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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)

MAJOR TRANSACTION SECOND ENTRUSTED LOAN EXTENSION AGREEMENT

Reference is made to the announcements of the Company dated 25 September 2014, 25 March 2015 and 11 September 2015 respectively, in relation to, amongst others, the MOU, the Original Entrusted Loan Agreement, the Supplemental MOU, the First Entrusted Loan Extension Agreement and the Acquisition.

FURTHER EXTENSION OF THE ENTRUSTED LOAN

The Company has on 11 September 2015 (after trading hours), entered into a conditional sale and purchase agreement (the “**Agreement**”) with the Vendors to acquire the entire equity interest in the Target. As one of the conditions precedent as set out in the Agreement, the Target is required to repay the Entrusted Loan. Pursuant to the Original Entrusted Loan Agreement (as supplemented by the First Entrusted Loan Extension Agreement), the Entrusted Loan shall be repaid on or before 26 September 2015. However, more time is required to conduct the necessary due diligence review on the Target given the qualified opinion expected to be issued by the Target’s reporting accountant for the financial results of the Target for the two years ended 31 December 2013 as set out in the Company’s announcement dated 11 September 2015. The Lender (as a subsidiary of the Company) agreed to extend the Entrusted Loan by not more than six months to the Borrower in light of the prolonged due diligence review exercise as well as to facilitate its working capital and to ensure that the Target can continue to operate and develop its property projects smoothly prior to the completion of the Acquisition. Accordingly, the Lender, the Borrower and the Bank entered into the Second Entrusted Loan Extension Agreement on 25 September 2015 (after trading hours) to extend the maturity date of the Entrusted Loan in an amount of RMB143.9 million (equivalent to approximately HK\$172.7 million) for a further term of six months from 26 September 2015 to 25 March 2016. 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 ratio as defined under the Listing Rules in respect of the Second Entrusted Loan Extension Agreement (when aggregated with the Original Entrusted Loan Agreement and the First Entrusted Loan Extension Agreement) is more than 25% but less than 100%, the Second 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 Second Entrusted Loan Extension Agreement; and (ii) other general information of the Company, is expected to be despatched to the Shareholders on or before 30 October 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 announcements of the Company dated 25 September 2014, 25 March 2015 and 11 September 2015 respectively, in relation to, amongst others, the MOU, the Original Entrusted Loan Agreement, the Supplemental MOU, the First Entrusted Loan Extension Agreement and the Acquisition. The Company has on 11 September 2015 (after trading hours), entered into a conditional sale and purchase agreement (the "**Agreement**") with the Vendors to acquire the entire equity interest in the Target. As one of the conditions precedent as set out in the Agreement, the Target is required to repay the Entrusted Loan. Pursuant to the Original Entrusted Loan Agreement (as supplemented by the First Entrusted Loan Extension Agreement), the Entrusted Loan shall be repaid on or before 26 September 2015. However, more time is required to conduct the necessary due diligence review on the Target given the qualified opinion expected to be issued by the Target's reporting accountant for the financial results of the Target for the two years ended 31 December 2013 as set out in the Company's announcement dated 11 September 2015. The Lender (as a subsidiary of the Company) agreed to extend the Entrusted Loan by not more than six months to the Borrower in light of the prolonged due diligence review exercise as well as to facilitate its working capital and to ensure that the Target can continue to operate and develop its property project smoothly prior to the completion of the Acquisition. Accordingly, the Lender, the Borrower and the Bank entered into the Second Entrusted Loan Extension Agreement on 25 September 2015 (after trading hours) to extend the maturity date of the Entrusted Loan in an amount of RMB143.9 million (equivalent to approximately HK\$172.7 million) for a further term of six months from 26 September 2015 to 25 March 2016.

