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 FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2016

RESULTS

The board of directors (the "Board") of Ground Properties Company Limited (the "Company") announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2016 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
Revenue	3	**249,092**	129,494
Cost of sales and services		**(145,295)**	(73,487)
Gross profit		**103,797**	56,007
Other income	4	**18,032**	12,284
Distribution costs		**(56,736)**	(33,327)
Administrative expenses		**(102,760)**	(64,907)
Finance costs	5	**(25,443)**	(16,743)
Change in fair value of investment properties		**–**	25,000
Share of results of associates		**(1,938)**	2,641
Share of results of a joint venture		**(35)**	429
Loss before taxation	6	**(65,083)**	(18,616)
Taxation	7	**(10,639)**	(4,103)
Loss for the year		**(75,722)**	(22,719)

	Note	2016 HK$'000	2015 HK$'000
(Loss) Profit attributable to:			
Shareholders of the Company		**(75,870)**	(22,713)
Non-controlling interests		**148**	(6)
		(75,722)	(22,719)
Dividend	*8*	**–**	–
Loss per share			
Basic and diluted	*9*	**(8.84) HK cents**	(2.79) HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(75,722)**	(22,719)
Other comprehensive income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference on consolidation	**(434)**	104
Share of other comprehensive income of associates	**435**	(28)
Share of other comprehensive income of a joint venture	**(499)**	–
Total other comprehensive income for the year	**(498)**	76
Total comprehensive income for the year	**(76,220)**	(22,643)
Total comprehensive income for the year attributable to:		
Shareholders of the Company	**(76,368)**	(22,637)
Non-controlling interests	**148**	(6)
Total comprehensive income for the year	**(76,220)**	(22,643)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

	Note	**2016** **HK$'000**	2015 *HK$'000*
Non-current assets			
Investment properties		**340,000**	340,000
Property, plant and equipment		**7,711**	6,606
Goodwill		**–**	–
Interests in associates		**385,029**	386,532
Interests in a joint venture		**10,063**	10,597
Deferred tax assets		**322**	–
		743,125	743,735
Current assets			
Inventories		**35,233**	30,859
Properties under development and completed properties held for sale		**277,037**	–
Trade and other receivables	*10*	**227,080**	42,116
Prepaid income tax		**7,656**	–
Entrusted loan receivable	*11*	**–**	179,830
Pledged bank deposits		**22,537**	203,326
Bank balances and cash		**81,946**	71,966
		651,489	528,097
Current liabilities			
Trade and other payables	*12*	**370,456**	39,656
Deposits from sale of properties		**108,754**	–
Bank and other borrowings		**104,263**	319,574
Tax payable		**2,824**	1,835
		586,297	361,065
Net current assets		**65,192**	167,032
Total assets less current liabilities		**808,317**	910,767
Non-current liabilities			
Bank and other borrowings		**146,000**	178,000
Deferred tax liabilities		**5,099**	5,099
		151,099	183,099
NET ASSETS		**657,218**	727,668

	2016	2015
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**42,923**	42,923
Reserves	**614,295**	684,893
Total capital and reserves attributable to shareholders of the Company	**657,218**	727,816
Non-controlling interests	**–**	(148)
TOTAL EQUITY	**657,218**	727,668

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Note	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Cash used in operations	*(a)*	**(36,276)**	(57,300)
Interest received		**15,826**	10,659
Interest paid		**(25,266)**	(9,645)
Income tax paid		**(9,650)**	(2,843)
Net cash used in operating activities		**(55,366)**	(59,129)
INVESTING ACTIVITIES			
Payment for purchase of property, plant and equipment		**(3,610)**	(619)
Purchase of net assets		**6,871**	–
Acquisition of interest in subsidiaries and other assets		**–**	(12,993)
Decrease (Increase) in entrusted loan receivable		**169,716**	(179,830)
Decrease (Increase) in pledged bank deposits		**169,716**	(203,326)
Net cash from (used in) investing activities		**342,693**	(396,768)
FINANCING ACTIVITIES			
New bank loans raised		**32,203**	202,574
Repayment of bank loans		**(223,919)**	–
Loan from controlling shareholder		**13,500**	–
Repayment of loan from controlling shareholder		**(11,500)**	–
Other loan raised		**98,800**	–
Repayment of other loan		**(98,800)**	–
Repayment of promissory notes		**(85,000)**	–
Proceeds from issue of new shares arising from the exercise of share options		**–**	1,476
Net proceeds from issue of new shares from open offer		**–**	284,953
Net cash (used in) from financing activities		**(274,716)**	489,003
Net increase in cash and cash equivalents		**12,611**	33,106
Cash and cash equivalents at the beginning of the year		**71,966**	38,860
Exchange difference arising on translation		**(2,631)**	–
Cash and cash equivalents at the end of the year, represented by bank balances and cash		**81,946**	71,966

Note:

(a) Cash used in opertaions

	2016	2015
	HK$'000	*HK$'000*
Loss before taxation	**(65,083)**	(18,616)
Interest income	**(15,826)**	(10,659)
Interest expenses	**25,443**	16,743
Share of results of associates	**1,938**	(2,641)
Share of results of a joint venture	**35**	(429)
Depreciation	**2,262**	1,175
Bargain purchase on acquisition of subsidiaries	**–**	(989)
Change in fair value of investment properties	**–**	(25,000)
Write off of doubtful trade and other receivables	**–**	54
Loss on disposal of property, plant and equipment	**3**	5
Exchange difference arising on translation	**10,535**	132
Equity settled share-based payment expenses	**5,770**	28,107
Increase in inventories	**(6,711)**	(28,627)
Increase in properties under development and completed properties held for sale	**(6,337)**	–
Increase in trade and other receivables	**(23,004)**	(22,149)
Increase in trade and other payables	**34,699**	5,594
Cash used in operations	**(36,276)**	(57,300)

Notes:

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The annual results set out in the announcement are extracted from the Group's financial statements for the year ended 31 March 2016.

