimise these services, the Group has proposed two acquisitions with one of them being completed during the period under review. These acquisitions have created synergies and strategically expanded its retail store network, enlarged its market share and boosted the retail sales of its electronic products, such as mobile accessories.

To create a new income stream, the Group has signed a cooperative agreement with a renowned US audio brand capitalising on its channels advantage and has become the exclusive distributor of the brand's popular headphone product series in China.

In the aspect of property development and management, the Changbaishan Property Project has been progressing smoothly during the period. Meanwhile, to enhance its position in the property market in Jilin Province, China, the Company, after due consideration of the location and the development potential of the residential project "萬升•前城國際" of 吉林市萬升房地產開發有限公司 (Jilin Wan Sheng Property Development Company Limited*) ("Jilin Wan Sheng"), has entered into a memorandum of understanding ("MOU") to acquire the entire equity interest in Jilin Wan Sheng. In consideration of the funding needs of Jilin Wan Sheng, the Company entered into an entrusted loan agreement to provide financing for the construction cost of the residential project of Jilin Wan Sheng. The entrusted loan of RMB143,900,000 (approximately equivalent to HK$181,945,000) was for a term of six months and the capital would be used for the construction of a residential project "萬升•前城國際" in Jilin Province. These initiatives are facilitating the Group's expansion into the residential property development industry and broadening its business network.

During the review period, thanks to the Group's efforts to integrate and expand its retail network and to enrich its portfolio of products, sales of mobile phones, headphones and the other products surged by more than 200%. The Group recorded a total turnover of HK$42,946,000, a 50.5% increase compared with same period last year *(2013: HK$28,535,000)*. However, profit margin of the mobile phones and other products was lower due to the intense competition in the market. Rental income reduced by approximately HK$5,047,000 year-on-year as the Group is still finding new tenants with higher profitability for its investment properties after the lease contracts expired during the review period. Although legal and professional fees dropped notably by approximately HK$4,746,000 when compared with the last corresponding period, the

Group has continued to record a loss after tax of HK$35,914,000 *(2013: loss after tax: HK$13,200,000)* after it has addressed material expenses for (i) the grant of share options on 19 June 2014 resulting in a sharp increase in share-based compensation costs of approximately HK$22,936,000 and (ii) interest expense on bank loans and promissory notes of approximately HK$5,808,000.

**Retail sales and management services**

The Group's development strategies of expanding the retail network have helped it to deliver satisfactory results. Through its professional management standard which has enhanced its operational efficiency together with the rollout of the 4G network which has driven consumer spending in the telecommunications industry, turnover of this segment has increased substantially by 84.4% to HK$42,480,000 *(2013: HK$23,040,000)*. Gross profit was HK$21,454,000 *(2013: HK$15,074,000)*. However, the gross profit margin was dropped from approximately 65% to approximately 51% due to the change of product combinations and increase in sale of products with lower profit margin. The retail sales and management services segment recorded a net profit after tax of approximately HK$3,388,000 *(2013: loss after tax of HK$539,000)*.

To further integrate and expand the retail sales and management services and improve the profitability of this segment, the Group has acquired the entire equity interest in 上海星際通實業有限公司 (Shanghai XingJiTong Shi Ye Company Limited*) ("Shanghai XingJiTong") during the period. After the completion of the acquisition in September 2014, the Group has added eight direct-sales outlets at prime commercial locations in Shanghai thereby expanding its retail outlet network and enlarging its market share.

Meanwhile, the Group has proposed to acquire the entire equity interest in 上海潤迅君斯通訊科技有限公司 (Shanghai Motion JUNS Communication Technology Company Limited*) ("Shanghai Motion JUNS"), which will become a subsidiary of the Group after the completion of the acquisition. Shanghai Motion JUNS holds 55% of the total share capital issued of 上海新華滙訊通信設備銷售有限公司 Shanghai Xinhua Motion Communication Technology Company Limited ("Shanghai Xinhua Motion"), which would be accounted for as a joint venture of Shanghai Motion JUNS. The Group currently provides telecommunications equipment and management services for a leading national telecommunications operator in China while Shanghai Motion JUNS mainly operates as an outbound call center with 80 phone lines and 110 staff for the same telecommunications operator to handle its business inquires, consultation, business requests processing and customer complaints in Shanghai. Besides, Shanghai Xinhua Motion has been collaborating with another leading national telecommunications operator since its establishment in 2010 and is primarily engaged in retail network operation for this operator, including selling telecommunications and mobile products to end user customers in Shanghai. Shanghai Motion JUNS and Shanghai Xinhua Motion have a well-established business presence in the mobile telecommunications market in Shanghai which can add diversity to the product and service solutions of the Group. This acquisition will also create important synergies such as the sharing of resources through an integrated service platform which could facilitate more in-depth partnerships with the Group's clients and encourage wider collaboration in the future. The proposed acquisition is subject to approval by shareholders at the special general meeting to be held on 4 December 2014.

