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## **GROUND PROPERTIES COMPANY LIMITED**

**廣澤地產有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 989)**

### **SUPPLEMENTAL MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE INTEREST IN JILIN WAN SHENG PROPERTY DEVELOPMENT COMPANY LIMITED; MAJOR TRANSACTION: ENTRUSTED LOAN EXTENSION AGREEMENT; AND DELAY IN DESPATCH OF CIRCULAR**

Reference is made to the announcement of the Company dated 25 September 2014, in relation to, amongst others, the MOU and the Original Entrusted Loan Agreement.

#### **SUPPLEMENTAL MOU**

As more time is required to conduct the necessary due diligence review on the Borrower, the Company and the Proposed Vendors have on 25 March 2015 (after trading hours) entered into the Supplemental MOU, pursuant to which the expiry date of the Exclusivity Period shall be extended from 31 March 2015 to 30 September 2015. The Proposed Acquisition, if materialized, may constitute a notifiable transaction of the Company under Chapter 14 of the Listing Rules. Further announcement(s) in relation to the Proposed Acquisition will be made by the Company as and when appropriate in accordance with the Listing Rules.

#### **EXTENSION OF ORIGINAL ENTRUSTED LOAN AGREEMENT**

With the intention to proceed with the Proposed Acquisition and after considering the investment needs of the Company, the funding needs of the Borrower to complete the on-going construction of the residential units of the Property Project and the potential property project to be developed, and after arm's length negotiation, the Lender, the Borrower and the Bank also entered into the Entrusted Loan Extension Agreement on 25 March 2015 (after trading hours) to extend the maturity date of the original Entrusted Loan in an amount of RMB143.9 million (equivalent to approximately HK\$179.7 million) for a further term of 6 months from 26 March 2015 to 26 September 2015. The purpose of the Entrusted Loan was for the construction cost of residential units relating to property development at the Property Project and the potential property project to be developed by the Borrower.

As the applicable percentage ratios as defined under the Listing Rules in respect of the Entrusted Loan Extension Agreement (when aggregated with the Original Entrusted Loan Agreement) are more than 25%, the Entrusted Loan Extension Agreement constitutes a major transaction of the Company and is subject to Shareholders' approval under Rule 14.40 of the Listing Rules. Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Entrusted Loan Extension Arrangement, written shareholder's approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Controlling Shareholder, holding 558,020,694 issued Shares of, representing approximately 65.00% of the issued share capital of, the Company as at the date of this announcement, has given its written approval in respect of the Entrusted Loan Extension Arrangement. Accordingly, no special general meeting of the Company will be convened for the purposes of approving the Entrusted Loan Extension Arrangement.

A circular containing, among other things, (i) further details of the Entrusted Loan Extension Agreement; and (ii) other general information of the Company, is expected to be despatched to the Shareholders on or before 30 April 2015 as additional time is required for the preparation of, among other things, indebtedness and working capital statement to be included in the circular. The Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules.

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 25 September 2014, in relation to, amongst others, the MOU and the Original Entrusted Loan Agreement. The Company has on 25 March 2015 (after trading hours), entered into the Supplemental MOU with the Proposed Vendors, pursuant to which the expiry date of the Exclusivity Period shall be extended from 31 March 2015 to 30 September 2015. In addition, as the term of the original Entrusted Loan will expire on 26 March 2015, the Lender, the Borrower and the Bank also entered into the Entrusted Loan Extension Agreement on 25 March 2015 (after trading hours) to extend the maturity date of the original Entrusted Loan in an amount of RMB143.9 million (equivalent to approximately HK\$179.7 million) for a further term of 6 months from 26 March 2015 to 26 September 2015.

## **THE SUPPLEMENTAL MOU AND THE PROPOSED ACQUISITION**

### **Date:**

25 March 2015 (after trading hours)

### **Parties:**

- (a) Proposed Vendors: (i) Cui Gui Ying\* (崔桂英); and  
(ii) Wang Dong Wei\* (王冬薇);
- (b) Proposed Purchaser: the Company (or its wholly-owned subsidiary).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, each of the Proposed Vendors and their associates is an Independent Third Party as at the date of this announcement.