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance ("HKCO"). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2015 except the changes mentioned below.

The HKICPA has issued a number of new/revised HKFRSs that are first effective for the current accounting period of the Group. Of these, the changes in accounting policy relevant to the Group's financial statements are as follows:

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

The Group has not early applied any new standard or interpretation that is not effective for the current accounting period.

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new HKCO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor HKCO or Listing Rules but not under the new HKCO or amended Listing Rules are not disclosed in these consolidated financial statements.

2. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

	Operating segments	Nature of business activities	Place of operation
1	Telecommunications retail sales and management services	Sale of headphones, mobile phones, telecommunications equipment and other products and provision for (i) telecommunications call centre 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	The PRC
4	Others	Other businesses including investment holdings	Hong Kong and the PRC

For the purpose of monitoring segment performances and allocating resources between segments:

Segment assets include all assets with the exception of deferred tax asset, prepaid income tax, bank balances and cash and other corporate assets. Segment liabilities include all liabilities with the exception of provision for taxation, deferred tax liabilities, bank and other borrowings and other corporate liabilities. Those assets and liabilities not allocated to reportable segments are grouped in unallocated assets and unallocated liabilities respectively.

Revenue and expenses allocated to the reportable segments include the sales generated by the segment and the expenses incurred by the segment or which arise from the depreciation of assets attributable to those segments.

(a) Segment results and other segment information

An analysis of the Group's revenue and results for the year by operating segments are as follows:

For the year ended 31 March 2016

	Telecommunications retail sales and management services *HK$'000*	Property investment *HK$'000*	Property development and management *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	246,935	2,157	–	–	249,092
Reportable segment revenue	246,935	2,157	–	–	249,092
Reportable segment results	29,399	(4,747)	(16,558)	(61,587)	(53,493)
Interest income					15,826
Finance costs					(25,443)
Share of results of associates	–	–	(1,938)	–	(1,938)
Share of results of a joint venture	(35)	–	–	–	(35)
Loss before taxation					(65,083)
Taxation					(10,639)
Loss for the year					(75,722)
Assets					
Reportable segment assets	109,749	341,858	826,669	3,877	1,282,153
Deferred tax assets					322
Prepaid income tax					7,656
Unallocated assets					104,483
Total assets					1,394,614
Liabilities					
Reportable segment liabilities	(36,793)	(2,921)	(419,149)	(20,347)	(479,210)
Deferred tax liabilities					(5,099)
Tax payable					(2,824)
Unallocated liabilities					(250,263)
Total liabilities					(737,396)
Other information					
Capital expenditure	3,518	–	25	92	3,635
Depreciation	1,800	–	–	462	2,262
Equity-settled share-based payment expenses	2,419	–	3,351	–	5,770
Significant non-cash expenses (other than depreciation and amortisation)	3	–	–	–	3

For the year ended 31 March 2015

	Telecommunications retail sales and management services *HK$'000*	Property investment *HK$'000*	Property development and management *HK$'000*	Others *HK$'000*	Total *HK$'000*
Revenue from external customers	129,028	448	18	–	129,494
Reportable segment revenue	129,028	448	18	–	129,494
Reportable segment results	9,310	18,329	(24,301)	(19,929)	(16,591)
Interest income					10,659
Finance costs					(16,743)
Share of results of associates	–	–	2,641	–	2,641
Share of results of a joint venture	429	–	–	–	429
Bargain purchase on acquisitions of subsidiaries	989	–	–	–	989
Loss before taxation					(18,616)
Taxation					(4,103)
Loss for the year					(22,719)
Assets					
Reportable segment assets	263,566	340,460	386,551	5,963	996,540
Unallocated assets					275,292
Total assets					1,271,832
Liabilities					
Reportable segment liabilities	(27,971)	(159)	(18)	(11,508)	(39,656)
Deferred tax liabilities					(5,099)
Tax payable					(1,835)
Unallocated liabilities					(497,574)
Total liabilities					(544,164)
Other information					
Capital expenditure	506	–	–	113	619
Change in fair value of investment properties	–	(25,000)	–	–	(25,000)
Depreciation	736	–	–	439	1,175
Equity-settled share-based payment expenses	1,479	–	19,898	6,730	28,107
Significant non-cash expenses (other than depreciation and amortisation)	59	–	–	–	59

(b) Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties and interests in associates and a joint venture ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment and investment properties, and the location of operations, in the case of interests in associates and a joint venture.

	Revenue from external customers	
	2016	2015
	HK$'000	*HK$'000*
The PRC	**246,935**	129,046
Hong Kong	**2,157**	448
	249,092	129,494

	Specified non-current assets*	
	2016	**2015**
	HK$'000	*HK$'000*
The PRC	**401,926**	402,488
Hong Kong	**340,877**	341,247
	742,803	743,735

* Specified non-current assets are total non-current assets excluding deferred tax assets.

3. REVENUE

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

	2016	2015
	HK$'000	*HK$'000*
Sale of headphones, mobile phones and telecommunications equipment and other products	**110,470**	77,005
Telecommunications call centre service income	**68,406**	9,666
Telecommunications retail sales and management services income	**68,059**	42,357
Rental income	**2,157**	448
Project management income	**–**	18
	249,092	129,494

4. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Interest income	**15,826**	10,659
Government subsidy	**2,017**	538
Bargain purchase on acquisitions of subsidiaries	**–**	989
Sundry income	**189**	98
	18,032	12,284

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans	**12,216**	9,645
Interest on promissory notes	**5,948**	7,098
Interest on other loan	**7,279**	–
	25,443	16,743

6. LOSS BEFORE TAXATION

This is stated after charging:

		2016	2015
	Note	***HK$'000***	*HK$'000*
Staff costs (including directors' emoluments)			
Salaries, wages and other benefits		**78,521**	33,016
Equity-settled share-based payment expenses	*(a)*	**5,770**	12,402
Contributions to defined contribution plans		**16,955**	6,879
		101,246	52,297
Auditor's remuneration			
Current year		**920**	870
Other services		**5,934**	1,527
Cost of inventories		**88,628**	59,409
Depreciation		**2,262**	1,175
Operating lease charges on premises		**12,000**	8,685
Equity-settled share based payment expenses	*(a)*	**5,770**	28,107
Exchange loss, net		**13,694**	762
Direct operating expenses arising from investment properties that generated rental income		**107**	89
Direct operating expenses arising from investment properties that did not generate rental income		**5,696**	2,405

Note:

(a) The equity-settled share-based payment expenses of HK$5,770,000 (2015: HK$28,107,000) represented the fair value of 29,950,000 (2015: 84,350,000) share options granted in prior year, of which 29,950,000 (2015: 48,350,000) share options were granted to the directors and employees of the Group with an aggregate fair value of HK$5,770,000 (2015: HK$12,402,000) that has been included in staff costs for the year.

