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GROUND PROPERTIES 广泽地产

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 2015

The board (the "Board") of directors (the "Directors") 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 2015 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2015

		Six months ended 30 September	
		2015	2014
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
			(Restated)
Revenue	*4*	**104,770**	42,946
Cost of sales and services		**(54,880)**	(21,114)
Gross profit		**49,890**	21,832
Other revenue	*4*	**10,822**	2,044
Other net income		**–**	2,098
Distribution costs		**(27,804)**	(14,836)
Administrative expenses		**(45,497)**	(39,483)
Finance costs	*5*	**(11,432)**	(5,808)
Share of results of associates		**(1,247)**	(891)
Share of results of a joint venture		**268**	–
Loss before taxation	*6*	**(25,000)**	(35,044)
Income tax	*7*	**(5,404)**	(870)
Loss for the period		**(30,404)**	(35,914)

	Note	Six months ended 30 September **2015** **(Unaudited)** ***HK$'000***	2014 (Unaudited) *HK$'000* (Restated)
Loss attributable to:			
Shareholders of the Company		**(30,404)**	(35,911)
Non-controlling interests		**–**	(3)
Loss for the period		**(30,404)**	(35,914)
Losses per share (HK cents)			
– Basic and diluted	*8*	**(3.54)**	(4.67)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2015

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(30,404)**	(35,914)
Other comprehensive income for the period, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on translation of foreign operations	**(1,419)**	517
Total comprehensive income for the period	**(31,823)**	(35,397)
Total comprehensive income attributable to:		
Shareholders of the Company	**(31,823)**	(35,394)
Non-controlling interests	**–**	(3)
	(31,823)	(35,397)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2015

	Note	**30 September 2015 (Unaudited)** *HK$'000*	31 March 2015 (Audited) *HK$'000*
Non-current assets			
Investment properties		**340,000**	340,000
Property, plant and equipment		**7,486**	6,606
Interests in associates		**385,540**	386,532
Interests in a joint venture		**10,540**	10,597
		743,566	743,735
Current assets			
Inventories		**28,284**	30,859
Trade and other receivables	*10*	**55,756**	42,116
Entrusted loan receivable	*11*	**175,552**	179,830
Pledged bank deposits	*12*	**198,488**	203,326
Bank balances and cash		**25,873**	71,966
		483,953	528,097
Current liabilities			
Trade and other payables	*13*	**32,677**	39,656
Interest-bearing borrowings	*14*	**324,755**	319,574
Tax payable		**3,045**	1,835
		360,477	361,065
Net current assets		**123,476**	167,032
Total assets less current liabilities		**867,042**	910,767

	Note	30 September 2015 (Unaudited) HK$'000	31 March 2015 (Audited) HK$'000
Non-current liabilities			
Interest-bearing borrowings	*14*	**162,000**	178,000
Deferred tax liabilities		**5,099**	5,099
		167,099	183,099
NET ASSETS		**699,943**	727,668
CAPITAL AND RESERVES			
Share capital	*15*	**42,923**	42,923
Reserves		**657,168**	684,893
Total capital and reserves attributable to shareholders of the company		**700,091**	727,816
Non-controlling interests		**(148)**	(148)
TOTAL EQUITY		**699,943**	727,668

Notes:

1. BASIS OF PREPARATION

This interim financial report has 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 report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report is unaudited, but has been reviewed by Mazars CPA Limited ("Mazars") in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the HKICPA.

The financial information relating to the financial year ended 31 March 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements is set out in the Company's website at www.groundproperties.com.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim financial report are consistent with those used in the annual financial statements of the Group for the year ended 31 March 2015, 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 2015.

Amendments to HKAS 19 (2011), Defined benefit plans: Employee contributions
Annual improvements to HKFRSs 2010-2012 cycle
Annual improvements to HKFRSs 2011-2013 cycle

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.

The Group has not early adopted the new standards, amendments to standard and interpretations, which have been issued but are not yet effective for the financial year beginning on 1 April 2015.

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 telecommunications retail sales and management services, property investment and property development and management.

The Group's reportable segments are as follows:

	Operating segments	Nature of business activities	Place of operation
1	Telecommunications retail sales and management services	Sale of mobile phones, headphones, telecommunications equipment and other products and provision for (i) telecommunications call center services*; and (ii) telecommunications retail sales and management services	The People's Republic of China (the "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

* The Group's telecommunications call center services operation commenced contributing revenue to the Group since December 2014.