### **Extension of the Exclusivity Period**

As additional time is required for the Group to conduct its due diligence review on the Borrower, after arm's length negotiations, the Proposed Vendors and the Company have entered into the Supplemental MOU, and pursuant to the Supplemental MOU, the expiry date of the Exclusivity Period has been extended from 31 March 2015 to 30 September 2015.

Save for the above amendments, all other terms and conditions of the MOU shall remain unchanged.

The Board considers that the entering into of the Supplemental MOU is in the interests of the Company and its shareholders as a whole. The Board would like to emphasize that no legally binding agreement in relation to the Proposed Acquisition has been entered into by the Company with any party as at the date of this announcement (save as to the confidentiality, governing law and exclusivity right on the negotiation for the Proposed Acquisition during the Exclusivity Period under the MOU (as supplemented by the Supplemental MOU)). If a legally-binding formal agreement (the "Formal Agreement") is entered into, it is expected that the Proposed Acquisition will constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules. In this regard, the Company will comply with the reporting, announcement and/or Shareholders' approval requirements under the Listing Rules as applicable.

### **ENTRUSTED LOAN EXTENSION AGREEMENT**

The major terms of the Entrusted Loan Extension Agreement are set out below.

#### **Date**

25 March 2015 (after trading hours)

#### **Parties**

- (1) the Lender (a wholly-owned subsidiary of the Company), as the lender;
- (2) the Bank, as the lending agent; and
- (3) the Borrower, as the borrower.

The Borrower is a company established in the PRC.

The Bank is a licensed commercial bank in the PRC and is principally engaged in banking, financial and other financial related services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Borrower, the Bank and their ultimate beneficial owners is an independent third party not connected with the Company and its connected persons.

#### *Entrusted Loan Extension Arrangement*

According to the Entrusted Loan Extension Agreement, the maturity date of the original Entrusted Loan in an amount of RMB143.9 million (equivalent to approximately HK\$179.7 million) will be extended to a day falling on 6 months after the original maturity date of the Original Entrusted Loan Agreement. Therefore, the maturity date of the original Entrusted Loan in an amount of RMB143.9 million (equivalent to approximately HK\$179.7 million) will be extended to 26 September 2015, being 6 months after the original maturity date on 26 March 2015.

The interest rate for the Entrusted Loan is 10% per annum. Interests 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 for residential units relating to property development at the Property Project and potential property project to be developed by the Borrower.

#### *Term*

The extended entrusted loan will be for a term of 6 months and the actual commencement date shall be effective from 26 March 2015.

#### *Early repayment by the Borrower*

With the written consent of the Lender, the Borrower may early repay the principal amount of the Entrusted Loan in whole or in part and the relevant interest payable during the term.

#### *Handling charges by the Bank*

The Bank will receive one-off handling charges of RMB40,000 (equivalent to HK\$49,940) which will be borne by the Lender.

#### *Late payment penalty*

If the Borrower fails to repay the Entrusted Loan or any interests accrued in accordance with the terms of the Entrusted Loan Extension Agreement, the Bank shall have the right to charge penalty interest calculated based on an additional 50% of the original interest rate and the actual number of date of default against the Borrower.

## **DEEDS OF GUARANTEE**

In connection with the provision of the Entrusted Loan, the Borrower and the Proposed Vendors also entered into a deed of guarantee respectively both dated 25 March 2015 (after trading hours) whereby the obligations of the Borrower under the Entrusted Loan Extension Agreement will be secured by the share charge over the 100% equity interest of the Borrower created by the Proposed Vendors in favour of the Lender and the account receivable balance generated from the sales of the Property from time to time of the Borrower and the personal guarantee from the Proposed Vendors. In addition, should the MOU be terminated or if the Formal Agreement is not entered into for any reason, the Lender is entitled to demand for repayment of the Entrusted Loan from the Borrower within five business days of such termination.

