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 佳明
GRAND MING
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)

(Unless otherwise specified, "\$" in this announcement shall mean Hong Kong dollar and "cent(s)" shall mean Hong Kong cent(s).)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

HIGHLIGHTS

- Revenue increased by 35.1% to \$367.5 million (2018: \$272.0 million)
- Profit for the period amounted to \$44.0 million (2018: \$51.3 million), inclusive of the increase in fair value of investment properties of \$18.2 million (2018: decrease of \$1.1 million). Earnings per share was 6.2 cents (2018: 7.2 cents)
- Interim dividend of 4.0 cents per share (2018: 4.0 cents per share) is declared
- Net assets as at 30 September 2019 amounted to \$2,819 million

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 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Six months ended 30 September	
		2019 (Unaudited) \$'000	2018 (Unaudited) \$'000
Revenue	5	367,470	272,032
Direct costs		<u>(266,811)</u>	<u>(158,940)</u>
Gross profit		100,659	113,092
Other income and gain/(loss)	5	4,666	8,695
Selling expenses		(28,627)	(12,233)
General and administrative expenses		(18,109)	(17,656)
Increase/(decrease) in fair value of investment properties	10(a)	<u>18,170</u>	<u>(1,102)</u>
Profit from operations		76,759	90,796
Finance costs	6(a)	<u>(24,560)</u>	<u>(27,915)</u>
Profit before taxation	6	52,199	62,881
Income tax expenses	7	<u>(8,242)</u>	<u>(11,595)</u>
Profit for the period		<u>43,957</u>	<u>51,286</u>
		<i>Cents</i>	<i>Cents</i>
Earnings per share (reported earnings per share)			
- Basic and Diluted	9(a)	<u>6.2</u>	<u>7.2</u>
Earnings per share (underlying earnings per share)			
- Basic and Diluted	9(b)	<u>3.6</u>	<u>7.4</u>

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

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Profit for the period	43,957	51,286
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss:</i>		
Financial assets at fair value through other comprehensive income – net movement in fair value reserve	82	(568)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Cash flow hedges – net movement in hedging reserve	1,509	11,019
Other comprehensive income for the period, net of tax	1,591	10,451
Total comprehensive income for the period	45,548	61,737

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2019 (Unaudited) \$'000	As at 31 March 2019 (Audited) \$'000
Non-current assets			
Fixed assets			
- Investment properties	10	3,623,000	3,595,000
- Property, plant and equipment		<u>865,931</u>	<u>864,368</u>
		4,488,931	4,459,368
Deferred tax assets		15,405	12,436
Derivative financial instruments		226	288
Intangible assets		500	500
Financial assets at fair value through other comprehensive income		12,792	12,710
Financial assets at fair value through profit or loss		<u>8,296</u>	<u>7,220</u>
		<u>4,526,150</u>	<u>4,492,522</u>
Current assets			
Inventories of properties		2,156,761	2,080,437
Contract assets		206,576	196,173
Trade and other receivables	11	210,483	116,918
Tax recoverable		473	2,000
Derivative financial instruments		80	-
Restricted and pledged deposits		120,230	104,478
Cash and bank balances		<u>21,827</u>	<u>58,269</u>
		<u>2,716,430</u>	<u>2,558,275</u>
Current liabilities			
Contract liabilities		51,746	25,555
Trade and other payables	12	180,241	157,744
Bank loans	13	901,817	782,538
Tax payable		<u>18,221</u>	<u>11,791</u>
		<u>1,152,025</u>	<u>977,628</u>
Net current assets		<u>1,564,405</u>	<u>1,580,647</u>
Total assets less current liabilities		<u>6,090,555</u>	<u>6,073,169</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

		As at 30 September 2019 (Unaudited) \$'000	As at 31 March 2019 (Audited) \$'000
Non-current liabilities			
Bank loans	13	3,200,957	3,188,219
Deferred tax liabilities		52,710	50,653
Derivative financial instruments		17,985	19,775
		<u>3,271,652</u>	<u>3,258,647</u>
NET ASSETS		<u>2,818,903</u>	<u>2,814,522</u>
CAPITAL AND RESERVES			
Share capital		7,098	7,098
Reserves		<u>2,811,805</u>	<u>2,807,424</u>
TOTAL EQUITY		<u>2,818,903</u>	<u>2,814,522</u>

NOTES TO THE CONDENSED 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 22/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 unaudited condensed consolidated financial statements for the six months ended 30 September 2019 (the “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 (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 have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2019, 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 the condensed 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 2019.