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 2015	**Telecommunications 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 Revenue					
Revenue from external customers	**104,770**	**–**	**–**	**–**	**104,770**
Segment results	**12,413**	**(1,464)**	**(8,063)**	**(26,317)**	**(23,431)**
Interest income					**9,863**
Finance costs					**(11,432)**
Loss before taxation					**(25,000)**
Income tax					**(5,404)**
Loss for the period					**(30,404)**
Included in segment results:					
Share of results of associates	**–**	**–**	**(1,247)**	**–**	**(1,247)**
Share of results of a joint venture	**268**	**–**	**–**	**–**	**268**

For the six months ended 30 September 2014 (Restated)	Telecommunications 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 Revenue					
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)
Income tax					(870)
Loss for the period					(35,914)
Included in segment results:					
Share of results of associates	–	–	(891)	–	(891)

4. REVENUE

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

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sale of mobile phones, headphones, telecommunications equipment and other products	**43,606**	26,269
Rental income	**–**	448
Telecommunications call center services income	**28,284**	–
Telecommunications retail sales and management services income	**32,880**	16,211
Project management income	**–**	18
Revenue	**104,770**	42,946
Interest income	**9,863**	1,372
Others	**959**	672
Other revenue	**10,822**	2,044
Total revenue	**115,592**	44,990

5. FINANCE COSTS

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans repayable within five years	**6,267**	3,363
Interest on promissory notes	**5,165**	2,445
	11,432	5,808

6. LOSS BEFORE TAXATION

This is stated after charging:

		Six months ended 30 September	
		2015	2014
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Staff costs (include Directors' emoluments)	*(a)*	**32,981**	24,704
Cost of inventories		**33,355**	19,269
Depreciation		**1,032**	413
Operating lease charges on premises		**6,165**	3,498
Equity-settled share-based payment in respect of consultancy services		**–**	15,705

Note:

(a) Included in staff costs was equity-settled share-based payment expenses of HK$4,098,000 (2014: HK$7,231,000) arising from 29,950,000 share options granted to the Directors and employees of the Group in October 2014.

7. INCOME TAX

No provision for Hong Kong Profits Tax has been made 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 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% (2014: 25%).

The major component of income tax charge is:

	Six months ended 30 September	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax	**5,404**	870
Tax charge for the period	**5,404**	870

8. LOSS PER SHARE

The calculation of basic loss per share is based on the losses attributable to ordinary shareholders for the period of HK$30,404,000 (2014: HK$35,911,000) and the weighted average of 858,450,000 ordinary shares in issue during the period (2014: 769,120,546 ordinary shares).

Diluted loss per share for the six months ended 30 September 2015 and 2014 are the same as the basic loss per share as the potential ordinary shares are anti-dilutive.

9. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 September 2015 (2014: Nil).

10. TRADE AND OTHER RECEIVABLES

	Note	**30 September 2015 (Unaudited)** ***HK$'000***	31 March 2015 (Audited) *HK$'000*
Trade receivables			
Trade receivables from third parties	*(a)*	**37,099**	28,537
Other receivables			
Deposits, prepayments and other receivables		**18,657**	13,579
		55,756	42,116

Note:

(a) The Group has established credit policies for customers in each of its core businesses. The average credit period granted for trade receivables ranges from 30 to 60 days. The carrying amount of the receivables due approximates their fair values.

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

	30 September 2015 (Unaudited) ***HK$'000***	31 March 2015 (Audited) *HK$'000*
0 – 30 days	**24,312**	18,860
31 – 60 days	**8,963**	5,621
61 – 90 days	**3,437**	4,038
Over 90 days	**387**	18
	37,099	28,537

Included in the Group's trade receivables balance are debtors with a carrying amount of HK$3,824,000 (31 March 2015: HK$4,056,000) which are past due at the end of the reporting period for which the Group has not impaired. These receivables relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. These receivables are 0-30 days past due but not impaired (31 March 2015: 0-30 days).