In addition, the Group entered into a cooperative agreement with a renowned US audio brand in June this year to become the exclusive distributor of the brand's popular headphone product series in China. The added diversity of products and services will help the Group expand its end-customer base, as the brand's headphone products are renowned for their unique timbre and have won wide acclaim from users. The cooperation in the first three months after the agreement have been satisfactory and the headphone distribution business with a higher gross profit is expected to create a new income stream for the Group and improve its gross profit margin.

As at 30 September 2014, the Group managed a total of 27 retail service stores in Shanghai *(2013: 21 stores)* among which 8 retail service stores were under Shanghai XingJiTong.

**Property investment**

During the period, the lease contract of the investment properties has expired, and the Group has been in the process of reviewing its property portfolio and tenant mix. Therefore, the rental income of this segment was only approximately HK$448,000 for the period. As the Group recorded rental income for whole six months in the same period last year, total income was reduced by approximately HK$5,047,000 year-on-year *(2013: HK$5,495,000)*.

**Property development and management**

After the Group completed the acquisition of Ace Plus Global Limited ("Ace Plus") in 2013, the Changbaishan high-end resort and property project in Jilin Province, China ("Changbaishan Property Project") 35% owned by Ace Plus has become the cornerstone of the Group's sustainable development in the Chinese property market. The Changbaishan Property Project covers an area of more than 1 million square metres and the construction has been progressing smoothly during the review period. Phase 1, which is expected to start pre-sale in December 2014, and its supporting facilities completed at the end of 2015. On top of the 35% profit from the sales of residential units of the project and recurring rental income from commercial space, the Group also owns the management rights of Changbaishan Property Project, enabling it to create income streams through providing management services including planning, design, budgeting, licensing, contract tendering and contract administration. This segment has yet to make any significant revenue contribution to the Group during the period.

On the other hand, the Group has signed a memorandum of understanding with the shareholders of Jilin Wan Sheng in relation to the intended acquisition of all of its equity interests. Such move is expected to further consolidate its presence in the residential property development market in Jilin.

**Prospects**

At the end of 2013, the Ministry of Industry and Information Technology of the PRC has awarded TD-LTE commercial licences to telecommunications operators, marking the commencement of the 4G era in China. The wide application of 4G and the consumption pattern of mobile phone and device users in China have fundamentally changed, presenting strong potential for development by the local telecommunications industry. As a professional telecommunications outsourcing services provider, the Group is continuing to work closely with operators in Shanghai to capture the fast-growing opportunities of 4G business and expand its scale and scope of business. It will also explore opportunities to work with other telecommunications service providers to expand its telecommunications operations.

In the first three quarters of the year, disposable income per capita in China actually grew at 8.2%, which was 0.8 ppt higher than the growth of GDP. In response to the higher demand for better living standards in cities, the Group will continue to develop telecommunications services and utilise its edge in channels network and quality customer service to further expand the retail business of mobile accessories and electronic products of famous international headphone brands, as well as related market share. In the future, the Group will seize this chance to enlarge the higher margin electronic products retail market and continue to enhance its overall profitability.

Besides, the tourist facilities and services in Jilin Province are improving along with the overall tourism market. During the national day holiday in 2014, a total income of RMB4,625,000,000 was recorded from domestic tourism in Jilin Province, representing a year-on-year growth of 26.8%. The number of domestic tourists increased year-on-year by 17.8% to 8,371,800. The Group is optimistic about the prospects of the Changbaishan Property Project, and Phase 1 will start to generate sales income to the Group in this second half of the year. The Group has also laid a solid foundation for the development of the Jilin residential property market through acquisition of Jilin Wan Sheng. We will leverage the management's resources and network in Jilin to strategically plan and develop the residential and commercial property market there so as to capture the strong potential and open a new direction for business development.

