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## GRAND MING GROUP HOLDINGS LIMITED

### 佳明集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1271)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

### HIGHLIGHTS

- Underlying net profit for the period\* increased by 3.5% to HK\$67.5 million (2016: HK\$65.2 million). Underlying earnings per share\* was 9.5 HK cents (2016: 9.2 HK cents as adjusted for the bonus issue in 2017)
- Net profit for the period amounted to HK\$71.4 million (2016: HK 125.5 million), inclusive of the increase in fair value of investment properties of HK\$3.9 million (2016: HK\$60.3 million). Earnings per share was 10.1 HK cents (2016: 17.7 HK cents as adjusted for the bonus issue in 2017)
- Interim dividend of 4.0 HK cents per share (2016: 4.0 HK cents per share)
- Net assets as at 30 September 2017 amounted to HK\$2,673.3 million

\* *Underlying net profit for the period and underlying earnings per share are calculated by excluding the effect of change in fair value of investment properties*

The board (the “Board”) of directors (the “Directors”) of Grand Ming Group Holdings Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2017 together with the comparative figures for the corresponding period in 2016 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017

		<b>Six months ended 30 September</b>	
		<b>2017</b>	<b>2016</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	5	<b>815,032</b>	514,583
Direct costs		<u><b>(706,954)</b></u>	<u>(420,699)</u>
<b>Gross profit</b>		<b>108,078</b>	93,884
Other income and gains, net	5	<b>2,327</b>	1,123
General and administrative expenses		<b>(14,497)</b>	(9,830)
Increase in fair value of investment properties	10(a)	<u><b>3,928</b></u>	<u>60,350</u>
<b>Profit from operations</b>		<b>99,836</b>	145,527
Finance costs	6(a)	<u><b>(15,380)</b></u>	<u>(8,408)</u>
<b>Profit before taxation</b>	6	<b>84,456</b>	137,119
Income tax expenses	7	<u><b>(13,059)</b></u>	<u>(11,597)</u>
<b>Profit for the period</b>		<u><b>71,397</b></u>	<u>125,522</u>
		<i>HK cents</i>	<i>HK cents</i>
			(Restated)
<b>Earnings per share</b> (reported earnings per share)			
- Basic and Diluted	9(a)	<u><b>10.1</b></u>	<u>17.7</u>
<b>Earnings per share</b> (underlying earnings per share)			
- Basic and Diluted	9(b)	<u><b>9.5</b></u>	<u>9.2</u>

Details of the dividends are disclosed in note 8 to the financial statements in this announcement.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 September 2017*

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>71,397</b>	<b>125,522</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale securities:		
Change in fair value	—	356
Cash flow hedges:		
Change in fair value	<b>(8,680)</b>	(2,110)
Net deferred tax credited	<b>1,432</b>	348
	<b>(7,248)</b>	(1,762)
<b>Other comprehensive income for the period, net of tax</b>	<b>(7,248)</b>	<b>(1,406)</b>
<b>Total comprehensive income for the period</b>	<b>64,149</b>	<b>124,116</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

		At 30 September 2017 (Unaudited) <i>HK\$'000</i>	At 31 March 2017 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current assets</b>			
Fixed assets			
- Investment properties	10	3,605,300	3,586,600
- Property, plant and equipment		257,437	260,844
		<u>3,862,737</u>	<u>3,847,444</u>
Deferred tax assets		5,470	2,549
Derivative financial instruments		207	571
Other financial assets		13,896	13,884
		<u>3,882,310</u>	<u>3,864,448</u>
<b>Current assets</b>			
Properties under development for sale		1,064,711	992,697
Gross amount due from customers for contract work		15,579	49,397
Trade and other receivables	11	314,978	184,781
Deposit for acquisition of subsidiaries		82,000	—
Restricted and pledged deposits		52,888	59,158
Cash and bank balances		748,723	390,300
		<u>2,278,879</u>	<u>1,676,333</u>
<b>Current liabilities</b>			
Trade and other payables	12	342,478	218,172
Bank loans	13	240,330	118,016
Tax payable		14,143	6,932
		<u>596,951</u>	<u>343,120</u>
<b>Net current assets</b>		<u>1,681,928</u>	<u>1,333,213</u>
<b>Total assets less current liabilities</b>		<u>5,564,238</u>	<u>5,197,661</u>
<b>Non-current liabilities</b>			
Bank loans	13	2,837,784	2,520,010
Deferred tax liabilities		44,704	42,556
Derivative financial instruments		8,458	142
		<u>2,890,946</u>	<u>2,562,708</u>
<b>NET ASSETS</b>		<u>2,673,292</u>	<u>2,634,953</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		7,098	6,452
Reserves		2,666,194	2,628,501
<b>TOTAL EQUITY</b>		<u>2,673,292</u>	<u>2,634,953</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 August 2012. The registered office and principal place of business are located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 19/F, Railway Plaza, 39 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong respectively.

