



**GROUND
PROPERTIES**
广泽地产

GROUND PROPERTIES COMPANY LIMITED

廣澤地產有限公司

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

Stock Code 股份代號：989



Interim Report
2014/15
中期報告

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHAI Xiu

(Chairman and Chief Executive Officer)

CHEN Luhui

CONG Hongsong

Independent Non-executive Directors

CHAN Yuk Tong

MEI Jianping

NIE Meisheng *(resigned on 6 November 2014)*

BOARD COMMITTEES

Audit Committee

CHAN Yuk Tong *(Chairman)*

MEI Jianping

NIE Meisheng *(resigned on 6 November 2014)*

Remuneration Committee

CHAN Yuk Tong *(Chairman)*

MEI Jianping

NIE Meisheng *(resigned on 6 November 2014)*

CHAI Xiu

Nomination Committee

MEI Jianping *(Chairman)*

CHAN Yuk Tong

CHAI Xiu

COMPANY SECRETARY

LUNG Yuet Kwan

LEGAL ADVISOR

Michael Li & Co.

AUDITOR

Mazars CPA Limited

Certified Public Accountants

REGISTERED OFFICE

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PRINCIPAL SHARE REGISTRAR

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Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Abacus Limited

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Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited

The Hongkong and Shanghai Banking

Corporation Limited

STOCK CODE

989

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 September 2014

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

	Note	Six months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Turnover	4	42,946	28,535
Cost of sales and services		(21,114)	(9,056)
Gross profit		21,832	19,479
Other revenue	4	2,044	2,827
Other net income		2,098	3
Distribution costs		(2,415)	(48)
Administrative expenses		(51,904)	(35,386)
Finance costs	5	(5,808)	–
Share of results of associates		(891)	–
Loss before taxation	6	(35,044)	(13,125)
Taxation	7	(870)	(75)
Loss for the period		(35,914)	(13,200)
Loss attributable to:			
Shareholders of the Company		(35,911)	(13,197)
Non-controlling interests		(3)	(3)
		(35,914)	(13,200)
Losses per share	8		(Restated)
– Basic and diluted		(4.67) HK cents	(2.34) HK cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2014

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

Condensed Consolidated Statement of Financial Position

As at 30 September 2014

	Note	30 September 2014 (Unaudited) HK\$'000	31 March 2014 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investment properties	10	315,000	315,000
Property, plant and equipment	11	2,449	2,547
Goodwill		–	–
Interests in associates		383,028	383,919
		<u>700,477</u>	<u>701,466</u>
Current assets			
Inventories		29,785	1,580
Trade and other receivables	12	55,771	11,514
Entrusted loan receivable	13	181,945	–
Pledged bank deposits		205,717	–
Bank balances and cash		74,923	38,860
		<u>548,141</u>	<u>51,954</u>
Current liabilities			
Trade and other payables	14	32,880	17,488
Interest-bearing borrowings	15	349,956	145,000
Taxation		956	58
		<u>383,792</u>	<u>162,546</u>
Net current assets (liabilities)		<u>164,349</u>	<u>(110,592)</u>
Total assets less current liabilities		<u>864,826</u>	<u>590,874</u>

Condensed Consolidated Statement of Financial Position

As at 30 September 2014

	Note	30 September 2014 (Unaudited) HK\$'000	31 March 2014 (Audited) HK\$'000
Non-current liabilities			
Interest-bearing borrowings	15	150,000	150,000
Deferred tax liabilities		5,099	5,099
		<u>155,099</u>	<u>155,099</u>
NET ASSETS		<u>709,727</u>	<u>435,775</u>
CAPITAL AND RESERVES			
Issued capital	16	42,923	28,532
Reserves		666,949	407,385
		<u>709,872</u>	<u>435,917</u>
Total capital and reserves attributable to shareholders of the Company		<u>709,872</u>	<u>435,917</u>
Non-controlling interests		<u>(145)</u>	<u>(142)</u>
TOTAL EQUITY		<u>709,727</u>	<u>435,775</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2014