7. TAXATION

The major components of income tax charges are:

	2016	2015
	HK$'000	*HK$'000*
Current tax		
PRC Enterprise Income Tax		
Current year	**10,689**	4,103
Over provision in prior year	**(50)**	–
	10,639	4,103
Deferred taxation		
Origination and reversal of temporary difference	**–**	–
Total tax charge for the year	**10,639**	4,103

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

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% (2015: 25%).

Land appreciation tax in the PRC is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures.

Pursuant to the PRC EIT Law, a 10% withholding tax is levied on dividends distributed to foreign investors by the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings accumulated after 31 December 2007. A lower 5% withholding tax rate may be applied when the immediate holding company of the PRC subsidiaries is a resident company in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

The post 2007 earnings are not expected to be distributed in the foreseeable future, and would be subject to additional taxation if they are distributed. The estimated withholding tax effects on the distribution of these unremitted retained earnings of these PRC subsidiaries and a joint venture were approximately of HK$2,353,000 (2015: HK$1,647,000). In the opinion of the directors, these retained earnings, at the present time, are required for financing the continuing operations of the PRC subsidiaries and no distribution would be made in the foreseeable future. Accordingly, no provisions for deferred taxation have been made in this respect. For the Group's interests in associates, since all PRC associates have not yet generated any profit, there are no unremitted retained earnings subject to withholding tax.

8. DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 31 March 2016 (2015: Nil).

9. LOSS PER SHARE

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

(a) Number of shares

	2016	2015
Issued ordinary shares at the beginning of the year	**858,450,000**	570,630,000
Effect of share options exercised	–	1,670,000
Issue of new shares	–	241,362,904
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**858,450,000**	813,662,904

	2016	2015
(b) Loss attributable to shareholders of the Company *(HK$'000)*	**(75,870)**	(22,713)

Diluted loss per share for the years ended 31 March 2016 and 2015 are the same as the basic loss per share because the share options in issue have no dilutive effect and there are no dilutive potential ordinary shares in existence.

10. TRADE AND OTHER RECEIVABLES

	Note	**2016**	2015
		HK$'000	*HK$'000*
Trade receivables			
Trade receivables from third parties	*(a)*	**51,065**	28,537
Other receivables			
Prepayments and other receivables		**9,857**	6,219
Deposits		**9,865**	7,360
Land development expenditure	*(b)*	**151,442**	–
Prepaid business tax and other taxes		**4,851**	–
		176,015	13,579
		227,080	42,116

(a) Trade receivables from third parties

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 from the date of invoices. The carrying amount of the amounts due approximates their fair values. No allowance for doubtful debts has been made.

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

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**38,178**	18,860
31 – 60 days	**7,607**	5,621
61 – 90 days	**2,253**	4,038
Over 90 days	**3,027**	18
	51,065	28,537

Receivables that are neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Included in the Group's trade receivable balance are debtors with a carrying amount of HK$5,280,000 (2015: HK$4,056,000), which are past due at the end of the reporting period for which the Group has not impaired. Receivables that were past due but not impaired 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.

The ageing of trade receivables which are past due but not impaired are as follows:

	2016	2015
	HK$'000	*HK$'000*
Past due for		
0 – 30 days	**4,741**	4,038
31 – 60 days	**–**	–
61 – 90 days	**–**	–
Over 90 days	**539**	18
	5,280	4,056

(b) Land development expenditure

The balances represented monies advanced to the local government for land development works at a land site. The Group will be reimbursed for the amount advanced to the local government in carrying out the land development irrespective of whether the Group will obtain the land use rights of the land in the future. The entire amount of land development expenditure as at 31 March 2016 is expected to be recovered within one year.

11. ENTRUSTED LOAN RECEIVABLE

Prior to the completion of the acquisition of the entire equity interest in Jilin Wan Sheng Property Development Company Limited* (吉林市萬升房地產開發有限公司)("Jilin Wan Sheng") on 18 January 2016, the entire balance of the entrusted loan receivable was settled.

12. TRADE AND OTHER PAYABLES

		2016	2015
	Note	***HK$'000***	*HK$'000*
Trade payables	*(a)*	**39,186**	20,443
Accrued construction cost		**40,992**	–
Accrued charges and other creditors		**75,192**	11,046
Deposits received		**3,937**	119
Due to a joint venture	*(b)*	**8,391**	–
Consideration payable on purchase of net assets	*13*	**179,820**	–
Interest payable		**22,938**	8,048
		370,456	39,656

(a) Trade payables

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

	2016	2015
	HK$'000	*HK$'000*
0 – 30 days	**29,446**	19,332
31 – 60 days	**5,553**	286
61 – 90 days	**159**	170
Over 90 days	**4,028**	655
	39,186	20,443

(b) Due to a joint venture

The amount due to a joint venture is unsecured, interest-free and has no fixed repayment term.

13. PURCHASE OF NET ASSETS

Acquisition of 100% equity interest in Jilin Wan Sheng

In September 2015, the Group entered into an agreement (as supplemented by a supplemental agreement in October 2015) with two independent third parties to acquire 100% equity interest in Jilin Wan Sheng (referred to as the "Wansheng Acquisition") for a consideration of RMB150,000,000 (equivalent to approximately HK$179,820,000) as disclosed in the Company's announcement dated 11 September 2015.