Regarding the property investment business, the Group will adhere to its prudent development strategy by closely monitoring changes in the market and carefully evaluating potential business opportunities in China or other regions in the world.

The Group hopes to accelerate the development of retail sales and management services, as well as the property development and management business. It will also seek other investment opportunities with potential for expansion in order to achieve comprehensive development and boost sustainable and stable growth.

**Share Consolidation**

Following the passing of the ordinary resolution approving the share consolidation (the "Share Consolidation") of every five (5) issued and unissued shares of HK$0.01 each into one (1) Consolidated Share of HK$0.05 each (the "Consolidated Share") at the special general meeting, the Share Consolidation became effective on 15 May 2014. Accordingly, the authorised and issued share capital of the Company were consolidated to HK$780,000,000 divided into 15,600,000,000 shares of HK$0.05 each and HK$28,615,000 divided into 572,300,000 shares of HK$0.05 each respectively. Details of the Share Consolidation were set out in the Company's announcements dated 28 March 2014, 25 April 2014 and 14 May 2014 and the circular dated 25 April 2014.

**Open Offer**

On 28 March 2014, the Company proposed the Open Offer on the basis of one (1) Offer Share for every two (2) then shares at a price of HK$0.20 per Offer Share (or HK$1.00 per Consolidated Share). Upon completion on 28 May 2014, an aggregate of 286,150,000 Offer Shares were issued and approximate HK$284,000,000 net proceeds were raised. The net proceeds from the Open Offer will be applied (i) as to not more than HK$264,000,000 for developing the Group's property investment business and (ii) as to the remaining for general working capital purposes. Details and results of the Open Offer were set out in the Company's announcements dated 28 March 2014, 23 April 2014 and 28 May 2014 and the prospectus dated 7 May 2014.

As disclosed in the announcement of the Company dated 25 September 2014, the Company changed the use of the net proceeds of approximately HK$284,000,000 from the Open Offer to (i) not more than HK$244,000,000 for developing the Group's Property Investment Business for commercial and/or residential properties in major cities in the PRC, including the entrusted loan agreement, the eventual consideration payment for the proposed acquisition and any additional construction costs to be incurred on the residential project of Jilin Wan Sheng, and (ii) as to the remaining balance for general working capital purposes. As at the date of this announcement, the net proceeds of HK$284,000,000 have been utilized as to (i) RMB143,900,000 (equivalent to approximately HK$181,945,000) for the entrusted loan to Jilin Wan Sheng relating to the MOU; (ii) approximately HK$15,873,000 for payment of loan interests, salary, rent, and professional fee and approximately HK$1,645,000 as general working capital; and (iii) the remaining sum of HK$84,582,000 is being retained as cash and bank balances.

**Acquisition of entire equity interest of Shanghai Motion JUNS**

On 15 July 2014, 上海潤迅概念通信產品連鎖銷售有限公司 (Shanghai CM Concept Communications Products Franchise Sale Company Limited*) (the "Shanghai CM Concept" or the "Purchaser"), a wholly-owned subsidiary of the Company, entered into the agreement (the "Agreement") (as supplemented by two supplemental agreements dated 29 September 2014 and 11 November 2014 respectively) with Mr. Huang Bingxing and Mr. Chen Zhihao (collectively, the "Vendors") pursuant to which, the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire equity interest in Shanghai Motion JUNS at the consideration of RMB9,000,000 (equivalent to approximately HK$11,250,000) (subject to adjustment). Details of the acquisition were set out in the announcements dated 22 July 2014, 20 August 2014, 29 September 2014 and 11 November 2014 and the circular dated 18 November 2014.

As at the date of this announcement, the acquisition was not yet completed and is subject to the approval of shareholders of the Company at the forthcoming special general meeting to be held on 4 December 2014.

**Acquisition of entire equity interest of Shanghai XingJiTong**

On 20 August 2014, Shanghai CM Concept (the "Purchaser"), entered into an agreement with Mr. Huang Bingxing and Mr. Chen Zhihao (collectively, the "Vendors") pursuant to which, the Purchaser conditionally agreed to acquire and the Vendors conditionally agreed to sell the entire equity interest in Shanghai XingJiTong at the consideration of RMB1,500,000 (equivalent to approximately HK$1,897,000). The acquisition was completed in September 2014. Details of the acquisition were set out in the announcement dated 20 August 2014.