	Reserves attributable to shareholders of the Company							
	Issued capital (Unaudited) HK\$'000	Non- distributable capital reserves (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Accumulated profits (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Non- controlling interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000	
Balance at 1 April 2014	28,532	62,454	210,587	134,344	407,385	(142)	435,775	
Exchange difference	-	517	-	-	517	-	517	
Loss for the period	-	-	-	(35,911)	(35,911)	(3)	(35,914)	
Total comprehensive income for the period	-	517	-	(35,911)	(35,394)	(3)	(35,397)	
Transaction with owners:								
Issue of shares	14,391	272,022	-	-	272,022	-	286,413	
Grant of shares options	-	22,936	-	-	22,936	-	22,936	
Balance at 30 September 2014	42,923	357,929	210,587	98,433	666,949	(145)	709,727	
Balance at 1 April 2013	28,205	129,397	210,587	71,008	410,992	5,934	445,131	
Exchange difference	-	504	-	-	504	-	504	
Loss for the period	-	-	-	(13,197)	(13,197)	(3)	(13,200)	
Total comprehensive income for the period	-	504	-	(13,197)	(12,693)	(3)	(12,696)	
Transaction with owners:								
Release upon lapse of share options	-	(1,752)	-	1,752	-	-	-	
Balance at 30 September 2013	28,205	128,149	210,587	59,563	398,299	5,931	432,435	

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2014

	Note	Six months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
OPERATING ACTIVITIES			
Cash used in operations	(a)	(245,486)	(4,691)
Interest received		1,372	1,975
Interest paid		(3,363)	–
Income tax paid		(259)	(85)
Net cash used in operating activities		(247,736)	(2,801)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		–	2
Purchase of property, plant and equipment		(170)	(182)
Acquisition of interests in a subsidiary (net of cash and cash equivalents)		(1,683)	–
Net cash used in investing activities		(1,853)	(180)
FINANCING ACTIVITIES			
New bank loan raised		204,956	–
Issue of share capital		286,413	–
Increase in pledged bank deposits		(205,717)	–
Net cash from financing activities		285,652	–
Net increase (decrease) in cash and cash equivalents		36,063	(2,981)
Cash and cash equivalents at beginning of period		38,860	102,099
Cash and cash equivalents at end of period, represented by bank balances and cash		74,923	99,118

Note:

(a) CASH USED IN OPERATIONS

	Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Loss before taxation	(35,044)	(13,125)
Interest income	(1,372)	(1,975)
Interest expenses	5,808	–
Bargain purchase on acquisition of a subsidiary	(48)	–
Equity-settled share-based payments	22,936	–
Share of results of associates	891	–
Depreciation	413	446
Write off of doubtful trade receivables	–	139
Loss on disposal of property, plant and equipment	2	243
Exchange difference arising on translation	507	490
(Increase) Decrease in inventories	(27,553)	511
(Increase) Decrease in trade and other receivables	(223,482)	4,305
Increase in trade and other payables	11,456	4,275
Cash used in operations	(245,486)	(4,691)

Notes to the Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

3. SEGMENT INFORMATION

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

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

The Group's reportable segments are as follows:

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

Notes to the Condensed Consolidated Financial Statements

3. SEGMENT INFORMATION (continued)

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

For the six months ended 30 September 2014	Retail sales and management services (Unaudited) HK\$'000	Property Investment (Unaudited) HK\$'000	Property Development and Management (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Group (Unaudited) HK\$'000
Segment Turnover					
Revenue from external customers	42,480	448	18	–	42,946
Segment results	4,056	(801)	(16,117)	(17,746)	(30,608)
Interest income					1,372
Finance costs					(5,808)
Loss before taxation					(35,044)
Taxation					(870)
Loss for the period					(35,914)
For the six months ended 30 September 2013	Retail sales and management services (Unaudited) HK\$'000	Property Investment (Unaudited) HK\$'000	Property Development and Management (Unaudited) HK\$'000	Others (Unaudited) HK\$'000	Group (Unaudited) HK\$'000
Segment Turnover					
Revenue from external customers	23,040	5,495	–	–	28,535
Segment results	(727)	2,135	–	(16,508)	(15,100)
Interest income					1,975
Loss before taxation					(13,125)
Taxation					(75)
Loss for the period					(13,200)