The principal activity of Jilin Wan Sheng is the property development in Jilin City, Jilin Province of the PRC. The Wansheng Acquisition represented an opportunity to expand the Group's property development and management segment and capitalise on its channel advantage to further expand into the property market in Jilin Province.

As at the date of acquisition, the major assets held by Jilin Wan Sheng are properties under development and completed properties held for sale. The underlying set of assets acquired was not integrated in forming a business to generate revenues. As such, the Directors are of the opinion that the Wansheng Acquisition is a purchase of net assets which does not constitute a business combination for accounting purposes.

The Wansheng Acquisition had the following effect on the Group's assets and liabilities:

	Fair value upon Wansheng Acquisition
	HK$'000
Property, plant and equipment	25
Deferred tax assets	322
Properties under development and completed properties held for sale	267,316
Trade and other receivables	164,084
Prepaid income tax	7,530
Cash and cash equivalents	6,871
Trade and other payables	(122,156)
Deposits from sale of properties	(106,349)
Other borrowings	(37,823)
Net assets	179,820
Satisfied by:	
Cash consideration included in trade and other payables *(Note 12)*	179,820

	HK$'000
Net cash flow on acquisition:	
Net cash acquired	6,871
Consideration paid *(Note)*	–
	6,871

Note: The consideration was not yet paid at the end of the year but was subsequently settled in May 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND OPERATIONS REVIEW

The rapid development of electronic communications technology has presented immense opportunities to the telecommunications industry. The Group has expanded and integrated the telecommunications retail sales and management services segment, and achieved notable growth in the business operation of call centers. It has also rapidly expanded the cooperation with a renowned US headphone brand as the exclusive distributor of the brand's headphone products in the PRC as a result of the popularity and wide application of handsets. The Group has focused on strengthening related cooperation and further bolstered the headphone business through diversifying the product structure. At the same time, the Group has also actively grown its property development, management and investment businesses.

During the year under review, the Group has entered into a conditional sale and purchase agreement with Ka Yik Investments Limited ("Ka Yik") (a wholly-owned company of Ms. Cui Xintong also being the ultimate controlling shareholder of the Company) and Ms. Cui Xintong to acquire the entire equity interest in Ka Yun Investments Limited ("Ka Yun") (a wholly-owned subsidiary of Ka Yik) at a consideration of HK$4.65 billion. The Company expects to despatch the circular containing, among other things, details of the transactions as a very substantial acquisition and reverse takeover to shareholders as soon as possible on or before 30 June 2016 and it is noted that the completion of the acquisition is subject to the satisfaction (or waiver) of the conditions precedents as set out in the relevant sale and purchase agreement and the approval of the Company's independent shareholders at the special general meeting to be held on 25 July 2016. The Group also completed the acquisition of the entire equity interest in Jilin Wan Sheng at a consideration of about HK$179.8 million in January 2016. The acquisitions are expected to contribute to the Group's expanding property development business and boost its share of the market in Jilin Province.

For the year ended 31 March 2016, the substantial increase in the Group's revenue and gross profit was attributable to the income from the sales of headphones and the call centre businesses. Overall revenue amounted to approximately HK$249,092,000 (2015: HK$129,494,000), representing a year-on-year growth of 92.4%. Gross profit was HK$103,797,000 (2015: HK$56,007,000). However, when compared to the net loss of approximately HK$22,719,000 for the year ended 31 March 2015, the Group's net loss for the year ended 31 March 2016 rose to approximately HK$75,722,000. The significant increase in the net loss was mainly because of: (i) an increase in the legal and professional fees incurred from approximately HK$7,306,000 in the year ended 31 March 2015 to approximately HK$40,942,000 mainly attributable to the proposed acquisition of Ka Yun and its subsidiaries and the acquisition of Jilin Wan Sheng; (ii) a foreign exchange loss of approximately HK$11,387,000 realised during the conversion of its Renminbi pledged deposits during the year (2015: approximately HK$2,346,000); and (iii) no significant fair value gain on investment properties being recorded during the year (2015: approximately HK$25,000,000); partially offset by the decrease in share-based payment expenses from approximately HK$28,107,000 for the year ended 31 March 2015 to approximately HK$5,770,000 incurred by the Group for the year ended 31 March 2016.

Telecommunications Retail Sales and Management Services

After its successful expansion into the telecommunications business through the acquisition of Shanghai XingJiTong Shi Ye Company Limited* (上海星際通實業有限公司) ("Shanghai XingJiTong") in 2014 (i.e. the financial year ended 31 March 2015), the Group proceeded to integrate and optimise its operations and management models to better cope with the expanding business scale during the year. Consequently, the revenue and profitability of this segment achieved notable growth through a full-year operation during the year ended 31 March 2016 on the Group's call centre operation that was acquired in December 2014 and eight newly acquired retail stores that were acquired in September 2014. During the year, revenue from the telecommunications retail sales and management services segment surged by 91.4% to HK$246,935,000 (2015: approximately HK$129,028,000). Gross profit was HK$101,640,000 (2015: approximately HK$55,629,000) and gross profit margin was 41.2%. Net profit after tax was approximately HK$28,168,000 (2015: approximately HK$12,862,000). Net profit margin was 11.4%, details of which are set out below:

	Year ended 31 March 2016		Year ended 31 March 2015	
	HK$'000	*%*	*HK$'000*	*%*
Sale of headphones, mobile phones and telecommunication equipment and other products	**110,470**	**44.3**	77,005	59.5
Telecommunications call centre service income	**68,406**	**27.5**	9,666	7.5
Telecommunications retail sales and management services income	**68,059**	**27.3**	42,357	32.7
Rental income	**2,157**	**0.9**	448	0.3
Project Management income	**–**	**N/A**	18	–
	249,092	**100.0**	129,494	100.0

Retail Services Store Operation – Telecommunications Operator A

The increasing popularity of 4G telecommunications technology and telecommunication network has driven the rapid development of the telecommunications industry. At present, the number of mobile communications users in Shanghai increased to 25,000,000 and the 4G penetration rate reached 70%. Average revenue per user also rose by 40%. Driven by the rapid growth of the industry, the revenue of the retail store business increased by 60.7% to HK$68.1 million and the gross profit also surged by 70% when compared to that of last year.