The Company is an investment holding company and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 9 August 2013.

The Group is principally engaged in the business of building construction, property leasing and property development.

### 2. BASIS OF PREPARATION

The interim financial statements has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim financial statements are unaudited but have been reviewed by the Company’s audit committee.

The interim financial statements has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2017, except for the adoption of the amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, HKAS and Interpretations issued by the HKICPA, as disclosed in note 3 to this interim financial statements.

The interim financial statements do not include all the information and disclosures required for full set of financial statements prepared in accordance with HKFRSs, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2017.

The financial information relating to the financial year ended 31 March 2017 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 1 June 2017.

### 3. ADOPTION OF HKFRSs

In the current period, the Group has applied the following amendments to HKFRSs issued by the HKICPA which are relevant to and effective for the Group’s interim financial statements:

HKFRSs (Amendments)	Annual Improvements 2014-16 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Disclosure of Interests in Other Entities

The adoption of these amendments has no material impact on the Group’s interim financial statements.

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

#### 4. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The Group has three reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Construction: contracting of construction of residential buildings, commercial buildings and data centres for external customers and for group companies
- Property leasing: leasing of data centres and office premises
- Property development: development and sale of properties

Inter-segment transactions are priced with reference to prices charged by external parties for similar order. Central revenue and expenses are not allocated to the operating segments as they are not included in the measure of the segment's profit that is used by the chief operating decision-makers for assessment of segment performance.

##### (a) Segment revenue and results

	Six months ended 30 September (Unaudited)							
	Construction		Property leasing		Property development		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	740,605	440,810	74,427	73,773	—	—	815,032	514,583
Inter-segment revenue	—	98,200	6,466	2,154	—	—	6,466	100,354
Segment revenue	<u>740,605</u>	<u>539,010</u>	<u>80,893</u>	<u>75,927</u>	<u>—</u>	<u>—</u>	<u>821,498</u>	<u>614,937</u>
Segment results	<u>61,463</u>	<u>45,912</u>	<u>43,511</u>	<u>44,477</u>	<u>(3,267)</u>	<u>(444)</u>	<u>101,707</u>	<u>89,945</u>
Unallocated net income							2,315	1,123
Unallocated expenses							(8,126)	(5,891)
Reversal of impairment of available-for-sale securities							12	—
Increase in fair value of investment properties							3,928	60,350
Finance costs							<u>(15,380)</u>	<u>(8,408)</u>
Profit before taxation							<u>84,456</u>	<u>137,119</u>

(b) Other segment information

Six months ended 30 September (Unaudited)									
Construction		Property leasing		Property development		Unallocated		Total	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Additions to non-current segment assets									
20	168	14,061	315,925	—	—	—	132,566	14,081	448,659

(c) Geographic information

No geographic information has been presented as all of the Group's operating activities are carried out in Hong Kong.