4. TURNOVER AND REVENUE

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

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

5. FINANCE COSTS

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

Notes to the Condensed Consolidated Financial Statements

6. LOSS BEFORE TAXATION

This is stated after charging (crediting):

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

Note:

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

7. TAXATION

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

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

The major component of income tax charge is:

	Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Current tax		
PRC Enterprise Income Tax	870	75
Tax charge for the period	<u>870</u>	<u>75</u>

Notes to the Condensed Consolidated Financial Statements

8. LOSSES PER SHARE

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

		Six months ended 30 September	
		2014 (Unaudited)	2013 (Unaudited) (Restated)
A.	Number of shares:		
	Weighted average number of ordinary shares for the purpose of basic losses per share	769,120,546	564,100,000
	Effect of dilutive potential ordinary shares:		
	Share options issued by the Company	—	—
	Weighted average number of ordinary shares for the purpose of diluted losses per share	769,120,546	564,100,000
		Six months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
B.	Losses for operations:		
	Losses attributable to shareholders of the Company	(35,911)	(13,197)

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

9. DIVIDEND

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

10. INVESTMENT PROPERTIES

	30 September 2014 (Unaudited) HK\$'000	31 March 2014 (Audited) HK\$'000
At fair value	315,000	315,000

Investment properties of the Group are situated in Hong Kong and are held under medium-term lease.

	Quoted prices in active markets for identical assets (Level 1) HK\$'000	Significant other observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000
Recurring fair value measurements			
Investment properties	–	315,000	–

There were no transfers among Level 1, Level 2 and Level 3 during the period.

Level 2 fair values of investment properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot. There were no changes in the valuation techniques during the period.

The Group's investment properties with an aggregate carrying value at the end of the reporting period of HK\$315,000,000 (31 March 2014: HK\$315,000,000) were pledged to secure HK\$210,000,000 (31 March 2014: HK\$210,000,000) out of total HK\$233,011,000 (31 March 2014: HK\$210,000,000) secured bank loans of the Group as set out in note (15).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2014, the Group invested approximately HK\$170,000 (2013: HK\$182,000) on property, plant and equipment. Meanwhile, the Group acquired new property, plant and equipment approximately of HK\$136,000 through acquisition of interests in a subsidiary.

During the six months ended 30 September 2014, the Group disposed of property, plant and equipment with net carrying amount of HK\$2,000 (2013: HK\$245,000).

Notes to the Condensed Consolidated Financial Statements

12. TRADE AND OTHER RECEIVABLES

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

Notes:

(a) Trade receivables

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

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

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

12. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(a) Trade receivables (continued)

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

(b) Allowance for doubtful debts - Other receivables

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

13. ENTRUSTED LOAN RECEIVABLE

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

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

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

An amount of RMB143,900,000 (equivalent to approximately HK\$181,945,000) out of total amount of pledged bank deposits HK\$205,717,000 has been used to secure the entrusted bank loan shown in note (15) in order to facilitate the entrusted loan receivable.

Notes to the Condensed Consolidated Financial Statements

14. TRADE AND OTHER PAYABLES

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

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

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

Note:

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

15. INTEREST-BEARING BORROWINGS

	Note	30 September 2014 (Unaudited) HK\$'000	31 March 2014 (Audited) HK\$'000
Secured bank loans		233,011	210,000
Secured entrusted bank loan	(a)	181,945	–
Promissory notes		85,000	85,000
		<u>499,956</u>	<u>295,000</u>
The maturity of the interest-bearing borrowings is as follows:			
Within one year		305,956	85,000
In the second year		32,000	32,000
In the third to fifth years, inclusive		162,000	178,000
		<u>499,956</u>	<u>295,000</u>
Portion classified as current liabilities		<u>(349,956)</u>	<u>(145,000)</u>
Non-current portion		<u>150,000</u>	<u>150,000</u>

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

Note:

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

Notes to the Condensed Consolidated Financial Statements

16. SHARE CAPITAL

	Note	30 September 2014 Number of shares	(Unaudited) HK\$'000	31 March 2014 Number of shares	(Audited) HK\$'000
Authorised:					
Ordinary shares of HK\$0.01 each as at 1 April 2014 and 2013		78,000,000,000	780,000	78,000,000,000	780,000
Share consolidation for every 5 shares of HK\$0.01 into 1 consolidated share of HK\$0.05 each	(a)	(62,400,000,000)	—	—	—
Ordinary shares of HK\$0.05 each (31 March 2014: HK\$0.01 each)		15,600,000,000	780,000	78,000,000,000	780,000
Issued and fully paid:					
Ordinary shares of HK\$0.01 each as at 1 April 2014 and 2013		2,853,150,000	28,532	2,820,500,000	28,205
Exercise of share options of HK\$0.01 each		8,350,000	83	32,650,000	327
Share consolidation for every 5 shares of HK\$0.01 into 1 consolidated share of HK\$0.05 each	(a)	(2,289,200,000)	—	—	—
Open Offer of HK\$0.05 each		286,150,000	14,308	—	—
Ordinary shares of HK\$0.05 each (31 March 2014: HK\$0.01 each)		858,450,000	42,923	2,853,150,000	28,532

Note:

- (a) Pursuant to the share consolidation became effective on 15 May 2014, every five (5) issued and unissued shares of HK\$0.01 each were consolidated into one (1) consolidated share of HK\$0.05 each.

17. DEFERRED TAX ASSETS

Unrecognised deferred tax assets arising from

	30 September 2014 (Unaudited) HK\$'000	31 March 2014 (Audited) HK\$'000
Deductible temporary differences	475	1,331
Tax losses	351,154	350,222
At the end of the period	351,629	351,553

The Group has not recognised deferred tax assets in respect of tax losses and deductible temporary differences as it is not probable that future taxable profits will be available against which the Group can utilise the benefits therefrom. The tax losses do not expire under current tax legislation.

18. RELATED PARTY TRANSACTIONS

The Group had the following material related party transactions during the period, which were carried out in the normal course of business and on terms arranged by or between the parties concerned:

	Six months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Key management personnel		
Compensation for key management personnel, including amount paid to the Company's directors and certain of the highest paid employees is as follows:		
– Salaries, allowances and benefit in kinds	4,076	4,097
– Retirement scheme contributions	44	38
	<u>4,120</u>	<u>4,135</u>

19. COMMITMENTS

Commitments under operating leases – the Group as lessee

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	30 September 2014 (Unaudited) HK\$'000	31 March 2014 (Audited) HK\$'000
In respect of leased properties:		
– Within one year	6,408	6,083
– In the second to fifth years inclusive	3,866	5,484
	<u>10,274</u>	<u>11,567</u>

20. COMPARATIVE FIGURES

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

Report on Review of Interim Financial Information

**MAZARS CPA LIMITED**

瑪澤會計師事務所有限公司

42nd Floor, Central Plaza,
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道 18 號中環廣場 42 樓

**To the Audit Committee of
Ground Properties Company Limited**
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 3 to 23, which comprises the condensed consolidated statement of financial position of Ground Properties Company Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 September 2014 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Mazars CPA Limited

Certified Public Accountants

Hong Kong

28 November 2014

Chan Chi Ming Andy

Practising Certificate number: P05132

Management Discussion and Analysis

RESULTS AND OPERATIONS REVIEW

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

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

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

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

During the review period, thanks to the Group's efforts to integrate and expand its retail network and to enrich its portfolio of products, sales of mobile phones, headphones and other products surged by more than 200%. The Group recorded a total turnover of HK\$42,946,000, an 50.5% increase compared with same period last year (2013: HK\$28,535,000). However, profit margin of the mobile phones and other products was lower due to the intense competition in the market. Rental income reduced by approximately HK\$5,047,000 year-on-year as the Group is still finding new tenants with higher profitability for its investment properties after the lease contracts expired during the review period. Although legal and professional fees dropped notably by approximately HK\$4,746,000 when compared with the last corresponding period, the Group has continued to record a loss after tax of HK\$35,914,000 (2013: loss after tax: HK\$13,200,000) after it has addressed material expenses for (i) the grant of share options on 19 June 2014 resulting in a sharp increase in share-based compensation costs of approximately HK\$22,936,000 and (ii) interest expense on bank loans and promissory notes of approximately HK\$5,808,000.