In September 2014, the Group has completed the acquisition of the entire equity interest in Shanghai XingJiTong and added eight retail service stores in prime commercial locations in Shanghai. The Group has continued to manage 27 retail service stores (2015: 28 stores) in Shanghai during the year. It also plans to integrate and optimise distribution of its stores in the coming two-to-three years according to the new town development and the user population. Approximately five retail service stores are expected to be added in 2016-2017. Moreover, the commerce loyalty reward point scheme jointly operated by the Group and the e-commerce platform has progressed well and brought revenue to the Group's core business.

Distributor Collaboration with a Renowned US Headphone Brand

The Group has been collaborating with a renowned US headphone brand since Mid 2014 and remains as the exclusive distributor of that brand's popular headphone product series in the PRC. The popularity of the handsets has contributed to the rising sales volume of a wide range of handset ancillary products in the market, including headphones. Revenue of this business has soared to HK$108,080,000 and the profitability has also risen significantly.

That brand has strived to enhance product performance and appearance. In a bid to expand headphone distributorship business through leveraging the improved product features of the brand, the Group will diversify sales channels such as adding online sales and broadening its sales network.

Telecommunications Call Centre Services – Telecommunications Operator A

The Group commenced cooperation with telecommunications operator A through the acquisition of Shanghai Motion JUNS Communication Technology Company Limited* (上海潤迅君斯通信科技有限公司) ("Shanghai Motion JUNS") in December 2014. In this relationship, the Group is responsible for management and operation of outbound and inbound call centres. The development of this business has been satisfactory during the year. The Group has also provided inbound and outbound call centre services in personal living, such as travelling, hotel booking, medical services and ticketing, which has further increased the variety of the type of call centre services it can offer.

Since the acquisition of Shanghai Motion JUNS, the phone lines of the call centre have increased from 80 to around 450 while attaining a full utilisation rate. The number of staff has also increased from 110 to 585 as at 31 March 2016. In view of the expanding business needs, the Group has stepped up efforts to interconnect these two businesses. It has shared resources through cooperation between these platforms and strived for better synergies. The Group has also improved operational efficiency and management procedures while optimising service quality in a bid to increase monthly revenue per staff and boost the profitability of this business.

Property Development and Management

Changbaishan Ground Pine Township International Resort in Jilin Province, the PRC, with 35% equity interest held by the Group, has progressed according to schedule. Phase 1 and supporting facilities are expected to be completed in late 2016. In addition, the Group also owns the management rights of Changbaishan Ground Pine Township International Resort, enabling it to create added income streams through providing management services. Given that the project is still at its development stage, this segment did not make any contribution to the Group's revenue during the year.

During the year the Group has completed the acquisition of Jilin Wan Sheng, which is principally engaged in property development in Jilin City. The acquisition of Jilin Wan Sheng is expected to boost the Group's growth and enhance its business scale in property development and management. Jilin Wan Sheng's property project, the remaining part of Phase II of "Wansheng•Qiancheng International*" (萬升•前城國際) has commenced construction in the second quarter of 2016.

The Company has also signed a conditional sale and purchase agreement with Ka Yik to acquire the entire equity interest in Ka Yun and its subsidiaries at a consideration of HK$4,650,000,000 in May 2015. Ka Yun and its subsidiaries are principally engaged in the development of residential, commercial and tourism properties in Jilin Province, the PRC. The completion of the acquisition should further enlarge the scale of property development and management business of the Group and enhance its financial position enabling it to more readily obtain financing as and when needed.

Property Investment

The Group has signed the lease contracts with new tenants after the original ones had expired in April 2014. The new lease contracts have commenced in December 2015, generating approximately HK$2,157,000 of rental income for this segment for the year ended 31 March 2016 (2015: approximately HK$448,000).

PROSPECTS

According to the "Notice for Rectifying and Improving Problems Found in the Second National Census" issued by the Central Government[1], increasing speed and lowering the cost of network implementation and operation is one of the most important issues facing society. Implementation of related policies will increase mobile data usage and the number of 4G users. According to "Statistics of Telecommunications Service for the Full Year 2015 and 4th Quarter"[2] produced by MIIT, the number of broadband users reached 785 million in China, including 289 million new 4G users bringing the total base of 4G users up to 386 million. As a professional telecommunications outsourced services provider, the Group is continuing to maintain close cooperation with existing operators and customers and to actively explore business opportunities with other telecommunication service providers in order to bring additional income through expanding its telecommunications retail sales and management services business. On top of enhancing the service efficiency and quality of call centers, the Group is further optimising the distribution model, exploring opportunities to distribute other international renowned headphone brands and expanding sales channels by working with renowned logistics and internet companies in China aimed at boosting the number of online shoppers. With a comprehensive online and offline sales model, the Group can further optimise product distribution and meet the demands of a wide range of customers.

On the other hand, the Group is aggressively developing its property development and management business. According to the data from the China National Tourism Administration, the domestic tourism market is expanding as domestic tourism revenue reached RMB13.79 billion during the Chinese New Year holiday in 2016, a year-on-year growth of 14.2%.[3] Capitalising on the strengths and rich experience in property investment and management of the management team, the Group's Changbaishan

1 http://mobile.people.com.cn/BIG5/n/2015/0729/c183008-27378027.html

2 http://www.miit.gov.cn/n1146295/n1652858/n1652930/n4509627/c4625617/content.html

3 http://www.cnta.gov.cn/xxfb/hydt/201602/t20160216_760729.shtml

Ground Pine Township International Resort is expected to ride on the momentum from the increasing domestic tourism spending. While tourism assets continue to be optimised in Changbaishan and the number of domestic and foreign tourists continues to increase and the local economy develops, this project is set to generate satisfactory revenue. On the residential project developed by Jilin Wan Sheng, the construction on the remaining land plot has commenced from end of June 2016 and the Directors are expected that it will complete by the end of 2016. The Group intends to fully utilise the management's resources and network in Jilin and formulate a development plan for the residential and commercial property market with strong potential in Jilin Province, and proactively evaluate appropriate development opportunities.