5. REVENUE AND OTHER INCOME AND GAINS, NET

Revenue which is derived from the Group's principal activities, and other income and gains, net, are analysed as follows:

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
<b>Revenue</b>		
Revenue from building construction	740,605	440,810
Rental income	60,279	58,583
Rental related income	14,148	15,190
	<u>815,032</u>	<u>514,583</u>
<b>Other income and gains, net</b>		
Bank interest income	1,640	127
Dividend income from unlisted securities	425	438
Reversal of impairment of available-for-sale-securities	12	—
Net foreign exchange gain	77	3
Others	173	555
	<u>2,327</u>	<u>1,123</u>

## 6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging /(crediting):

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>(a) Finance costs</b>		
Interest on bank loans wholly repayable		
- within five years	<b>36,048</b>	24,162
- after five years	<b>6,837</b>	1,176
Other borrowing costs	<b>6,151</b>	2,835
	<b>49,036</b>	28,173
Less: Amount included in construction contracts in progress	<b>(8,286)</b>	(2,295)
Amount capitalised	<b>(25,370)</b>	(17,470)
	<b>15,380</b>	8,408
<b>(b) Staff costs (including directors' remuneration)</b>		
Salaries, wages and other benefits	<b>50,314</b>	45,155
Contributions to defined contribution retirement plans	<b>1,652</b>	1,390
	<b>51,966</b>	46,545
Less: Amount included in construction contracts in progress	<b>(37,818)</b>	(33,602)
Amount capitalised	<b>(6,773)</b>	(8,221)
	<b>7,375</b>	4,722
<b>(c) Other items</b>		
Rental income from investment properties	<b>(60,279)</b>	(58,583)
Less: Direct outgoings	<b>29,216</b>	27,497
	<b>(31,063)</b>	(31,086)
Depreciation	<b>3,538</b>	1,810

## 7. INCOME TAX EXPENSES

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Current tax</b>		
Provision for Hong Kong Profits Tax for the period	<b>12,400</b>	10,380
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>659</b>	1,217
	<b>13,059</b>	11,597

Pursuant to the rules and regulations of the British Virgin Islands ("BVI") and the Cayman Islands, the Group is not subject to any income tax in the BVI and the Cayman Islands.

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the period.

## 8. DIVIDENDS

- (a) Dividends attributable to the interim period:

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interim dividend declared and paid after the interim period of 4.0 HK cents per share (2016: 4.0 HK cents per share)	<b>28,391</b>	<b>25,810</b>

The interim dividend has not been recognised as a liability at the end of the reporting period.

- (b) Dividends attributable to the previous financial year, approved and paid during the interim period:

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Final dividend in respect of the previous financial year, approved and paid during the interim period of 4.0 HK cents per share (2016: 4.0 HK cents per share)	<b>25,810</b>	<b>23,464</b>

## 9. EARNINGS PER SHARE

- (a) Reported earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$71,397,000 (2016: HK\$125,522,000) and the weighted average number of 709,771,173 shares (2016 (restated): 709,771,173 shares) in issue during the period. Basic and diluted earnings per share for the six months ended 30 September 2016 have been restated for the impact of bonus issue of shares.

Diluted earnings per share are the same as the basic earnings per share as the Company had no dilutive potential shares in existence during the six months ended 30 September 2017 and 2016.

- (b) Underlying earnings per share

For the purpose of assessing the underlying performance of the Group, basic and diluted earnings per share are also presented based on the underlying profit attributable to equity shareholders of the Company of HK\$67,469,000 (2016: HK\$65,172,000), which excludes the effects of changes in fair value of investment properties. A reconciliation of profit is as follows:

	<b>Six months ended 30 September</b>	
	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit for the period	<b>71,397</b>	125,522
Change in fair value of investment properties	<b>(3,928)</b>	(60,350)
Underlying profit for the period	<b>67,469</b>	65,172

## 10. INVESTMENT PROPERTIES

### (a) Revaluation of investment properties

The Group's investment properties were revalued as at 30 September 2017. The fair value of investment properties - data centres were updated by an independent firm of surveyors, Colliers International (Hong Kong) Limited, using the same valuation techniques as were used by the valuers when carrying out the 31 March 2017 valuations. As a result of the update, a gain of HK\$2,228,000 (2016: HK\$60,350,000) in respect of investment properties - data centres has been recognised in the consolidated statement of profit and loss for the period.