**Proposed Acquisition of the entire equity interest in Jilin Wan Sheng and the Entrwted Loan Agreement**

On 25 September 2014, the Company, 崔桂英 (Cui Gui Ying*) and 王冬薇 (Wang Dong Wei*) (collectively, the "Proposed Vendors"), each of the Proposed Vendors is an independent third party, entered into the MOU, pursuant to which the Company intended to acquire 100% equity interest of Jilin Wan Sheng (the "Proposed Acquisition"). As at the date of this announcement, no agreement was entered into by the Company and the Proposed Vendors regarding the Proposed Acquisition.

In consideration of the funding needs of Jilin Wan Sheng, on 25 September 2014, Shanghai CM Concept (the "Lender") entered into the entrusted loan agreement, pursuant to which, the Lender would instruct 招商銀行股份有限公司長春分行 (China Merchants Bank Co., Ltd., Changchun branch*) (the "Bank") to act as a lending agent to, inter alia, release a loan in the principal amount of RMB143,900,000 (equivalent to approximately HK$181,945,000), which will be funded by the Group, to Jilin Wan Sheng (the "Borrower") in the entrusted loan arrangement. The interest rate for the entrusted loan is 10% per annum in a term of six months and the interest for the entrusted loan shall be settled by the Borrower on a monthly basis. The purpose of the entrusted loan is solely for the construction cost of residential units relating to property development at the property project by the Borrower.

Details of the Proposed Acquisition and the entrusted loan agreement were set out in the announcement dated 25 September 2014.

**Liquidity and Financial Resources**

The Group has consistently maintained sufficient working capital. As at 30 September 2014, the Group had current assets of HK$548,141,000 *(31 March 2014: HK$51,954,000)*, including cash and bank balances and time deposits in an aggregate of HK$280,640,000 *(31 March 2014: HK$38,860,000)*. The Group's current liabilities as at 30 September 2014 were HK$383,792,000 *(31 March 2014: HK$162,546,000)*. The liquidity ratio of the Group as at 30 September 2014 remained healthy at 1.43 times *(31 March 2014: 0.32 times)*.

As at 30 September 2014, the Group has outstanding borrowings of approximately HK$499,956,000 *(31 March 2014: HK$295,000,000)* which comprised of (i) bank borrowings of approximately HK$414,956,000 and (ii) the promissory note of HK$85,000,000. The Group's bank loans obtained in Hong Kong are repayable quarterly commencing from April 2015 and the last installment will be in October 2018. The gearing ratio of total borrowing as a percentage of the total capital and reserves attributable to equity holders of the Company as at 30 September 2014 was 70.4% *(31 March 2014: 67.7%)*.

In May 2014, the Company raised net proceeds of approximately HK$284,000,000 through an open offer on the basis of one (1) offer share (the "Offer Share") for every two (2) then shares at a price of HK$0.20 per Offer Share.

It is anticipated that the Group's bank balance and cash, as at 30 September 2014, together with the unutilised banking facilities, the management fee to be received from property development and management business and the proceeds from the Open Offer will be sufficient to discharge its debts and to fund its operations. However, the Group will continue to implement stringent cost control measures and explore fund-raising opportunities in order to further enhance and strengthen its liquidity position and financial resources for operational requirements.

**Share Capital**

As at 30 September 2014, the Company had 858,450,000 shares in issue with total shareholders' fund of the Group amounting to approximately HK$709,872,000 *(31 March 2014: HK$435,917,000)*.

**Financial Guarantees**

As at 30 September 2014, the Group did not have any significant contingent liabilities *(31 March 2014: Nil)*.

**Charge on Assets**

As at 30 September 2014, the Group's investment properties with aggregate carrying value of approximately HK$315,000,000 and fixed bank deposit of approximately RMB162,700,000 (equivalent to approximately HK$205,717,000) were pledged as security for banking facilities *(31 March 2014: Nil)*.