The financial information relating to the financial year ended 31 March 2019 that is included in the Interim Financial Statements 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 auditor had expressed an unqualified opinion on those financial statements in their report dated 6 June 2019.

3. ADOPTION OF HKFRSs

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 16	Leases
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

The application of the new or amended HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	164,436	149,450	71,938	79,549	131,096	43,033	367,470	272,032
Inter-segment revenue	161,818	58,873	29,126	17,558	—	—	190,944	76,431
Segment revenue	326,254	208,323	101,064	97,107	131,096	43,033	558,414	348,463
Segment results	27,627	56,470	38,737	44,895	1,363	(3,753)	67,727	97,612
Unallocated net income							1,000	7,144
Unallocated expenses							(11,120)	(12,858)
Fair value gain on financial assets at fair value through profit or loss							982	—
Increase/(decrease) in fair value of investment properties							18,170	(1,102)
Finance costs							(24,560)	(27,915)
Profit before taxation							52,199	62,881

(b) Other segment information

	Six months ended 30 September (Unaudited)									
	Construction		Property leasing		Property development		Unallocated		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Additions to non-current segment assets	177	—	5,176	97,019	10,242	—	665	427,420	16,260	524,439

(c) **Geographic information**

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

(d) **Timing of revenue recognition**

	Six months ended 30 September (Unaudited)							
	Construction		Property leasing		Property development		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At a point in time	—	—	—	—	131,096	43,033	131,096	43,033
Transferred over time	164,436	149,450	10,577	12,830	—	—	175,013	162,280
Revenue from other sources	—	—	61,361	66,719	—	—	61,361	66,719
	<u>164,436</u>	<u>149,450</u>	<u>71,938</u>	<u>79,549</u>	<u>131,096</u>	<u>43,033</u>	<u>367,470</u>	<u>272,032</u>

5. **REVENUE AND OTHER INCOME AND GAIN/(LOSS)**

Revenue which is derived from the Group's principal activities, and other income and gain/(loss), are analysed as follows:

(a) **Disaggregation of revenue**

	Six months ended 30 September	
	2019 (Unaudited) \$'000	2018 (Unaudited) \$'000
Revenue from contract with customer		
Revenue from building construction	164,436	149,450
Rental related income	10,577	12,830
Sale of properties	131,096	43,033
Revenue from other sources		
Rental income	<u>61,361</u>	<u>66,719</u>
	<u>367,470</u>	<u>272,032</u>

(b) **Other income and gain/(loss)**

	Six months ended 30 September	
	2019 (Unaudited) \$'000	2018 (Unaudited) \$'000
Bank interest income	338	765
Dividend income from unlisted securities	425	425
Net foreign exchange (loss) / gain	(63)	71
Fair value gain on financial assets at fair value through profit or loss	982	—
Others	<u>2,984</u>	<u>7,434</u>
	<u>4,666</u>	<u>8,695</u>

6. PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(a) Finance costs		
Interest on bank loans and other borrowing costs	90,754	70,537
Less: Amount included in construction contracts in progress	(3,739)	(1,453)
Amount capitalised	(62,455)	(41,169)
	24,560	27,915
(b) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	60,511	59,305
Contributions to defined contribution retirement plans	1,343	1,547
	61,854	60,852
Less: Amount included in construction contracts in progress	(29,750)	(28,294)
Amount capitalised	(20,278)	(19,084)
	11,826	13,474
(c) Other items		
Rental income from investment properties	(61,361)	(66,719)
Less: Direct outgoings	32,031	33,946
	(29,330)	(32,773)
Depreciation	9,564	7,090

7. INCOME TAX EXPENSES

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Current tax		
Provision for Hong Kong Profits Tax for the period	9,453	12,098
Deferred tax		
Credited to profit or loss for the period	(1,211)	(503)
	8,242	11,595

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% (2018: 16.5%) of the estimated assessable profits for the period.