The fair value of investment properties - office premises were determined by the Directors using the same basis that was adopted by the independent valuers when carrying out the 31 March 2017 valuation. As a result, a gain of HK\$1,700,000 (2016: Nil) in respect of investment properties – office premises has been recognised in the consolidated statement of profit and loss for the period.

### (b) The Group's investment properties were pledged against bank loans, details of which are set out in note 13 to the financial statements.

## 11. TRADE AND OTHER RECEIVABLES

	<b>At 30 September 2017 (Unaudited) HK\$'000</b>	At 31 March 2017 (Audited) HK\$'000
Trade receivables	<b>132,889</b>	56,542
Less: allowance for doubtful debts	<b>(135)</b>	(241)
	<b>132,754</b>	56,301
Deposits, prepayments and other receivables	<b>82,951</b>	55,050
Retention receivables	<b>99,273</b>	73,430
	<b>314,978</b>	184,781

The ageing analysis of the Group's trade receivables (net of allowance for doubtful debts), based on invoice dates, is as follows:

	<b>At 30 September 2017 (Unaudited) HK\$'000</b>	At 31 March 2017 (Audited) HK\$'000
Less than 1 month	<b>131,968</b>	53,017
More than 1 month but less than 3 months	<b>201</b>	2,432
More than 3 months but less than 6 months	<b>50</b>	683
More than 6 months but less than 1 year	<b>535</b>	169
	<b>132,754</b>	56,301

The Group generally grants trade customers with a credit term of 30 days. Normally, the Group does not obtain collateral from customers.

## 12. TRADE AND OTHER PAYABLES

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Trade payables	210,338	110,190
Other payables and accrued charges	43,143	36,345
Rental and other deposits	7,435	7,435
Receipts in advance	–	3,613
Retention payables	81,562	60,589
	<b>342,478</b>	<b>218,172</b>

The ageing analysis of the Group's trade payables, based on invoice dates, is as follows:

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Less than 1 month	206,569	74,159
More than 1 month but less than 3 months	3,728	35,740
More than 3 months but less than 6 months	41	122
More than 6 months but less than 1 year	–	137
More than 1 year	–	32
	<b>210,338</b>	<b>110,190</b>

## 13. BANK LOANS

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Bank loans		
- Secured	3,064,306	2,625,972
- Unsecured	13,808	12,054
	<b>3,078,114</b>	<b>2,638,026</b>

The bank loans were repayable as follows:

	At 30 September 2017 (Unaudited) HK\$'000	At 31 March 2017 (Audited) HK\$'000
Within 1 year and included in current liabilities	240,330	118,016
After 1 year and included in non-current liabilities:		
After 1 year but within 2 years	72,283	69,763
After 2 years but within 5 years	2,249,454	1,929,378
After 5 years	516,047	520,869
	<b>2,837,784</b>	<b>2,520,010</b>
	<b>3,078,114</b>	<b>2,638,026</b>

The bank loans were secured by the following assets:

	<b>At 30 September 2017 (Unaudited) HK\$'000</b>	At 31 March 2017 (Audited) HK\$'000
Investment properties	<b>3,605,300</b>	3,586,600
Property, plant and equipment	<b>251,300</b>	253,897
Available-for-sale securities	<b>13,896</b>	13,884
Properties under development for sales	<b>1,064,711</b>	992,697
Pledged deposits	<b>46,824</b>	53,094
Other assets	<b>51,485</b>	45,966
	<b><u>5,033,516</u></b>	<u>4,946,138</u>

#### 14. CAPITAL COMMITMENTS

	<b>At 30 September 2017 (Unaudited) HK\$'000</b>	At 31 March 2017 (Audited) HK\$'000
Capital expenditure contracted for but not provided in the financial statements in respect of :		
Development of data centre building	<b>9,190</b>	9,203
Acquisition of a subsidiary	<b>732,017</b>	–
	<b><u>741,207</u></b>	<u>9,203</u>
Capital expenditure authorised but not contracted for in respect of development of data centre building	<b><u>79,567</u></b>	<u>10,783</u>
	<b><u>820,774</u></b>	<u>19,986</u>

#### 15. CONTINGENT LIABILITIES

At 30 September 2017, the Company did not have any contingent liabilities.