11. ENTRUSTED LOAN RECEIVABLE

A wholly-owned subsidiary of the Company (the "Lender") entered into an entrusted loan agreement with a property development company in the PRC (the "Borrower") to grant a loan to the Borrower in the principal amount of RMB143,900,000 (equivalent to approximately HK$175,552,000) through a bank in the PRC. A bank deposit of RMB143,900,000 (equivalent to approximately HK$175,552,000), as set out in note 12, has been used to secure the entrusted bank loan shown in note 14(b) in order to facilitate the entrusted loan receivable. The purpose of the entrusted loan was for the construction cost of residential units relating to property development at a property project and the potential property project to be developed by the Borrower.

The original entrusted loan was for an initial period of 6 months from 26 September 2014 with an 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.

On 25 March 2015, an entrusted loan extension agreement was signed between the Borrower and the Lender that the maturity date of the loan was extended to 26 September 2015. On 25 September 2015, a supplemental agreement was signed to further extend the maturity date of the loan to 25 March 2016. The entrusted loan receivable is neither past due nor impaired.

12. PLEDGED BANK DEPOSITS

A bank deposit of RMB143,900,000 (equivalent to approximately HK$175,552,000) is pledged as cash collateral for the entrusted loan obtained from a bank in the PRC, which was used to finance the entrusted loan made to an independent third party, details of which are set out in note 11 and note 14(b).

A bank deposit of RMB18,800,000 (equivalent to approximately HK$22,936,000) is pledged as cash collateral for the operation of a wholly-owned subsidiary of the Company in the PRC as trust receipt loan of HK$22,203,000, details of which are set out in note 14(c).

All pledged bank deposits earn interest income at a prevailing rate as published by the People's Bank of China.

Pledged bank deposits denominated in Renminbi (expressed in Hong Kong dollars) are as follows:

	30 September 2015 (Unaudited)	31 March 2015 (Audited)
	HK$'000	*HK$'000*
Renminbi	**198,488**	203,326

13. TRADE AND OTHER PAYABLES

	30 September 2015 (Unaudited) ***HK$'000***	31 March 2015 (Audited) *HK$'000*
Trade and bills payables	**7,662**	20,443
Other payables		
Accrued charges and other creditors	**24,550**	19,094
Deposits received	**465**	119
	25,015	19,213
	32,677	39,656

The ageing analysis of trade payables by invoice date as at the end of the reporting period is as follows:

	30 September 2015 (Unaudited) ***HK$'000***	31 March 2015 (Audited) *HK$'000*
0 – 30 days	**6,538**	19,332
31 – 60 days	**219**	286
61 – 90 days	**149**	170
Over 90 days	**756**	655
	7,662	20,443

14. INTEREST-BEARING BORROWINGS

	Note	30 September 2015 (Unaudited) HK$'000	31 March 2015 (Audited) HK$'000
Secured bank loans	(a)	**204,000**	210,000
Secured entrusted bank loan	(b)	**175,552**	179,830
Secured trust receipt loan	(c)	**22,203**	22,744
Unsecured promissory notes	(d)	**85,000**	85,000
		486,755	497,574

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

Within one year	**324,755**	319,574
In the second year	**32,000**	32,000
In the third to fifth years, inclusive	**130,000**	146,000
	486,755	497,574
Portion classified as current liabilities	**(324,755)**	(319,574)
Non-current portion	**162,000**	178,000

Notes:

(a) The bank loans of HK$204,000,000 was secured by the investment properties of HK$340,000,000. The secured bank loans bear interest at HIBOR plus 3% per annum.

(b) The secured entrusted bank loan was raised to facilitate the entrusted loan receivable of HK$175,552,000 shown in note 11. The entrusted loan is secured by a bank deposit of RMB143,900,000 shown in note 12 and bears an interest at a prevailing rate as published by the People's Bank of China plus 0.05%. The entrusted loan is repayable in March 2016.

(c) The trust receipt loan of HK$22,203,000 was secured by a bank deposit of HK$22,936,000 made with a bank in the PRC. This loan bears interest at a fixed rate of 1.55% per annum and repayable within one year.

(d) The promissory notes of HK$85,000,000 were unsecured and bear interest at rates ranging from 4% to 12% per annum depending on the repayment date of the principal amounts. The principal of the promissory notes, together with interest expenses of HK$13,884,000, were settled on 28 October 2015.