Retail sales and management services

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

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

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

Management Discussion and Analysis

Retail sales and management services (continued)

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

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

Property investment

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

Property development and management

After the Group completed the acquisition of Ace Plus Global Limited ("Ace Plus") in 2013, the Changbaishan high-end resort and property project in Jilin Province, China (the "Changbaishan Property Project") 35% owned by Ace Plus has become the cornerstone of the Group's sustainable development in the Chinese property market. The Changbaishan Property Project covers an area of more than 1,000,000 square metres and the construction has been progressing smoothly during the review period. Phase 1, which is expected to start pre-sale in December 2014, and its supporting facilities completed at the end of 2015. On top of the 35% profit from the sales of residential units of the Changbaishan Property Project and recurring rental income from commercial space, the Group also owns the management rights of Changbaishan Property Project, enabling it to create income streams through providing management services including planning, design, budgeting, licensing, contract tendering and contract administration. This segment has yet to make any significant revenue contribution to the Group during the period.

Property development and management (continued)

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

PROSPECTS

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

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

Management Discussion and Analysis

PROSPECTS (continued)

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

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

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

SHARE CONSOLIDATION

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

OPEN OFFER

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

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

Management Discussion and Analysis

ACQUISITION OF ENTIRE EQUITY INTEREST OF SHANGHAI MOTION JUNS

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

As at the date of this report, the acquisition has not been completed and is subject to approval by the shareholders of the Company at the special general meeting to be held on 4 December 2014.

ACQUISITION OF ENTIRE EQUITY INTEREST OF SHANGHAI XINGJITONG

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

PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN JILIN WAN SHENG AND THE ENTRUSTED LOAN AGREEMENT

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES (continued)

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

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

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

SHARE CAPITAL

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

FINANCIAL GUARANTEES

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

CHARGE ON ASSETS

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

EXPOSURES TO FLUCTUATIONS IN EXCHANGE RATES

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

EMPLOYEES AND REMUNERATION POLICIES

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

Other Information

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2014, the Directors and chief executive of the Company or their respective associates had the following interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange:

(a) **Interests in shares of the Company**

Name of Director	Nature of interest	Position	No. of ordinary shares held	Approximate percentage of shareholding
Ms. Chai Xiu	Corporate (<i>Note</i>)	Long	558,020,694	65.00%

Note:

The corporate interest is beneficially owned by Charm Success Group Limited ("Charm Success"), a company of which is wholly and beneficially owned by Ms. Chai Xiu ("Ms. Chai"). Ms. Chai is therefore deemed to be interested in the 558,020,694 shares held by Charm Success. Ms. Chai is also a director of Charm Success.

DIRECTORS' INTERESTS IN SECURITIES (continued)**b) Interests in share options of the Company**

Name of Directors	Nature of interest	Position	No. of share options held	Approximate percentage of issued shares
Ms. Chai Xiu	Beneficial Owner	Long	850,000	0.10%
Mr. Chen Luhui	Beneficial Owner	Long	8,000,000	0.93%
Mr. Cong Hongsong	Beneficial Owner	Long	1,000,000	0.11%
Mr. Chan Yuk Tong	Beneficial Owner	Long	850,000	0.10%
Mr. Mei Jianping	Beneficial Owner	Long	850,000	0.10%
Ms. Nie Meisheng (Note)	Beneficial Owner	Long	850,000	0.10%

Note: Ms. Nie Meisheng resigned as a Director of the Company on 6 November 2014.

(c) Interests in shares of associated corporation of the Company

Name of Director	Name of associated corporation	Relationship with the Company	Nature of interest	Position	No. of share held	Approximate percentage of shareholding
Ms. Chai Xiu	Charm Success	Holding company of the Company	Corporate (Note)	Long	1	100%

Note: The corporate interest in Charm Success is wholly and beneficially owned by Ms. Chai.