At 31 March 2017, the Company had contingent liabilities in respect of performance bonds to guarantee for the due and proper performance of the obligations undertaken by one of the Group's subsidiaries amounting to HK\$29,307,000.

#### 16. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 30 August 2017, a wholly-owned subsidiary of the Company entered into a provisional sale and purchase agreement with an independent third party to acquire the entire issued share capital of Market Rise Limited together with its wholly-owned subsidiary, Able Business Development Limited (collectively referred to as "Market Rise Group"), and the shareholder's loans, at a consideration of HK\$820,000,000 (subject to adjustment). A deposit of HK\$82,000,000 paid had been included in the consolidated statement of financial position as at 30 September 2017 as deposit for acquisition of subsidiaries. The principal asset of Market Rise Group is an en-bloc residential property situated at No. 279 Prince Edward Road West, Kowloon, Hong Kong. Details of the acquisition were set out in the Company's announcement dated 30 August 2017.

On 20 October 2017, the remaining consideration of approximately HK\$732,017,000 had been settled and the acquisition was completed accordingly.

## **INTERIM DIVIDEND**

The Board declares to pay an interim dividend of 4.0 HK cents per share to the shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company on 1 December 2017. The interim dividend will be paid to Shareholders on 14 December 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 29 November 2017 to 1 December 2017, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 28 November 2017.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

#### **Construction**

The Group’s construction business primarily consists of provision of building services as a main contractor in property development projects for prominent local developers, as well as existing building alterations, renovation and fitting-out works services. The revenue derived from the construction business increased by approximately 68.0% or HK\$299.8 million, from approximately HK\$440.8 million for the six months ended 30 September 2016 (“FH 2016/17”) to approximately HK\$740.6 million for the six months ended 30 September 2017 (“FH 2017/18”). Increase in revenue was mainly attributed to increasing revenue recognised from the construction project at Kai Tak, Kowloon for which the construction work commenced in June 2016 and was in full swing during the period under review.

As at 30 September 2017, the gross contract value of the construction projects in progress amounted to approximately HK\$1.48 billion.

#### **Data Centre Premises Leasing**

The Group owned, developed and leased out raised floor space of two high-tier data centre buildings which are purposely built for data centre use and feature high level of reliability, redundancy and security. The first high-tier data centre, namely iTech Tower 1, maintained a high customer utilisation and contributed a stable rental income inflow to the Group. The second high-tier data centre, namely iTech Tower 2, also operated well with satisfactory occupancy and contributed revenue stream to the Group progressively.

The revenue derived from data centre premises leasing business slightly decreased by approximately 2.2% or HK\$1.6 million, from approximately HK\$73.8 million for FH 2016/17 to approximately HK\$72.2 million for FH 2017/18, mainly due to the reduction of rental related income received from the customers for their electricity consumption.

## **Property Development**

The Group's first property development project in Sai Shan Road, Tsing Yi, New Territories was acquired in May 2016. The general building plan of this project had been approved with a gross floor area of approximately 400,000 square feet for private residential purposes. The development will consist of two blocks of 30-storey residential buildings together with club house facilities and car parks. We are now progressing well with the design of the project and will proceed to the development stage once the relevant approvals for commencement of work are obtained. The development shall be completed and made fit for completion on or before 30 September 2024.

As disclosed in the Company's announcement dated 30 August 2017, to enrich the Group's property portfolio, the Group had entered into an agreement on 30 August 2017 for the purchase of a property through the acquisition of the entire interests of Market Rise Limited together with its wholly-owned subsidiary, Able Business Development Limited (collectively referred to as "Market Rise Group"). The property held under Market Rise Group is an en-bloc residential building located at No. 279 Prince Edward Road West, Kowloon, and comprises 18 residential units and a clubhouse with permitted gross floor area of approximately 39,420 square feet. The occupation permit and certificate of compliance of the property had been obtained. The acquisition of Market Rise Group had been completed on 20 October 2017.