Looking ahead, the Group will capture further business opportunities in its telecommunication business and leverage the strength of its comprehensive operational model to generate sustainable value for its shareholders.

FINANCIAL REVIEW

KEY CHANGES TO INCOME STATEMENT ITEMS

Revenue

During the year ended 31 March 2016, the Group's revenue increased, by 92.4% or HK$119.6 million, from HK$129.5 million to HK$249.1 million. Each of the Group's major income sources managed to record a significant year-on-year growth at least 40%. In particular, sales of headphones, mobile phones, telecommunication equipment and products and telecommunications call centre service income contributed 77.1% of the increase in total revenue of the Group.

Gross profit and gross margin

	Year ended 31 March 2016		Year ended 31 March 2015	
	Gross Profit	**Gross Margin**	Gross Profit	Gross Margin
	HK$'000	***%***	*HK$'000*	*%*
Sale of headphones, mobile phones and telecommunication equipment and other products	**21,842**	**19.8**	17,595	22.8
Telecommunications call centre service income	**21,233**	**31.0**	3,525	36.5
Telecommunications retail sales and management services income	**58,565**	**86.1**	34,509	81.5
Rental income	**2,157**	**100.0**	360	80.4
Project management income	**–**	**N/A**	18	100.0
	103,797	**41.7**	56,007	43.3

The Group's gross profit increased from HK$56.0 million for the year ended 31 March 2015 to HK$103.8 million for the year ended 31 March 2016, representing an increase of HK$47.8 million or 85.3% which was contributed by the telecommunications retail sales and management services of 50.3%, telecommunications call centre service of 37.1% and sales of headphones and mobile phones of 8.9%. The Group's gross margin, however, decreased slightly from 43.3% to 41.7% attributable to the change in the Group's revenue mix whereby telecommunication call centre service with lower gross margin became one of the Group's major revenue and gross profit contributor for the year ended 31 March 2016.

Other income

During the year, other income mainly represented (i) interest income of HK$14.8 million primarily in relation to the entrusted loan receivable lent to Jilin Wan Sheng (2015: HK$8.8 million) and of HK$0.6 million in relation to the related pledged bank deposits (2015: HK$0.3 million); and (ii) government subsidy of HK$2.0 million received (2015: HK$0.5 million).

Distribution costs

The increase in the Group's distribution costs from HK$33.3 million for the year ended 31 March 2015 to HK$56.7 million for the year ended 31 March 2016 was primarily attributable to (i) the increase in staff costs of HK$15.4 million resulting from a full-year operation of eight telecommunication retail stores acquired in last financial year; (ii) the increase in rental expenses of HK$2.8 million contributed by the telecommunication retail stores acquired in the second half of last financial year; and (iii) advertising and promotional activities of HK$2.4 million for the Group's headphone trading operation.

Administrative expenses

During the year, the Group's administrative expenses increased by HK$37.9 million or 58.3% to HK$102.8 million, mainly attributable to (a) the increase in legal and professional fees of approximately HK$33.6 million incurred in respect of the acquisitions of (i) the entire 100% interest in Ka Yun and its subsidiaries; and (ii) the entire 100% interest in Jilin Wan Sheng; (b) the exchange loss of HK$10.4 million realised upon conversion of the RMB-denominated pledged deposits upon the maturity of the entrusted loan; and (c) the repair and maintenance expenses of HK$3.8 million for the repair and maintenance work on the investment properties in Hong Kong.

Finance costs

The Group's finance costs for the year ended 31 March 2016 were mainly related to interest expenses incurred on bank and other borrowings, including the bank loan used for financing the entrusted loan receivable. The interest expenses increased by HK$8.7 million or 52.0% to HK$25.4 million for the year ended 31 March 2016, mainly attributable to the higher interest rate on the promissory notes and the other unsecured loan that was lent to re-finance the promissory notes issued in prior years.

Income tax

The Group's current income tax amounted to HK$10.6 million, representing an increase in HK$6.5 million or 159.3% when compared to last financial year. The current income tax was entirely related to the provision for EIT in the PRC. The increase in current income tax was mainly attributable to the increase in profit generated from the operation in Shanghai.

KEY CHANGES TO FINANCIAL POSITION

Investment properties

The Group's investment properties are the office premises in Kowloon Bay, Hong Kong. As at 31 March 2016, the fair value of the investment properties of the Group remained at HK$340.0 million (2015: HK$340.0 million). The investment properties were revalued by Savills Valuation and Professional Services Limited, an independent firm of surveyors, on an open market value basis.

Interest in associates

Interests in associates are the Group's investment in Changbaishan Ground Pine Township International Resort. As at 31 March 2016, the carrying mount of the interests in associates amounted to HK$385.0 million, representing a decrease of HK$1.5 million from HK$386.5 million as at 31 March 2015. The decrease was attributable to the loss incurred with the project as it remained at the initial development stage and no income was generated so far.

Inventories

The Group's inventories are mainly related to the stocks of headphones and other telecommunication accessories. As at 31 March 2016, the inventories amounted to HK$35.2 million (2015: HK$30.9 million). The increase in inventories was mainly attributable to continual expansion of the headphone business and the introduction of new headphone product line. The inventory turnover days for the year ended 31 March 2016 are 136 days (2015: 100 days); the increase of which were mainly attributable to the increase in average inventory balance for the year ended 31 March 2016 when compared with that for the year ended 31 March 2015 where the trading business of headphones commenced operating in June 2014 (i.e. during the first quarter of last financial year).