SECOND ENTRUSTED LOAN EXTENSION AGREEMENT

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

Date

25 September 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.

Entrusted Loan Extension Arrangement

According to the Second Entrusted Loan Extension Agreement, the maturity date of the Entrusted Loan will be further extended to a day falling on six months after the original maturity date as extended under the First Entrusted Loan Extension Agreement. Therefore, the maturity date of the Entrusted Loan will be further extended to 25 March 2016, being six months after the maturity date on 26 September 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 of 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 six months and the actual commencement date shall be effective from 26 September 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\$48,000) 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 Second 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 Vendors entered into a deed of guarantee respectively both dated 25 September 2015 (after trading hours) whereby the obligations of the Borrower under the Second Entrusted Loan Extension Agreement will be secured by the share charge over the 100% equity interest of the Borrower created by the Vendors in favour of the Lender and the account receivable balance generated from the sales of the Property Project from time to time of the Borrower and the personal guarantee from the Vendors.

REASONS AND BENEFITS FOR THE SECOND ENTRUSTED LOAN EXTENSION AGREEMENT

As disclosed in the announcements dated 25 September 2014, 25 March 2015 and 11 September 2015 respectively, 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. In addition, 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. As such, the Group entered into the Agreement with the Vendors on 11 September 2015 to acquire the entire equity interest in the Target. As one of the conditions precedent as set out in the Agreement, the Target is required to repay the Entrusted Loan. Pursuant to the Original Entrusted Loan Agreement (as supplemented by the First Entrusted Loan Extension Agreement), the Entrusted Loan shall be repaid on or before 26 September 2015. However, more time is required to conduct the necessary due diligence review on the Target given the qualified opinion expected to be issued by the Target's reporting accountant for the financial results of the Target for the two years ended 31 December 2013 as set out in the Company's announcement dated 11 September 2015. The Lender (as a subsidiary of the Company) agreed to extend the Entrusted Loan by not more than six months to the Borrower in light of the prolonged due diligence review exercise as well as to facilitate its working capital and to ensure that the Target can continue to operate and develop its property project smoothly prior to the completion of the Acquisition. Accordingly, the Lender, the Borrower and the Bank entered into the Second Entrusted Loan Extension Agreement to extend the maturity of the 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.

The principal activity of the Borrower is property development in Jilin City, Jilin Province. 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 177,930 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 2016.

The terms of the Second 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 Acquisition that the Company has entered into for further expanding its property portfolio in Jilin Province, the various securities for the Entrusted Loan created by the Borrower and the 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 Second 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 ratio as defined under the Listing Rules in respect of the Second Entrusted Loan Extension Agreement when aggregated with the Original Entrusted Loan Agreement and the First Entrusted Loan Extension Agreement is more than 25% but less than 100%, the Second 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 Second Entrusted Loan Extension Agreement; and (ii) other general information of the Company, is expected to be despatched to the Shareholders on or before 30 October 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 telecommunications retail sales and management services, property investment and property development and management.

The Board would like to emphasize that the completion of the Acquisition is subject to the satisfaction and/or waiver of the conditions precedent under the Agreement and therefore, the Acquisition may or may not proceed, 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:

- “Acquisition” : the acquisition of the entire equity interest of the Target by the Company contemplated under the Agreement
- “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
- “Borrower” or “Target” : 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 or the target in the Agreement
- “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, the First Entrusted Loan Extension Agreement and the Second Entrusted Loan Extension Agreement
- “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)
- “First 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
- “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 Vendors in respect of the 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”	: the People’s Republic of China, and for the purpose of this announcement, excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the People’s Republic of China
“RMB”	: Renminbi, the lawful currency of the PRC
“Second Entrusted Loan Extension Agreement”	: the supplemented agreement to the Original Entrusted Loan Agreement and the First Entrusted Loan Extension Agreement dated 25 September 2015 entered into amongst the Bank, the Borrower and the Lender, all related to the Entrusted Loan Extension Arrangement
“Shareholder(s)”	: holder(s) of the Share(s)
“Share(s)”	: ordinary share(s) of HK\$0.05 each in the share capital of the Company
“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 Vendors in respect of the extension of Exclusivity Period
“Vendors”	: collectively Ms. Cui Guiying* (崔桂英); and Ms. Wang Dongwei* (王冬薇)
“%”	: 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\$1.20. 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 September 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 and the independent non-executive Directors are Mr. Chan Yuk Tong, Mr. Mei Jianping and Mr. Wei Lidong.