8. DIVIDENDS

- (a) Dividends attributable to the interim period:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Interim dividend declared after the interim period of 4.0 cents per share (2018: 4.0 cents per share)	28,391	28,391

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:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Final dividend in respect of the previous financial year, approved and paid during the interim period of 5.8 cents per share (2018: 5.8 cents per share)	41,167	41,167

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 \$43,957,000 (2018: \$51,286,000) and the weighted average number of 709,771,173 shares (2018: 709,771,173 shares) in issue during the period.

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 2019 and 2018.

- (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 \$25,787,000 (2018: \$52,388,000), which excludes the effects of changes in fair value of investment properties. A reconciliation of profit is as follows:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Profit for the period	43,957	51,286
Change in fair value of investment properties	(18,170)	1,102
Underlying profit for the period	25,787	52,388

10. INVESTMENT PROPERTIES

- (a) Revaluation of investment properties

The Group's investment properties were revalued as at 30 September 2019. The fair value of investment properties 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 2019 valuations. As a result of the update, a revaluation gain of \$18,170,000 (2018: revaluation loss of \$1,102,000) in respect of investment properties 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 condensed financial statements.

11. TRADE AND OTHER RECEIVABLES

	30 September 2019 (Unaudited) \$'000	31 March 2019 (Audited) \$'000
Trade receivables	129,098	52,328
Less: impairment	(280)	(431)
	128,818	51,897
Deposits, prepayments and other receivables	81,665	65,021
	210,483	116,918

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

	30 September 2019 (Unaudited) \$'000	31 March 2019 (Audited) \$'000
Less than 1 month	117,122	47,895
More than 1 month but less than 3 months	11,296	2,481
More than 3 months but less than 6 months	400	1,093
More than 6 months	–	428
	128,818	51,897

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

	30 September 2019 (Unaudited) \$'000	31 March 2019 (Audited) \$'000
Trade payables	39,305	26,235
Other payables and accrued charges	49,370	41,552
Rental and other deposits	7,174	7,174
Receipts in advance	8,949	4,050
Retention payables	75,443	78,733
	180,241	157,744

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

	30 September 2019 (Unaudited) \$'000	31 March 2019 (Audited) \$'000
Less than 1 month	22,018	25,677
More than 1 month but less than 3 months	9,794	558
More than 3 months but less than 6 months	7,493	–
	39,305	26,235

13. BANK LOANS

	30 September 2019 (Unaudited) \$'000	31 March 2019 (Audited) \$'000
Secured bank loans	4,102,774	3,970,757

The bank loans were repayable as follows:

	30 September 2019 (Unaudited) \$'000	31 March 2019 (Audited) \$'000
Within 1 year and included in current liabilities	901,817	782,538
After 1 year and included in non-current liabilities:		
After 1 year but within 2 years	218,149	335,590
After 2 years but within 5 years	2,868,528	2,734,876
After 5 years	114,280	117,753
	3,200,957	3,188,219
	4,102,744	3,970,757

The bank loans were secured by the following assets:

	30 September 2019 (Unaudited) \$'000	31 March 2019 (Audited) \$'000
Investment properties	3,623,000	3,595,000
Property, plant and equipment	828,169	836,741
Financial assets at fair value through other comprehensive income	12,792	12,710
Inventories of properties	2,156,761	2,080,437
Pledged deposits	62,405	72,854
Other assets	43,223	40,885
	6,726,350	6,638,627

14. CAPITAL COMMITMENTS

Capital commitments outstanding at 30 September 2019 not provided for in the Group's financial statements were as follows:

	30 September 2019 (Unaudited) \$'000	31 March 2019 (Audited) \$'000
Development of investment property	41,454	2,290
Assets under construction	2,363	14,212
	43,817	16,502

15. CONTINGENT LIABILITIES

At 30 September 2019 and 31 March 2019, the Company did not have any material contingent liabilities.