15. SHARE CAPITAL

	30 September 2015 (Unaudited)		31 March 2015 (Audited)	
	Number of shares	***HK$'000***	*Number of shares*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.05 each	**15,600,000,000**	**780,000**	15,600,000,000	780,000
Issued and fully paid:				
Ordinary shares of HK$0.05 each	**858,450,000**	**42,923**	858,450,000	42,923

16. COMPARATIVE FIGURES

Conforming to current year's presentation, the expenses of HK$12,421,000 for the six months ended 30 September 2014 that were included in administrative expenses have been reclassified to distribution costs. The revised presentation reflects more appropriately the nature of these items. This reclassification has no effect on the reported financial position, results or cash flows of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND OPERATIONS REVIEW

The Group endeavours to promote the sustainability of diversified business, including telecommunications retail sales and management services, property development and management as well as property investment.

Upon completion of acquisition of 上海潤迅君斯通信科技有限公司 (Shanghai Motion JUNS Communication Technology Company Limited*) ("Shanghai Motion JUNS") and 上海星際通實業有限公司 (Shanghai XingJiTong Shi Ye Company Limited*) ("Shanghai XingJiTong"), the Group continued to integrate and optimise the telecommunications retail sales and management services during the period under review to further improve work flow and enhance operating efficiency. In addition, the cooperation with a renowned US audio brand's headphone products as its exclusive distributor in the PRC also progressed well with expanding business scale and stronger growth momentum, thus building a solid foundation for the Group's future development.

During the period under review, the Group and Ka Yik Investments Limited entered into a sale and purchase agreement regarding the proposed acquisition of the entire equity interests in a related company at a consideration of HK$4,650,000,000. The Group also entered into a sale and purchase agreement to acquire the entire equity interest in 吉林市萬升房地產開發有限公司 (Jilin Wan Sheng Property Development Company Limited*) ("Jilin Wan Sheng"). These acquisitions, upon completion, are expected to contribute to expanding the business scale and market share of the Group in the property development market in Jilin Province.

For the six months ended 30 September 2015 (the "Period"), the overall revenue of the Group was approximately HK$104,770,000 (six months ended 30 September 2014 (the "2014 Period"): HK$42,946,000), representing a year-on-year growth of 144%. Gross profit was HK$49,890,000 (2014 Period: HK$21,832,000). Net loss after tax for the Period was HK$30,404,000 (2014 Period: HK$35,914,000). The loss for the Period included certain legal and professional fees incurred in respect of the Ka Yun Acquisition as disclosed under the section headed "Material Acquisitions". Excluding such legal and professional fees, the net loss for the Period would have been HK$16,777,000, representing a decrease of HK$19,137,000 or 53%.

Telecommunications Retail Sales and Management Services

Last year, the Group successfully expanded its telecommunications business through acquisitions completed in December 2014 and effectively increased the revenue and profitability. During the Period, the Group endeavoured to integrate the one-stop management model and continued to optimise its operations to better cope with the expanding business scale. As a result, revenue from the telecommunications retail sales and management services segment significantly increased 147% to HK$104,770,000 (2014 Period: HK$42,480,000); gross profit was HK$49,890,000 (2014 Period: HK$21,454,000) and gross profit margin was 48% (2014 Period: 51%). Net profit after tax from the retail sales and management services segment was approximately HK$13,401,000 (2014 Period: HK$3,388,000).

Retail service stores operation – Telecommunications operator A

In September 2014, the Group completed the acquisition of the entire equity interest in Shanghai XingJiTong and added 8 retail service stores at prime commercial locations in Shanghai. As at 30 September 2015, the Group managed a total of 28 retail service stores in Shanghai (31 March 2015: 28 stores), of which two of the stores were under revamp during the Period. As the Group provides data management services for renowned telecommunications operators in the PRC, the business scale is further enlarged. Same-store sales growth is encouraging. Meanwhile, the commerce reward point event jointly operated by the Group and the electronic mall progressed well. Benefiting from the fast growing 4G technology in the PRC, the management expects that this business segment will continue to maintain steady growth in the coming two to three years.

Cooperation with a renowned US headphone brand

Leveraging on its superior operation capability and sales channels, the Group has been in cooperation with a renowned US audio brand since June 2014 and has become the exclusive distributor of the brand's popular headphone product series in the PRC. Sales of the headphone product business were remarkable. Revenue from this business grew substantially from HK$22,765,000 since the launch in June 2014 to 30 September 2014 to HK$41,882,000 for the Period. In view of the fast growing intelligent electronic terminal industry, it is expected that the brand will launch highly competitive new products by the end of the year.