During the period under review, there was no revenue recorded for this business segment.

## **OUTLOOK**

With the commitment of the new administration of the HKSAR government to increase land supply, we maintain an optimistic view on the general construction industry in Hong Kong. Yet the challenges of aging workforce, chronic shortage of skilled workers and escalating wages persisted. In view of this, we continue to pursue a prudent strategy in tendering new construction projects to ensure that all existing and upcoming construction projects would be completed and delivered on time to our customers and in accordance with their specifications, and we could attain a reasonable profit margin from the construction projects at the same time.

For the data centre leasing business, we will keep on investing and upgrading our data centre infrastructure to strengthen our market position and meet the changing needs of the customers. Since the cost of acquiring a bare land or suitable industrial building in Hong Kong to develop or convert into data centre premises remains high, we will act very cautiously in investing and developing our third high-tier data centre. Meanwhile we are exploring the possibility of developing new data centres outside Hong Kong.

The Group proactively searches for channels to expand its land bank to strengthen the property development business. Apart from participating in public tender of government land either on our own or through joint venture with other property developers, we are also exploring other opportunities in property acquisition like acquisition of en-bloc completed properties or properties with fully consolidated ownership.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's total revenue increased by approximately 58.4% or HK\$300.4 million from approximately HK\$514.6 million for FH 2016/17 to approximately HK\$815.0 million for FH 2017/18. The increase in revenue was mainly attributable to the construction project at Kai Tak, Kowloon for which the construction work commenced in June 2016 and was in full swing during the period under review.

### **Gross profit**

The Group's gross profit increased by approximately 15.1% or HK\$14.2 million, from approximately HK\$93.9 million for FH 2016/17 to approximately HK\$108.1 million for FH 2017/18. The increase in gross profit was mainly due to the increasing revenue from the aforesaid construction project at Kai Tak, Kowloon.

### **General and administrative expenses**

The Group's general and administrative expenses increased by approximately 47.5% or HK\$4.7 million, from approximately HK\$9.8 million for FH 2016/17 to approximately HK\$14.5 million for FH 2017/18, primarily due to (i) increased depreciation on the own-used properties and leasehold improvements during the period under review following the acquisition and occupation of one further floor of office premise in Railway Plaza, Tsim Sha Tsui as headquarter office since October 2016; and (ii) increased staff costs arising from the sales and marketing team of the property development segment, while no such costs were incurred during the corresponding period of last year, as the sales and marketing team was established since December 2016.

### **Revaluation of investment properties**

The Group recorded fair value gains on its investment properties of approximately HK\$3.9 million for FH 2017/18, as compared to the fair value gains of approximately HK\$60.3 million for FH 2016/17. The revaluation gain primarily arose from the high-tier data centres based on their stage of completion and an office premise held for rental purpose.

### **Profit for the period**

The Group recorded a net profit for FH 2017/18 of approximately HK\$71.4 million, representing a decrease of approximately 43.1% or HK\$54.1 million when compared with that of approximately HK\$125.5 million for FH 2016/17. Excluding the fair value gains on investment properties, the Group recorded an adjusted net profit of approximately HK\$67.5 million in FH 2017/18, representing an increase of approximately 3.5% or HK\$2.3 million when compared to an adjusted net profit of approximately HK\$65.2 million in FH 2016/17.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group finances its operations and capital expenditure with internal resources and bank borrowings. In March 2017, the Group entered into a facility agreement with a syndicate of financial institutions to obtain a syndicated loan facility of HK\$2,400 million. As at 31 March 2017, the Group had utilised HK\$1,922 million from the loan facility, and the loan proceeds had been used to refinance the then debts and provided the Group with extra working capital. During the period under review, the Group further drew down HK\$378 million bank loans in accordance with the terms of the facility and its business needs. As at 30 September 2017, HK\$100 million remained available to the Group from such loan facility.

As at 30 September 2017, the Group had outstanding bank borrowings of approximately HK\$3,078.1 million (31 March 2017: approximately HK\$2,638.0 million). The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group was approximately 115.1% (31 March 2017: approximately 100.1%). Increase in the gearing ratio was mainly contributed by further drawdown of the syndicated loan as abovementioned and increase in other bank borrowings.