**Exposures to Fluctuations in Exchange Rates**

The majority of the Group's transactions, assets and liabilities are denominated in Hong Kong dollars and Renminbi. The Group is exposed to the fluctuations in Renminbi as certain receipts and payments are settled by Renminbi. However, the management will continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

**Employees and Remuneration Policies**

As at 30 September 2014, the Group had 322 full-time staff. Total staff costs (including directors' emoluments) for the period amounted to approximately HK$24,704,000 *(2013: HK$17,163,000)*. The staff costs as at 30 September 2014 consisted of HK$7,231,000 share-based payments in accordance with the granting of 14,700,000 share options in June 2014. The Group's remuneration policy is in line with prevailing market practice and performance of individual staff. In addition to salaries, the Group also offers other benefits to its staff, including discretionary bonus, training allowance and provident fund.

## OTHER DISCLOSURES

### Retirement of Director

Mr. Ting Pang Wan, Raymond, the non-executive Director, retired upon conclusion of the annual general meeting of the Company held on 8 August 2014 due to other personal commitment. Details of which were set out in the announcement of the Company dated 8 August 2014.

### Grant of Share Options

On 19 June 2014, the Company granted share options to certain directors, employees and consultants of the Company to subscribe for a total of 50,700,000 shares in the capital of the Company under the share option scheme of the Company adopted on 5 September 2012 (the "Share Option Scheme") at an exercise price of HK$0.98 per Share. Details of which were set out in the announcement of the Company dated 19 June 2014.

## SUBSEQUENT EVENTS

### Grant of Share Options

On 24 October 2014, the Company granted share options to a Director and certain employees to subscribe for a total of 33,650,000 shares in the capital of the Company under the Share Option Scheme (the scheme mandate limit of which was refreshed pursuant to an ordinary resolution of the shareholders of the Company passed on 8 August 2014) at an exercise price of HK$1.20 per Share. Details of which were set out in the announcement of the Company dated 24 October 2014.

### Resignation of director

Ms. Nie Meisheng ("Ms. Nie") resigned as an independent non-executive Director and member of each of the Remuneration Committee and Audit Committee of the Company with effect from 6 November 2014 due to the recent guidance in relation to part-time job arrangement for retired civil servants in the People's Republic of China. Details of which were set out in the announcement of the Company dated 6 November 2014.

Following the resignation of Ms. Nie, the number of independent non-executive Directors and the number of members of the audit committee of the Company will fall below the minimum number required under Rules 3.10(1) and 3.21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") respectively.

The Company is looking for a suitable candidate(s) to fill the abovementioned vacancies in order to fulfill the requirements of the Listing Rules as soon as practicable within three months from 6 November 2014 pursuant to Rules 3.11(1) and 3.23 of the Listing Rules respectively.

## AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the auditor of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The Group's interim results for the six months ended 30 September 2014 have been reviewed by the Audit Committee and by the Group's external auditor.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the six months ended 30 September 2014.

## CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has applied the principles in and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the period except for the following deviations:

### Code Provision A.2.1

Under code provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The roles of chairman and chief executive officer of the Company were currently performed by Ms. Chai Xiu who is responsible for overall corporate planning, strategic policy making and managing of day-to-day operations of the Group. The Board believes that the roles of chairman and chief executive officer performed by Ms. Chai Xiu provide the Group with strong and consistent leadership and enables more effective and efficient planning of long-term strategies and implementation of business plans. The Board also believes that the balance of power and authority is adequately ensured by the effective Board which comprises experienced individuals with a balance of skills and experience appropriate for the requirements of the Group.

### Code Provision A.6.7

Under code provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Ms. Nie Meisheng, an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 8 August 2014 due to other prior business commitments.

## 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 on 21 July 2009 as the Company's code of conduct for dealings in securities of the Company by directors. All directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code during the period.

## PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.groundproperties.com) and the Stock Exchange (www.hkex.com.hk). An interim report for the six months ended 30 September 2014 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and available on the same websites in due course.

By order of the Board
**Ground Properties Company Limited**
**Chai Xiu**
*Chairman*

Hong Kong, 28 November 2014

*As at the date hereof, the executive Directors are Ms. Chai Xiu, Mr. Chen Luhui and Mr. Cong Hongsong and the independent non-executive Directors are Mr. Chan Yuk Tong and Mr. Mei Jianping.*

** The English names of the PRC entities referred to in this announcement are transliterations from their Chinese names and are for identification purposes only, and should not be regarded as the official English name(s) of such Chinese name(s). If there is any inconsistency, the Chinese name shall prevail.*