Other Information

DIRECTORS' INTERESTS IN SECURITIES (continued)

Save as disclosed above, as at 30 September 2014, none of the Directors, chief executive of the Company nor their respective associates had or were deemed to have any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed herein, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors, nor chief executive of the Company, or any of their spouses or children under the age of 18 had any interests in, or had been granted, any rights to subscribe for any securities in or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2014, so far as being known to the Directors and chief executive of the Company, the following parties (other than the directors and chief executive of the Company) had or were deemed to have the following interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company:

Name of shareholders	Note	Nature of interest	Position	No. of ordinary shares held	Approximate percentage of shareholding
Mr. Cui Mindong	1	Interest of spouse	Long	558,870,694	65.10%
Charm Success Group Limited	2	Beneficial Owner	Long	558,020,694	65.00%
China Galaxy International Finance (Hong Kong) Co., Limited	3	Having a security interest in shares	Long	558,020,694	65.00%
Central Huijin Investment Ltd	3	Interest in a controlled corporation	Long	558,020,694	65.00%
China Galaxy Financial Holdings Company Limited	3	Interest in a controlled corporation	Long	558,020,694	65.00%
China Galaxy International Financial Holdings Ltd	3	Interest in a controlled corporation	Long	558,020,694	65.00%
China Galaxy Securities Co. Ltd	3	Interest in a controlled corporation	Long	558,020,694	65.00%

Other Information

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

1. Mr. Cui Mindong is the spouse of Ms. Chai.
2. Charm Success is wholly and beneficially owned by Ms. Chai, a director of the Company. The interests disclosed represent the same interests as the corporate interest of Ms. Chai as disclosed under the section of "Directors' Interests in Securities" above.
3. Central Huijin Investment Limited, which currently holds a 78.57% equity interest of Galaxy Financial Holdings Company Limited, which in turn is the controlling shareholder of China Galaxy Securities Co., Ltd., a joint stock limited company incorporated in the PRC on 26 January 2007, whose H Shares are listed on the Hong Kong Stock Exchange (Stock Code: 06881). China Galaxy International Financial Holdings Ltd and China Galaxy International Finance (Hong Kong) Co., Limited are wholly owned subsidiaries of China Galaxy Securities Co. Ltd.

Save as disclosed above, the Company has not been notified of any persons who, as at 30 September 2014, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as being directly or indirectly interested in 5% or more of the issued share capital of the Company.

SHARE OPTION SCHEMES

The share option scheme of the Company adopted on 6 September 2002 with scheme limit refreshed on 23 September 2009, which was due to expire on 6 September 2012 (the "2002 Share Option Scheme") was terminated on 5 September 2012. A new share option scheme (the "2012 Share Option Scheme") was adopted by the shareholders of the Company at the annual general meeting held on 5 September 2012 with scheme limit refreshed on 8 August 2014.

Upon termination of the 2002 Share Option Scheme, no further share options would be granted by the Company under the 2002 Share Option Scheme but the share options granted and not yet exercised thereunder would however remain valid and exercisable and are bound by the terms therein until the end of the relevant exercise period. According to the 2002 Share Option Scheme and the unconditional mandatory cash offer for, inter alia, cancellation of all the outstanding share options of the Company ("Option Offer") made by Charm Success under the Hong Kong Code on Takeovers and Mergers, all the share options remaining unexercised were lapse and become null and void and of no further effect from 6 May 2014.

The 2012 Share Option Scheme shall be valid and effective for 10 years from the date of adoption, i.e. 5 September 2012. During the period, a total of 50,700,000 share options were granted by the Company thereunder at an exercise price of HK\$0.98 per share. Details of which were set out in the announcement dated 19 June 2014.