The cooperation with the renowned US audio brand enhances the Group's operating capability in such business and allows the Group to build the foundation in the distribution network and channel, which is conducive to entering into future business cooperation between the Group and other brands and can further expand the scale of its trading business.

Telecommunications call center services – Telecommunications operator A

The Group secured two service contracts with telecommunications operator A: one contract through the acquisition of Shanghai Motion JUNS which was completed in December 2014; and the other in February 2015 through the continued business development with telecommunications operator A. Among which, the inbound call centre services segment performed satisfactorily. Another contract is to provide inbound and outbound call centre services in personal living, such as travelling, hotel booking, medical service and ticketing. This new business is expected to increase the diversity of the type of call centre services of the Group. Since the acquisition of Shanghai Motion JUNS, the number of staff increased from 420 in March 2015 to 510 and the phone lines of the call center increased from 310 to 400, attaining an utilisation rate of 100%. From December 2014, this business segment recorded fast growth with revenue contribution of HK$28,284,000 for the Period. The management is focusing on further enhancing the operating efficiency and management level with a view to achieving sustainable growth.

Retail network operation – Telecommunications operator B

The Group holds 55% equity interest in 上海新華匯訊通信設備銷售有限公司 (Shanghai Xinhua Motion Communication Technology Company Limited*) ("Shanghai Xinhua Motion"), which is primarily engaged in telecommunications retail network operation for telecommunications operator B, including selling telecommunications and mobile products to end user customers in Shanghai since its establishment in 2010. Given the slow-down of new customers with telecommunications operator B, the Group's revenue with telecommunications operator B continued to decrease. The Group will adjust the mode of distribution cooperation with telecommunications operator B and may adjust the number of outlets as appropriate and the scale of direct selling after consideration to better control the level of profitability.

Property development and management

The Changbaishan Property Project, held as to 35% equity interest by the Group, progressed smoothly as scheduled. The preparatory works and overall planning have been substantially completed. The sales model and channels have also been substantially established. The project is expected to commence Phase 1 pre-sales in 2016, whereas the construction of Phase 1 and the supporting facilities are scheduled to be completed by the end of 2016. In addition, 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 not yet contributed revenue to the Group during the Period.

Jilin Wan Sheng is principally engaged in property development in Jilin City. The acquisition of Jilin Wan Sheng by the Group is in progress which is expected to be completed by the end of 2015. Phase 1 and the first part of Phase 2 of Jilin Wan Sheng's property project, "萬升 • 前城國際" (Wansheng • Qiancheng International*), have been completed and the remaining part of Phase 2 is expected to commence construction in May 2016.

In addition, the Group entered into a conditional sale and purchase agreement with the controlling shareholder of the Company to acquire the entire equity interest in a company incorporated in the British Virgin Islands, which together with its subsidiaries, is principally engaged in the development of residential and commercial properties in Jilin Province, the PRC, including the remaining 65% interests in the Changbaishan Property Project not yet owned by the Group. This would allow the Group to fast track the pace of growth and scale of its property development and management business and, following the completion of the acquisition, to be in a stronger financial position to obtain financing when needed.

Property investment

The investment properties were kept vacant during the Period. The Group has secured new tenants for the investment properties and the new lease contracts will commence from December 2015.

PROSPECTS

In recent years, in face of the increasing popularity of the 4G communication technology and telecommunication network in the PRC, the telecommunication industry has experienced speedy growth. According to statistics issued by Ministry of Industry and Information Technology of the People's Republic of China for September 2015, the total number of 4G users nationwide was approximately 302 million. From January to September 2015, the gross amount of the telecommunication business amounted to RMB1,656.23 billion, representing a year-on-year growth of 25.3%; and revenue from telecommunication business amounted to RMB873.53 billion, representing a year-on-year growth of 2.9%. As a professional telecommunications outsourcing services provider, the Group will continue to maintain close cooperation with existing operators and customers and actively explore business opportunities with other telecommunication service providers. At the same time, it will actively plan the extension of the scope of services of the call center to financial services including credit and insurance so as to further expand the scale of telecommunication business and create income streams. Given the attractive income from the distribution business with the renowned US headphone brand, the Group will continue to optimise the distribution model and prudently assess the growth opportunities arising from product mix diversification, and will consider entering into distribution cooperation with other international well-known brands. Besides, the Group is currently in collaboration with some famous logistics service providers and internet service providers in the PRC to expand customer base through online marketing by combining the audio and mobile communication businesses. Moving forward, it will further optimise the product distribution model and build more sales platforms to enhance the level of profitability.