## **REASONS AND BENEFITS FOR THE ENTRUSTED LOAN EXTENSION AGREEMENT**

As disclosed in the announcement dated 25 September 2014, the Directors consider the existing and potential residential development projects of the Borrower to have good development potential because of their convenient transportation and with educational, medical and financial facilities nearby and, represent good opportunities for the Group to enhance its position in the property market in Jilin Province. The Company is still contemplating the acquisition of the Borrower and as such, the Company has entered into the Supplemental MOU with the Proposed Vendors in order to have exclusive negotiation in respect of the Proposed Acquisition. After considering the investment needs of the Company, the funding needs of the Borrower to complete the on-going construction of the residential units of the Property Project and that the Borrower is exploring the development of a potential property project situated adjacent to the Property Project which may bring a considerable return to the Borrower, the Company entered into the Entrusted Loan Extension Agreement with the Borrower to extend the maturity of the original Entrusted Loan. The Company will continue to monitor the intended use of the Entrusted Loan by the Borrower and the repayment ability of the Borrower by periodically performing on-site visit to obtain an understanding on the progress of the construction and sale of residential units of the Property Project and planning of the potential property project, reviewing and checking the monthly financial information and bank statement of the Borrower, and monitoring the fluctuation of the residential property market in Jilin Province.

As the consideration amount for the Proposed Acquisition has yet to be agreed between the Company and the Proposed Vendors, the Company will make further announcement and comply with the relevant requirement under the Listing Rules as and when the Formal Agreement was entered into.

The principal activity of the Borrower is property development in Jilin City. The Borrower is currently developing a residential project called “萬升•前城國際” located at Jiefang West Road, Chuanying District\* (船營區解放西路) in Jilin City, Jilin Province with a gross floor area of 174,000 square meters (the “Property Project”). The Property Project is constructed in two phases. Phase I was completed in 2011 and most of the residential units have been sold. More than half of the residential units of Phase II have been completed by the end of 2014 and the remaining is expected to be completed by late 2015.

The terms of the Entrusted Loan Extension Agreement, including the interest rate, were agreed by the parties after arm’s length negotiations having taken into account the prevailing market interest rates and practices, the Proposed Acquisition that the Company could enter into for further expanding its property portfolio in Jilin Province, the Exclusivity Period offered by the Proposed Vendors to the Company, the various securities for the Entrusted Loan created by the Borrower and the Proposed Vendors in favour of the Lender and the repayment ability of the Borrower. The Directors (including the independent non-executive Directors) considered the entering into of the Entrusted Loan Extension Agreement as mentioned above represents a more efficient use of the Group’s financial resources, is fair and reasonable and hence is in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios as defined under the Listing Rules in respect of the Entrusted Loan Extension Agreement when aggregated with the Original Entrusted Loan Agreement are more than 25%, the Entrusted Loan Extension Agreement constitutes a major transaction of the Company and is subject to Shareholders’ approval under Rule 14.40 of the Listing Rules. Since no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Entrusted Loan Extension Arrangement, written shareholder’s approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules. The Controlling Shareholder, holding 558,020,694 issued Shares of, representing approximately 65.00% of the issued share capital of, the Company as at the date of this announcement, has given its written approval in respect of the Entrusted Loan Extension Arrangement. Accordingly, no special general meeting of the Company will be convened for the purpose of approving the Entrusted Loan Extension Arrangement.

A circular containing, among other things, (i) further details of the Entrusted Loan Extension Agreement; and (ii) other general information of the Company, is expected to be despatched to the Shareholders on or before 30 April 2015 as additional time is required for the preparation of, among other things, indebtedness and working capital statement to be included in the circular. The Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules.