The Group adopts a conservative approach in managing its cash balances, which were mainly placed in bank accounts and short-term deposits with reputable banks in Hong Kong. The total cash balances of the Group as at 30 September 2017 were approximately HK\$801.6 million (31 March 2017: approximately HK\$449.5 million), most of which are held in Hong Kong dollars. The current ratio (defined as current assets divided by current liabilities) of the Group was 3.82 times (31 March 2017: 4.89 times). Taking into account the cash at banks and credit facilities available, the Directors considered that the Group has sufficient working capital for its present operation and future business expansion.

## **INTEREST RATE RISK**

The Group's interest rate risk arises primarily from bank borrowings, which bear interest at floating rates. The Group had in place a treasury policy by which the exposure to floating interest rate risk was mitigated by the use of interest rate swaps. At 30 September 2017, the Group had interest rate swaps with notional contract sum of approximately HK\$84.8 million which were designated as cash flow hedging instruments. These swaps have fixed interest rates ranging from 1.3% to 1.8% and will mature in 2020 and 2021. In addition, the Group had entered into forward starting swaps with notional amount of approximately HK\$1.43 billion to lock in fixed rates of 2.1% to 2.13% for the period from 2019 to 2022.

## **FOREIGN CURRENCY RISK**

The Group had no significant exposure to foreign currency risk because almost all the Group's transactions are denominated in Hong Kong dollars.

## **CHARGE ON ASSETS**

As at 30 September 2017, bank loans of approximately HK\$3,064.3 million were secured by certain assets of the Group with an aggregate carrying amount of approximately HK\$5,033.5 million.

## **CAPITAL COMMITMENTS**

Save as disclosed in note 14 to the financial statements in this announcement, the Group had no other capital commitments as at 30 September 2017.

## **CONTINGENT LIABILITIES**

The Group did not have any contingent liabilities as at 30 September 2017.

## **MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

There was no acquisition or disposal of subsidiaries and associated companies by the Company during FH 2017/18.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2017, the Group had a total of 204 (30 September 2016: 213) employees. The total remuneration cost incurred by the Group for FH 2017/18 was approximately HK\$52.0 million (FH 2016/17: approximately HK\$46.5 million).

The remuneration policy and package of the Group's employees are periodically reviewed by making reference to the prevailing market conditions. The components of remuneration packages comprise basic salary, benefits-in-kind, fringe benefits and contributions to mandatory provident funds, as well as discretionary bonuses which are determined according to individual performance of employees.

## **AUDIT COMMITTEE**

The Company established the audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment, reappointment and removal of the external auditors; to review the financial statements, risk management and internal control systems; and to oversee the financial reporting and the effectiveness of the internal control procedures. The audit committee comprises all four independent non-executive directors of the Company, and the chairman of the committee is Mr. Mok Kwai Pui Bill.

The audit committee has reviewed the Group's consolidated interim financial statements for FH 2017/18.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2017.

## **CORPORATE GOVERNANCE**

Throughout the six months ended 30 September 2017, the Company has complied with all the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

## **DIRECTOR'S SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry to all Directors by the Company, all Directors confirmed their compliance with the required standard set out in the Model Code throughout the six months ended 30 September 2017.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT**

The interim results announcement of the Company has been published on the Company's website ([www.grandming.com.hk](http://www.grandming.com.hk)) and the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

By Order of the Board  
**Grand Ming Group Holdings Limited**

**Chan Hung Ming**  
*Chairman and Executive Director*

Hong Kong, 9 November 2017

As at the date of this announcement, the Board comprises:

***Executive Directors:***

Mr. Chan Hung Ming  
Mr. Lau Chi Wah  
Mr. Yuen Ying Wai  
Mr. Kwan Wing Wo

***Independent Non-Executive Directors:***

Mr. Tsui Ka Wah  
Mr. Kan Yau Wo  
Mr. Mok Kwai Pui Bill  
Mr. Lee Chung Yiu Johnny