The Group has clear future growth objectives. While integrating and optimising the existing telecommunications retail sales and management services business, the Group will strive to diversify business development to achieve long-term sustainable development. In view of the improving standard of living in the PRC, coupled with the implementation of the two-child policy announced at the Fifth Plenum recently held, it is expected that the housing demand will continue to grow and maintain sound development in the long run. The Group is prudently optimistic about the outlook of the property market in the PRC. Leverage on the solid foundation and network established by the management in the property market in northeastern China over the years, following the proposed acquisition of Jilin Wan Sheng, the Group plans to continue to explore other potential acquisition opportunities to further expand its property development business and expand the scope of business to other provinces in addition to the development and management of existing properties in Jilin Province. In addition, the Group will also carefully seek more potential property investment opportunities and adhere to its prudent strategy in assessing the potential business opportunities to enrich its investment portfolio.

Looking ahead, the Group will continue to steadily push ahead the development of various business segments, promote business diversification and endeavour to seize new growth opportunities so as to achieve long-term sustainable growth of its businesses as a whole.

FINANCIAL REVIEW

Review of interim 2015 results

Revenue

During the Period, the Group's revenue increased from HK$42,946,000 for the 2014 Period to HK$104,770,000, representing a substantial increase of HK$61,824,000 or 1.4 times. The increase was primarily attributable to (i) increase in the sales of headphones by HK$19,117,000; (ii) new revenue contribution from telecommunications call center services (acquisition completed in December 2014) of HK$28,284,000; and (iii) increase in revenue from 8 new telecommunications retail stores (acquisition completed in September 2014) of HK$5,388,000.

Gross profit

The overall gross profit of the Group for the Period is approximately HK$49,890,000 representing a substantial increase of HK$28,058,000 or 1.3 times as compared to the 2014 Period, which is attributable to the increase in revenue from the sales of headphones and telecommunications call center services businesses, the gross margin remained stable at 48% for the Period (2014 Period: 51%).

Other revenue

The Group's other revenue for the Period is HK$10,822,000, mainly contributed from interest income arising from the entrusted loan granted to an independent third party which amounted to HK$9,118,000.

Distribution costs

The Group's distribution costs increased from HK$14,836,000 for the 2014 Period to HK$27,804,000 for the Period, representing an increase of HK$12,968,000 or 87%. The increase was primarily attributable to (i) increase in staff costs of HK$7,511,000 contributed from the increased number of head count; and (ii) increase in rent and rate. These increases were contributed from the telecommunications call centers and the additional telecommunications retail stores operated by the Group. In addition, the Group incurred additional advertising expenses to promote the renowned headphone brand distributed by the Group.

Administrative expenses

The Group's administrative expenses for the Period amounted to HK$45,497,000 (2014 period: HK$39,483,000), representing an increase of HK$6,014,000. The increase was attributable to (i) increase in legal and professional fees of HK$13,627,000 and travelling and other expenses of HK$385,000 incurred in respect of the Ka Yun Acquisition as disclosed under the section headed "Material Acquisitions"; and (ii) exchange loss of HK$5,031,000 incurred arising from the strong Hong Kong dollars against Renminbi upon translation of the Group's monetary items denominated in Renminbi; and partially offset by no equity-settled share-based expenses incurred for the Period as the share options granted to external consultants in prior years had been fully vested (2014 Period: HK$15,705,000).

Finance costs

The Group's finance costs for the Period amounted to HK$11,432,000, the interest of which were related to the interest-bearing borrowings. The increase was mainly attributable to the average loan balance during the Period which was higher as compared to the 2014 Period.

Income tax

The Group's income tax expense was related to the provision for PRC Enterprise Income Tax on its telecommunications retails sales and management services operation. The profit arising from the substantial growth in this business in Shanghai resulted in a significant increase in income tax.

For the Group's other operations, they were at a loss-making position which tax loss benefits have not been recognised.