## **GENERAL**

The principal activities of the Group are provision of retail sales and management services, property investment and property development and management.

**The Board would like to emphasize that no legally binding agreement in relation to the Proposed Acquisition has been entered into by the Company with any party as at the date of this announcement (save as to the confidentiality, governing law and exclusivity right on the negotiation for the Proposed Acquisition during the Exclusivity Period under the MOU). As the Proposed Acquisition may or may not materialize, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

## **DEFINITIONS**

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

- “associate(s)” : has the meaning ascribed thereto under the Listing Rules
- “Bank” : 招商銀行股份有限公司長春分行(China Merchants Bank Co., Ltd., Changchun branch\*), the lending agent of the Entrusted Loan and is an independent third party to the Company and its connected persons
- “Borrower” : 吉林市萬升房地產開發有限公司(Jilin Wan Sheng Property Development Company Limited\*), a company established in the PRC with limited liability, being the borrower in the Entrusted Loan Extension Arrangement
- “Company” : Ground Properties Company Limited, a company incorporated in Bermuda and the Shares of which are listed on the Stock Exchange
- “connected person(s)” : has the meaning ascribed thereto under the Listing Rules
- “Controlling Shareholder” : Charm Success Group Limited, a company incorporated in the British Virgin Islands with limited liability, which, as at the date of this announcement, holds 558,020,694 issued Shares of, representing approximately 65.00% of the issued share capital of the Company. Charm Success Group Limited is a controlling shareholder of the Company within the meaning of the Listing Rules
- “Director(s)” : the director(s) of the Company

“Entrusted Loan”	:	the loan in the amount of RMB143.9 million to be made pursuant to the Original Entrusted Loan Agreement and the Entrusted Loan Extension Agreement
“Entrusted Loan Extension Agreement”	:	the entrusted loan extension notice dated 25 March 2015 given by the Lender and the Borrower to the Bank; and the loan extension agreement dated 25 March 2015 entered into amongst the Bank, the Borrower and the Lender, all related to the Entrusted Loan Extension Arrangement
“Entrusted Loan Extension Arrangement”	:	the extension of the Entrusted Loan by the Lender, through the Bank, to the Borrower
“Exclusivity Period”	:	the exclusivity period from the date of the MOU up to (and inclusive of) 31 March 2015 (or such other dates the parties may agree in writing)
“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 Party(ies)”	:	third party(ies) independent of and not connected to the Company and its connected person(s)
“Lender”	:	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*), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company
“Listing Rules”	:	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	:	the non-legally binding memorandum of understanding dated 25 September 2014 and entered into between the Company and the Proposed Vendors in respect of the Proposed Acquisition
“Original Entrusted Loan Agreement”	:	the entrusted loan entrusted agreement dated 25 September 2014 entered into between the Lender and the Bank; and the loan agreement dated 25 September 2014 entered into between the Bank and the Borrower, all related to the original entrusted loan arrangement



“PRC” or “China”	:	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Acquisition”	:	the proposed acquisition of 100% equity interest of the Borrower by the Company contemplated under the MOU (as supplemented by the Supplemental MOU)
“Proposed Vendors”	:	Cui Gui Ying* (崔桂英); and Wang Dong Wei* (王冬薇)
“RMB”	:	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	:	holder(s) of the Share(s)
“Share(s)”	:	share(s) of the Company of HK\$0.05 each
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“Supplemental MOU”	:	the supplemental memorandum of understanding to the MOU dated 25 March 2015 and entered into among the Company and the Proposed Vendors in respect of the extension of Exclusivity Period
“%”	:	per cent.

In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.2485. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 25 March 2015

*\* 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.*

*As at the date hereof, the executive Directors are Ms. Chai Xiu, Mr. Wang Guanghui and Mr. Huang Bingxing; the non-executive Director is Mr. Chen Luhui; and the independent non-executive Directors are Mr. Chan Yuk Tong, Mr. Mei Jianping and Mr. Wei Lidong.*