SHARE OPTION SCHEMES (continued)

During the period, the movement in the share options under the 2012 Share Option Scheme is as follows:

Grantees	Number of share options				Outstanding and exercisable as at 30 September 2014	Date of grant	Exercise period	Exercise price per share HK\$	Closing price immediately before the date of grant HK\$	Approximate percentage of issued shares
	Outstanding and exercisable as at 1 April 2014	Granted during the period	Exercised during the period	Cancelled/lapsed during the period						
Directors										
Ms. Chai Xiu	-	850,000	-	-	850,000	19/06/2014	19/06/2014 – 18/06/2024	0.980	0.980	0.10%
Mr. Chen Luhui	-	8,000,000	-	-	8,000,000	19/06/2014	19/06/2014 – 18/06/2024	0.980	0.980	0.93%
Mr. Cong Hongsong	-	1,000,000	-	-	1,000,000	19/06/2014	19/06/2014 – 18/06/2024	0.980	0.980	0.11%
Mr. Chan Yuk Tong	-	850,000	-	-	850,000	19/06/2014	19/06/2014 – 18/06/2024	0.980	0.980	0.10%
Mr. Mei Jianping	-	850,000	-	-	850,000	19/06/2014	19/06/2014 – 18/06/2024	0.980	0.980	0.10%
Ms. Nie Meisheng (Note)	-	850,000	-	-	850,000	19/06/2014	19/06/2014 – 18/06/2024	0.980	0.980	0.10%
Sub-total	-	12,400,000	-	-	12,400,000					1.44%
Employees in aggregate										
	-	2,300,000	-	-	2,300,000	19/06/2014	19/06/2014 – 18/06/2024	0.980	0.980	0.27%
Consultants										
	-	36,000,000	-	-	36,000,000	19/06/2014	19/06/2014 – 18/06/2024	0.980	0.980	4.20%
Total	-	50,700,000	-	-	50,700,000					5.91%

Note:

Ms. Nie Meisheng (“Ms. Nie”) resigned as a Director of the Company on 6 November 2014. Pursuant to the 2012 Share Option Scheme, the 850,000 share options granted to Ms. Nie will lapse on 6 December 2014 (i.e. 1 month following the date of cessation as qualified person) as a result of her resignation.

There was no vesting period for the share options granted.

Apart from as disclosed above, no share options were granted, exercised, cancelled or lapsed under the 2012 Share Option Scheme during the period.

Other Information

AUDIT COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

CORPORATE GOVERNANCE CODE

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

Code Provision A.2.1

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

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

Code Provision A.6.7

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

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

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules on 21 July 2009 as the Company's code of conduct for dealings in securities of the Company by Directors. All Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code during the period.

CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in the information of Directors subsequent to the publication of the 2013/14 annual report in July 2014 is set out below:

- (a) **Mr. Chan Yuk Tong** ("Mr. Chan") (*independent non-executive Director*)
Mr. Chan was appointed as a non-executive director of Golden Shield Holdings (Industrial) Limited, a company listed on the Main Board of the Stock Exchange, on 16 June 2014.
- (b) **Mr. Mei Jianping** ("Mr. Mei") (*independent non-executive Director*)
Mr. Mei was appointed as an independent non-executive director of China Rundong Auto Group Limited, a company listed on the Main Board of the Stock Exchange, on 23 July 2014.
- (c) **Mr. Ting Pang Wan, Raymond** ("Mr. Ting") (*non-executive Director*)
Mr. Ting retired upon conclusion of the annual general meeting of the Company held on 8 August 2014 due to other personal commitment. Details of which were set out in the announcement of the Company dated 8 August 2014.
- (d) **Ms. Nie Meisheng** ("Ms. Nie") (*independent non-executive Director*)
Ms. Nie resigned as an independent non-executive Director and member of each of the Remuneration Committee and Audit Committee of the Company with effect from 6 November 2014 due to the recent guidance in relation to part-time job arrangement for retired civil servants in the People's Republic of China. Details of which were set out in the announcement of the Company dated 6 November 2014.

Following the resignation of Ms. Nie, the number of independent non-executive Directors and the number of members of the audit committee of the Company will fall below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules respectively.

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

Other Information

SUBSEQUENT EVENTS

Grant of Share Options

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

OTHER DISCLOSURE

Save as disclosed above and other than those disclosed in this report, the Directors are not aware of any material changes from the information disclosed in the annual report of the Company for the year ended 31 March 2014.

BOARD OF DIRECTORS

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

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

Hong Kong, 28 November 2014

** The English names of the PRC entities referred to in this report 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.*



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