LIQUIDITY AND FINANCIAL RESOURCES

Assets

The Group's property, plant and equipment had a slight increase of HK$2,050,000 as more fixed assets were purchased for the expanding telecommunications call center services business. The Group's investment properties and interest in associates remained stable as at 30 September 2015 as compared to 31 March 2015 given (i) the stable property market in Hong Kong; and (ii) the Group's Changbaishan Property Project is still at its planning and preliminary work stage.

The Group's current assets amounted to HK$483,953,000 as at 30 September 2015 (31 March 2015: HK$528,097,000), representing a decrease of HK$44,144,000 or 8%. The decrease was mainly attributable to the repayment of bank borrowings and operating expenditure.

Debt and gearing

The Group's interest bearing borrowings as at 30 September 2015 decreased by HK$10,819,000 to HK$486,755,000 which was made up of the following:

	At 30 September 2015	At 31 March 2015
	HK$'000	*HK$'000*
Secured bank loans	204,000	210,000
Secured entrusted bank loan	175,552	179,830
Secured trust receipt loan	22,203	22,744
Unsecured promissory notes	85,000	85,000
	486,755	497,574

As at 30 September 2015, the ratio of net debt to equity was 37% (31 March 2015: 31%).

Cash flows for the Group's operating and investing activities

For the Period, the Group recorded net cash outflows before changes in working capital of HK$14,236,000 (2014 Period: HK$5,907,000). The changes in working capital increased the net cash outflow from operating activities to HK$23,292,000 (2014 Period: HK$57,634,000). For investing activities, the Group recorded a cash outflow of HK$2,050,000 (2014 Period: HK$183,798,000), mainly for the purchase of fixed assets in respect of the telecommunications call center services.

SHARE CAPITAL

As at 30 September 2015, the Company had 858,450,000 shares of HK$0.05 each in issue (31 March 2015: 858,450,000 shares of HK$0.05 each) with total shareholders' fund of the Group amounting to approximately HK$700,091,000 (31 March 2015: HK$727,816,000).

CONTINGENT LIABILITIES

As at 30 September 2015, the Group did not have any significant contingent liabilities (31 March 2015: Nil).

CHARGE ON ASSETS

As at 30 September 2015, the Group had the following assets pledged against bank loans granted:

	30 September 2015	31 March 2015
	HK$'000	*HK$'000*
Investment properties	**340,000**	340,000
Pledged bank deposits	**198,488**	203,326

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 2015, the Group had 931 full-time staff. Total staff costs (including Directors' emoluments) for the Period amounted to approximately HK$32,981,000 (2014 Period: HK$24,704,000). The staff costs for the six months ended 30 September 2015 consisted of HK$4,098,000 equity-settled share-based payment expenses in respect of the grant of 29,950,000 share options to Directors and employees in October 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.

MATERIAL ACQUISITIONS

(A) PROPOSED ACQUISITION OF ENTIRE EQUITY INTEREST OF JILIN WAN SHENG AND THE ENTRUSTED LOAN AGREEMENT

On 11 September 2015, World Rich Management Limited ("World Rich" or the "Purchaser"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Wansheng Agreement") with Ms. Cui Guiying and Ms. Wang Dongwei (collectively, the "Vendors"), independent third parties, pursuant to which World Rich has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire equity interest in Jilin Wan Sheng for the consideration of RMB150,000,000 (equivalent to approximately HK$180,000,000) (the "Wansheng Acquisition"). As at the date of this announcement, the Wansheng Acquisition has not been completed.

As reported in the Company's announcements and circular, in consideration of the funding needs of Jilin Wan Sheng, on 25 September 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*) ("Shanghai CM Concept" or the "Lender") entered into the entrusted loan agreement, pursuant to which, the Lender engaged 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, advance a loan in the principal amount of RMB143,900,000 (equivalent to approximately HK$175,552,000), which was funded by the Group, to Jilin Wan Sheng (the "Borrower"). The interest rate for the entrusted loan is 10% per annum for a term of six months and the interest for the entrusted loan should 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 (the "Original Entrusted Loan Arrangement").

On 25 March 2015, the Lender, the Borrower and the Bank entered into the entrusted loan extension agreement to extend the maturity date of the original entrusted loan for a further term of 6 months from 26 March 2015 to 26 September 2015 (the "First Entrusted Loan Extension Arrangement"). On 25 September 2015, the entrusted loan was further extended to 25 March 2016 (the "Second Entrusted Loan Extension Arrangement") and on 8 October 2015, a supplemental agreement was signed to amend certain terms of the Wansheng Agreement in consequence of the Second Entrusted Loan Extension Arrangement, including the extension of the payment date of the deposit, the entrusted loan repayment date as set out in the conditions precedents, and the extension of the long stop date (the "Supplemental Agreement").