Properties under development and completed properties held for sale

The Group's properties held for sales as at 31 March 2016 included completed properties held for sale and properties under development of HK$211.0 million (2015: Nil) and HK$66.0 million (2015: Nil) respectively which are the assets acquired on the acquisition of the entire equity interest in Jilin Wan Sheng.

As at 31 March 2016, the Group's completed properties held for sale and properties under development comprised unrecognised gross floor area of 55,346 sq.m. and 28,629 sq.m. respectively. Included in the completed properties held for sales with unrecognised gross floor area of 18,574 sq.m. were already pre-sold as at 31 March 2016.

Trade and other receivables

	At 31 March 2016 *HK$'000*	At 31 March 2015 *HK$'000*
Trade receivables	**51,065**	28,537
Other receivables		
– Land development expenditure	**151,442**	–
– Prepaid business tax and other surcharges	**4,851**	–
– Other receivables, prepayments and deposits	**19,722**	13,579
	227,080	42,116

The increase in trade receivables as at 31 March 2016 was in line with the increase in the sales volume from the Group's telecommunications retail sales and management service business. Further details of the Group's credit risk are set out under the section "Financial risks" below.

As at 31 March 2016, land development expenditure made by Jilin Wan Sheng, a subsidiary of the Group, represented monies advanced to the local government for land development works at a land site located at the southern side of the Property Project, the northern side of Xinshui North Street, the western side of Chuanying District Guihua Road and the eastern side of Jiefang Xi Road (南至前城國際項目，北至秀水北街，西至船營區規劃路，東至解放西路) with gross floor area of 170,000 sq.m.. On 26 October 2015, Jilin Wan Sheng entered into an agreement with the local government of Jilin City, Jilin Province, which sets out the principal terms relating to this interest-free advance made to the local government for the land development work (including relocation of existing residents) and arrangement relating to the proposed acquisition of land use right of the land site through the process of tender, auction and listing as required under the laws and regulations of the PRC. The directors anticipate that the tender, auction and listing process of the land site is expected to take place in 2017.

Entrusted loan receivable

In 2014, the Group entered into an entrusted loan agreement with Jilin Wan Sheng to provide a loan of RMB143.9 million, which was further extended to 25 March 2015, 26 September 2015 and 25 March 2016. The balance was settled in January 2016.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2016, the Group had net current assets of HK$65.2 million (2015: HK$167.0 million), representing a decrease of HK$101.8 million or 61.0%. The liquidity ratio (calculated on the basis of the Group's current assets to its liabilities) of the Group as at 31 March 2016 was 1.11 times (2015: 1.46 times). The decreases in net current assets and liquidity ratio were mainly attributable to the repayment of certain interest-bearing borrowings of approximately HK$288.0 million and partially offset by the increase in (i) working capital for the operation in Shanghai; and (ii) the working capital of Jilin Wan Sheng.

As at 31 March 2016, the Group had outstanding borrowings of HK$250.3 million (2015: HK$497.6 million) which comprised (i) bank borrowings of HK$209.8 million; (ii) interest-free loan from controlling shareholder of HK$2.0 million; and (iii) other unsecured loan of HK$38.4 million inherited upon the acquisition of Jilin Wan Sheng. Of which, the Group's bank and other borrowings of HK$104.3 million were repayable within one year; and the remaining bank and other borrowings of HK$146.0 million were repayable over one year. The gearing ratio of total borrowings as a percentage of the total capital and reserves attributable to equity holders of the Company as at 31 March 2016 was 22% (2015: 31%).

COMMITMENTS FOR DEVELOPMENT EXPENDITURE

As at 31 March 2016, the Group had commitments in respect of properties under development of HK$96.5 million (2015: HK$Nil) upon the completion of the acquisition of the entire equity interest in Jilin Wan Sheng. The development expenditure will be funded by the Group's internal resources and/or project loans. The Group also had unutilised banking facilities of HK$218 million as at 31 March 2016.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause the Group's financial conditions or results materially different from the expected or historical results are described below.

Risks pertaining to the telecommunications retail sales and management services business

The core business of the Group is to act as the exclusive distributor for a branded headphones in the PRC or the service provider for telecommunication operator A for the retail store operation or call centre operation. In case the distributorship right is discontinued or the service contracts are terminated or not renewed, it may have a significant impact on the business.

The Group has been and is exploring to diversify into other brands and other markets to avoid over reliance on one particular brand or one single market.

Risks pertaining to the property development and management business

The Group's property projects are located in the PRC and the related assets accounted for 19.9% of the Group's total assets as at 31 March 2016. As such, the Group is therefore subject to the risks associated with the PRC property market. The Group's property development and management business in the PRC may also be exposed to the risks of policy change, interest rate change, demand-supply imbalance and the overall economic conditions, which may pose an adverse impact on the Group's business, financial conditions or results of operations.

Risks pertaining to the property investment business

The rental rates and the occupancy rates depend on various factors, including but not limited to, prevailing supply and demand conditions, economic conditions as well as the quality of the properties. There is no assurance that the Group will be able to look for new tenants within a short period of time or procure new leases or renew existing leases at the prevailing market rates.

Financial risks

As a matter of policy, the Group continues to manage the market risks directly relating to its operations and financing activity and does not undertake any speculative derivative trading activities. All treasury risk management activities are carried out in accordance with the Group's policies and guidelines, which are reviewed as and when needed.

Currency risk

As at 31 March 2016, the Group was exposed to currency risk on financial assets and liabilities that were denominated in Renminbi ("RMB"). At 31 March 2016, approximately 93.2% of the Group's total cash and bank balance (including pledged bank deposit) were denominated in RMB and approximately 75.9% of the Group's total borrowings were denominated in HK$, while 24.1% were denominated in RMB. The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

The Group will continue to monitor the change in the trend of interest rates and the potential causes that trigger large fluctuation in the exchange rates of HK$ and RMB, and will consider hedging significant foreign currency exposure if necessary so as to mitigate the foreign currency exposure arising from the Group's business operation and to minimize the Group's financial risks.