INTERIM DIVIDEND

The Board declares to pay an interim dividend of 4.0 cents per share to the shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company on 4 December 2019. The interim dividend will be paid to Shareholders on 16 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 2 December 2019 to 4 December 2019, 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 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on 29 November 2019.

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 10.0% or \$14.9 million, from approximately \$149.5 million for the six months ended 30 September 2018 (“FH 2018/19”) to approximately \$164.4 million for the six months ended 30 September 2019 (“FH 2019/20”). Increase in revenue was mainly due to the recognition of revenue from a new construction project at Kai Tak of which the contract was awarded in March 2019 and work commenced in May 2019.

As at 30 September 2019, the gross contract sum of the construction projects in progress amounted to approximately \$1.63 billion.

Data Centre Premises Leasing

The Group owned, developed and leased out raised floor space of two high-tier data centre buildings, namely iTech Tower 1 and iTech Tower 2, both of which were purposely built for data centre use and feature high level of reliability, redundancy and security. The clientele of our data centres include global and domestic data centre operators, multinational telecommunication company and financial institutions. iTech Tower 1 has operated smoothly since its operation in 2008, and delivered a stable income stream. iTech Tower 2 has also operated well with increasing rental income contributing to the Group. Since our two data centres are strategically located in the industrial district of New Territories west but are easily accessible by various means of transportation, the data centre operation are basically unaffected by the recent social incident.

Revenue derived from data centre premises leasing business decreased approximately 3.7% or \$2.8 million, from approximately \$74.7 million for FH 2018/19 to approximately \$71.9 million for FH 2019/20, primarily due to decreasing rental related income as a result of lower electricity consumption by the tenant of iTech Tower 1 during the period under review.

Property Development

Tsing Yi Sai Shan Road project (The Grand Marine)

The Group's first property development project, situated at 18 Sai Shan Road, Tsing Yi, New Territories with a gross floor area of approximately 400,000 square feet, is now named "The Grand Marine". It provides 776 residential units in two towers, with units ranging from one-bedroom to four-bedroom and special units. The site formation and foundation works are now progressing, and the whole project is expected to be completed in late 2021.

The Group launched the presale of The Grand Marine in November 2019 soon after the relevant presale consent was granted in the end of October 2019. The project has drawn overwhelming response from buyers, with 75% of the residential units being presold and cumulative presale proceeds of approximately \$3.6 billion being recorded.

Cristallo

The Group keeps on promoting the sales of this luxury residential development, which was well received by the market since its launch for sales in 2018. During the period under review, sales and delivery of 3 apartments had been completed. Revenue of approximately \$131.1 million was recognised in this period accordingly. Furthermore, the Group had entered into 9 provisional sales and purchase agreements in respect of sales of 9 apartments with aggregate contract sum of approximately \$517.5 million, of which sales and delivery of 1 apartment had been completed in October 2019. Completions of the remaining 8 apartments are scheduled to take place from August 2020 to October 2021.

OUTLOOK

The management took the view that the success of The Grand Marine project provides a solid foundation for the Group's future property development business. Despite weakening overall sentiment in the second half of 2019, the Hong Kong residential property market is supported by the solid demand from local buyers seeking homes and the low interest rate scenario. Therefore we remain positive about the local residential housing market. The Group will continue identifying opportunities to replenish its land bank, including public tender of government land and acquisition of properties with fully consolidated ownership for redevelopment, to substantiate its property development business. We are also actively searching for suitable land parcels or industrial buildings (for conversion or redevelopment) in the territory and elsewhere outside Hong Kong for developing our third high-tier data centre. For the construction business, the challenges from shrinking tender contract sum and profit margin persist. Hence we keep on adopting an extremely prudent approach in bidding new construction projects.

We are monitoring closely the development of the social unrest triggered by the proposed extradition bill in Hong Kong and the Sino-US trade negotiation, and will take appropriate measures to minimise the impact arising to the Group's businesses.