Details of the Wansheng Acquisition, the Original Entrusted Loan Arrangement, the First Entrusted Loan Extension Arrangement, the Second Entrusted Loan Extension Arrangement and the Supplemental Agreement were set out in the Company's announcements dated 25 September 2014, 25 March 2015, 11 September 2015, 14 September 2015 and 25 September 2015, 8 October 2015, 30 October 2015 and the circular dated 30 April 2015.

(B) PROPOSED ACQUISITION OF ENTIRE EQUITY INTEREST IN A COMPANY ENGAGING IN PROPERTY DEVELOPMENT IN JILIN PROVINCE

On 26 May 2015, Frontier Power Investments Limited (a wholly-owned subsidiary of the Company) (the "Purchaser") and Ka Yik Investments Limited (the "Vendor") and Ms. Cui Xintong (the ultimate controlling shareholder of the Company and the daughter of Ms. Chai Xiu, an executive Director and the chairperson of the Board) entered into the initial agreement (as supplemented by the supplemental agreement dated 3 July 2015), pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the entire issued capital of Ka Yun Investments Limited ("Ka Yun") for the consideration of

HK$4,650,000,000 which shall be satisfied partly (i) by allotment and issue new shares by the Company; (ii) by allotment and issue of convertible preference shares by the Company; and (iii) by issue of convertible bonds by the Company (the "Ka Yun Acquisition").

Ka Yun, which together with its subsidiaries, is principally engaged in the development of residential and commercial properties in Jilin Province, the PRC. The Ka Yun Acquisition constitutes a connected transaction, a very substantial acquisition and a reverse takeover under the Listing Rules. As at the date of this announcement, the Ka Yun Acquisition has not been completed. Details of the Ka Yun Acquisition were set out in the Company's announcements dated 26 May 2015, 3 July 2015 and 16 October 2015.

OTHER DISCLOSURES

Resignation of Director

Mr. Chen Luhui resigned as the non-executive Director and the director of subsidiaries of the Company with effect from 8 September 2015 in order to devote more time on his other business commitment. Details of which were set out in the announcement of the Company dated 8 September 2015.

SUBSEQUENT EVENT

Ms. Chai Xiu resigned as the chief executive officer of the Company (the "Chief Executive Officer") with effect from 10 November 2015 in order to devote more time on her other business commitments. Ms. Chai remained as an executive Director and chairperson of the Board. The Company is in the process of identifying a suitable candidate to assume the role as Chief Executive Officer. Currently, the duties of Chief Executive Officer are taken up by Mr. Wang Guanghui and Mr. Huang Bingxing, the executive directors and the president of the Company's respective business units.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with the management and the external 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 2015 have been reviewed by the Audit Committee and by the external auditor of the Company.

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 2015.

CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code") during the Period except for the following deviation:

Code Provision A.2.1

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

During the Period, the roles of chairperson and chief executive officer of the Company were performed by Ms. Chai Xiu, who was responsible for overall corporate planning and strategic policy making and managing of day-to-day operations of the Group in the respective roles. The Board considered that the roles of chairperson 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 considered that the balance of power and authority is adequately ensured by the effective Board which comprised experienced individuals with a balance of skills and experience appropriate for the requirements of the Group.

Ms. Chai resigned as the Chief Executive Officer with effect from 10 November 2015 in order to devote more time on her other business commitments. Ms. Chai remained as an executive Director and chairperson of the Board. The Company is in the process of identifying a suitable candidate to assume the role as Chief Executive Officer. Currently, the duties of chief executive officer have been taken up by Mr. Wang Guanghui and Mr. Huang Bingxing, the executive Directors and the president of the Company's respective business units. Both Mr. Wang and Mr. Huang possess extensive experience in managing of day-to-day operations of the Group which enables the Group to maintain its efficient planning of long-term strategies and implementation of business plans as well as compliance with the requirement under this code provision, for the purpose of separation of the roles of chairperson and chief executive officer.

By order of the Board
Ground Properties Company Limited
Chai Xiu
Chairperson

Hong Kong, 27 November 2015

As at the date of this announcement, 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.

* *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.*