Interest rate risk

As at 31 March 2016, 16.2% of the Group's total borrowings were interest free, 8.7% bore interest at fixed rates of 1.55% per annum, and 75.1% of the Group's total borrowings bore interest at floating rates ranging from 3.22% to 3.67%. The Group does not enter into any financial instruments to hedge its interest rate risk exposure.

Credit risk

The Group currently grants a credit period of 30-60 days to its customers. The Group's debtor turnover days of 58 days (2015: 47 days) remains within the Group's credit terms. The increase in turnover days was contributed by the sale of headphones of RMB10.1 million (equivalent to HK$12.3 million) to a new customer in March 2016. A stringent monitoring procedures has put in place to deal with overdue debts and minimize the credit risk of trade receivables.

Liquidity risk

The Group policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

ACQUISITION OF ENTIRE EQUITY INTEREST OF JILIN WAN SHENG

On 11 September 2015, World Rich Management Limited ("World Rich"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (as amended and supplemented by a supplemental agreement dated 8 October 2015, the "Wansheng Agreement") with Ms. Cui Guiying and Ms. Wang Dongwei (collectively, the "Vendors"), the independent third parties, pursuant to which World Rich conditionally agreed to acquire and the Vendors conditionally agreed to sell the entire equity interest in Jilin Wan Sheng for the consideration of RMB150,000,000 (equivalent to approximately HK$179,820,000). The acquisition was completed in January 2016.

The principal activity of Jilin Wan Sheng is property development in Jilin City. Jilin Wan Sheng is currently developing a residential project called "Wansheng • Qiancheng International*" (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 and delivered. More than half of the residential units of Phase II was completed by the end of 2014 and the remaining part of Phase II has commenced construction in second quarter of 2016.

The financial information of Jilin Wan Sheng is set out below:

	From 19 January 2016 (date of acquisition) to 31 March 2016	Year ended 31 December 2015	Year ended 31 December 2014
	HK$'000	*HK$'000*	*HK$'000*
Revenue	**–**	284,514	48,086
Gross profit	**–**	23,710	6,974
Net (loss) profit before taxation	**(281)**	16,611	(12,657)
Net (loss) profit after taxation	**(281)**	12,458	(9,492)
Non-current assets	**347**	341	4,612
Net current assets (liabilities)	**123,388**	122,981	(73,896)
Net assets (liabilities)	**123,735**	123,322	(69,284)

PROPOSED ACQUISITION OF KA YUN AND ITS SUBSIDIARIES

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 of the Company and the chairperson of the Board) entered into the initial agreement (as supplemented by the supplemental agreements dated 3 July 2015 and 22 December 2015 and an extension letter dated 31 March 2016) (together referred to as "sale and purchase agreements"), pursuant to which the Purchaser has agreed to acquire and the Vendor has agreed to sell the entire issued capital of 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, together with its subsidiaries, is principally engaged in the development, sale and leasing of residential, commercial and tourism properties and property management in 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 and is conditional upon satisfaction of the conditions precedent as set out in the sale and purchase agreements. Details of the Ka Yun Acquisition were set out in the Company's announcements dated 19 March 2015, 26 May 2015, 3 July 2015, 16 October 2015, 22 December 2015, 31 December 2015 and 31 March 2016.

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2016, the Group did not have any significant investments held.

SHARE CAPITAL

As at 31 March 2016, the Company had 858,450,000 shares of HK$0.05 each in issue (2015: 858,450,000 shares of HK$0.05 each) with total shareholders' fund of the Group amounting to approximately HK$657,218,000 (2015: HK$727,816,000).

CONTINGENT LIABILITIES

The Group has arranged bank financing for certain purchasers of property units developed by Jilin Wan Sheng, a wholly-owned subsidiary of the Group that provided guarantees to secure obligation of such purchasers for repayments. As at 31 March 2016, guarantees amounting to HK$107.3 million were given to banks with respect to loans procured by purchasers of property units. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate to the purchasers or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. During the year, the Group did not incur any material losses in respect of any of these guarantees. The Directors consider that the likelihood of default in payments by the purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial. Also, in case of default in payments, the net realizable value of the related property units would be sufficient to repay the outstanding mortgage loans together with any accrued interest and penalty, and therefore no provision has been made in connection with the guarantees.

Other than the above, the Group did not have any other significant contingent liabilities as at 31 March 2016 (2015: Nil).

CHARGE ON ASSETS

As at 31 March 2016, the Group had the following assets pledged to secure the bank loans granted:

	At 31 March 2016 *HK$'000*	At 31 March 2015 *HK$'000*
Investment properties	**340,000**	340,000
Pledged deposits	**22,537**	203,326

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2016, the Group had 1,009 (2015: 855) full-time staff. The significant increase in full-time staff is 154. Total staff costs (including directors' emoluments) incurred for the year amounted to approximately HK$101,246,000 (2015: HK$52,297,000). 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.

REVIEW OF ANNUAL RESULTS

The Group's final results for the year ended 31 March 2016 have been reviewed by the Audit Committee. The figures in respect of this preliminary announcement have been agreed by the Group's auditor, Mazars CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Mazars CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Mazars CPA Limited on the preliminary announcement.

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 year ended 31 March 2016.

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 (the "CG Code") as set out in Appendix 14 to the Listing Rules during the year except code provision A.2.1 of the CG Code.

Code provision A.2.1 requires the roles of chairperson and chief executive should be separate and should not be performed by the same individual. The roles of chairperson and chief executive of the Company were performed by Ms. Chai Xiu until her resignation as chief executive officer of the Company with effect from 10 November 2015 and remains as the Chairperson of the Board. Since then, the Company has been complied with all the applicable code provision of the CG Code.

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

Hong Kong, 30 June 2016

As at the date of this announcement, the Executive Directors of the Company are Ms. Chai Xiu, Mr. Wang Guanghui and Mr. Huang Bingxing; and the Independent Non-executive Directors of the Company 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.*