FINANCIAL REVIEW

For FH 2019/20, the Group's consolidated revenue amounted to approximately \$367.5 million (2018: \$272.0 million), representing an increase of approximately 35.1% as compared to the corresponding period of last year. The increase was primarily driven by revenue recognition of the sales of three units of Cristallo during the period under review, as compared to sales of one unit being recognised in the corresponding period last year.

Consolidated gross profit reduced by 11.0% from last corresponding period to approximately \$100.7 million (2018: \$113.1 million), which also represented a reduction of the gross margin to 27.4% (2018: 41.6%). The decrease in gross profit and gross margin were mainly attributable to the fact that additional work done from a construction project was recognised in last period, and no such additional work was recorded during the current period.

Operating expenses (inclusive of selling and general and administrative expenses) for the period increased by 56.4% to approximately \$46.7 million (2018: \$29.9 million), largely due to sale commission and marketing expenses incurred in relation to the sale of Cristallo and The Grand Marine project respectively.

Finance costs for the period decreased by approximately 12.0% to approximately \$24.6 million (2018: \$27.9 million), mainly because borrowing costs capitalised as development cost of property under development in respect of The Grand Marine project increased during the current period.

Net profit for FH 2019/20 was approximately \$44.0 million (2018: \$51.3 million), representing a decrease of approximately 14.3% when compared to that of FH 2018/19. Excluding the change in fair value of investment properties, the Group recorded an underlying profit of approximately \$25.8 million in FH 2019/20, representing a decrease of approximately 50.8% as compared to an underlying profit of approximately \$52.4 million for FH 2018/19.

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations and capital expenditure with its shareholders' fund and bank borrowings. A variety of credit facilities are maintained which had contracted repayment terms ranging from repayable on demand to about 18.6 years. As at 30 September 2019, the Group had outstanding bank borrowings of approximately \$4,102.8 million (31 March 2019: approximately \$3,970.8 million). The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group was approximately 145.5% (31 March 2019: approximately 141.1%). Increase in the bank borrowings and gearing ratio was mainly contributed by drawdown of new bank loans for financing the new construction project in Kai Tak and construction of The Grand Marine project in Tsing Yi.

The Group adopts a conservative approach in managing its cash balances, which are 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 2019 were approximately \$142.1 million (31 March 2019: approximately \$162.7 million), most of which were held in Hong Kong dollars. The current ratio (defined as current assets divided by current liabilities) of the Group was 2.36 times (31 March 2019: 2.62 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. As at 30 September 2019, the Group had interest rate swaps with the notional amount of approximately \$1.5 billion. These swaps have fixed interest rates ranging from 1.30% to 2.13% and will mature between 2020 to 2022. In addition, the Group had entered into forward starting swaps with notional amount of approximately \$136 million to lock in fixed rates of 2.63% for 32 months. These interest rate swaps will be effective in 2020.

FOREIGN CURRENCY RISK

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

CHARGE ON ASSETS

As at 30 September 2019, bank loans were secured by certain assets of the Group with an aggregate carrying amount of approximately \$6,726.4 million.

CAPITAL COMMITMENTS

Save as disclosed in note 14 to the condensed financial statements, the Group had no other capital commitments as at 30 September 2019.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 30 September 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and associated companies by the Company during FH 2019/20.

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 167 employees as at 30 September 2019. Total remuneration of employees for FH 2019/20 was approximately \$61.9 million. The remuneration policy and packages 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, namely Mr. Mok Kwai Pui Bill (committee chairman), Mr. Tsui Ka Wah, Mr. Kan Yau Wo and Mr. Lee Chung Yiu Johnny.

The audit committee has reviewed the Group's unaudited consolidated interim financial statements for FH 2019/20.

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 2019.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with all the code provisions as set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2019.

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 2019.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT

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

By Order of the Board
Grand Ming Group Holdings Limited
Chan Hung Ming
Chairman and Executive Director

Hong Kong, 15 November 2019

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