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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)

(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 2021

HIGHLIGHTS

- Profit for the period was \$69.2 million (2020: \$70.2 million). Earnings per share was 4.9 cents (2020: 4.9 cents)
- Underlying profit* for the period was \$29.2 million (2020: \$83.4 million). Underlying earnings per share* was 2.1 cents (2020: 5.9 cents)
- Net assets as at 30 September 2021 amounted to \$2,218 million
- An interim dividend of 4.0 cents per share (2020: 4.0 cents per share) is declared

** Underlying profit and underlying earnings per share are arrived at by excluding the effect of changes in fair value of investment properties from the profit for the period and earnings per share respectively*

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 2021 together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Six months ended 30 September	
		2021 (Unaudited) \$'000	2020 (Unaudited) \$'000
Revenue	5(a)	586,127	786,132
Direct costs		(484,401)	(595,505)
Gross profit		101,726	190,627
Other income and gain, net	5(b)	14,463	11,081
Selling expenses		(32,538)	(54,876)
General and administrative expenses		(14,016)	(18,033)
Changes in fair value of investment properties	10(a)	40,025	(13,161)
Profit from operations		109,660	115,638
Finance costs	6(a)	(35,568)	(26,127)
Profit before taxation	6	74,092	89,511
Income tax expenses	7	(4,858)	(19,288)
Profit for the period		69,234	70,223
		<i>Cents</i>	<i>Cents</i>
Earnings per share (reported earnings per share)			
- Basic and Diluted	9(a)	4.9	4.9
Earnings per share (underlying earnings per share)			
- Basic and Diluted	9(b)	2.1	5.9

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	
	2021	2020
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Profit for the period	69,234	70,223
Other comprehensive income/(loss)		
<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	73	1,325
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of foreign operations	221	1,157
Cash flow hedges – net movement in hedging reserve	11,786	(4,043)
	12,007	(2,886)
Other comprehensive income/(loss) for the period, net of tax	12,080	(1,561)
Total comprehensive income for the period	81,314	68,662

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 September 2021 (Unaudited) \$'000	As at 31 March 2021 (Audited) \$'000
Non-current assets			
Fixed assets			
- Investment properties	10	4,367,700	4,086,700
- Property, plant and equipment		<u>828,529</u>	<u>840,385</u>
		5,196,229	4,927,085
Deferred tax assets		40,840	38,985
Deposit paid for acquisition of subsidiaries		32,000	-
Intangible assets		500	500
Financial assets at fair value through other comprehensive income		11,962	11,889
Financial assets at fair value through profit or loss		<u>8,426</u>	<u>8,339</u>
		<u>5,289,957</u>	<u>4,986,798</u>
Current assets			
Inventories of properties		3,361,068	3,202,908
Deposit paid for acquisition of land use right		64,772	-
Contract assets		364,294	309,536
Trade and other receivables	11	218,657	217,077
Tax recoverable		1,741	1,921
Restricted and pledged deposits		403,538	752,409
Cash and bank balances		<u>179,902</u>	<u>369,610</u>
		<u>4,593,972</u>	<u>4,853,461</u>
Current liabilities			
Trade and other payables	12	446,647	359,338
Contract liabilities		3,124,669	2,878,029
Bank loans	13	1,363,756	2,512,262
Derivative financial instruments		18,064	17,512
Tax payable		<u>29,603</u>	<u>34,568</u>
		<u>4,982,739</u>	<u>5,801,709</u>
Net current liabilities		<u>(388,767)</u>	<u>(948,248)</u>
Total assets less current liabilities		<u>4,901,190</u>	<u>4,038,550</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

		As at 30 September 2021 (Unaudited) \$'000	As at 31 March 2021 (Audited) \$'000
Non-current liabilities			
Bank loans	<i>13</i>	2,626,496	1,492,639
Deferred tax liabilities		55,948	53,122
Derivative financial instruments		584	15,251
		<u>2,683,028</u>	<u>1,561,012</u>
NET ASSETS		<u>2,218,162</u>	<u>2,477,538</u>
CAPITAL AND RESERVES			
Share capital		14,196	14,196
Reserves		<u>2,203,966</u>	<u>2,463,342</u>
TOTAL EQUITY		<u>2,218,162</u>	<u>2,477,538</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 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. 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 2021 (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 2021, 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 2021.

The financial information relating to the financial year ended 31 March 2021 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 18 June 2021.

The Interim Financial Statements have been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group as at 30 September 2021. The directors of the Company consider the basis of preparation is appropriate after taking into consideration the following:

- (a) On 29 September 2021, the Group signed a \$2,800 million facility agreement with a principal banker of the Group (as coordinating arranger and facility agent). This agreement is comprised of (i) committed loan facility of \$2,200 million (the “Refinancing Loan”), which is utilised to refinance a revolving loan of \$200 million and certain term loans of approximately \$1,972 million maturing in March 2022; and (ii) uncommitted loan facility of \$600 million (the “New Loan”) which aims to provide working capital to the Group.

The Refinancing Loan will be repayable in a bullet repayment in October 2026 (with an option to extend the maturity date for a further three year). The New Loan had been fully drawn down by the Group in October 2021, and is to be repaid in 60 monthly instalments beginning in November 2021.

- (b) The estimated proceeds from sales of properties held for sale and pre-sale of properties under development for sale of project in Hong Kong.

Accordingly, the directors of the Company considered that the Group has sufficient working capital to meet its financial obligations as and when they fall due.

3. ADOPTION OF HKFRSs

The Group has applied the following new or amended HKFRSs issued by the HKICPA for the Group's financial statements in the current accounting period:

Amendments to HKFRS9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19 Related Rent Concession
Amendments to HKFRS 16	COVID-19 Related Rent Concession beyond 30 June 2021

The new or amended HKFRSs that are effective in the current period did not have material impact on the Group's 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 commercial properties
- 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. Certain comparative figures on the measurement of the segment results have been represented to conform the current period's presentation.

(a) Segment revenue and results

Six months ended 30 September 2021 (unaudited)

	Construction \$'000	Property leasing \$'000	Property development \$'000	Inter-segment elimination \$'000	Total \$'000
Revenue from external customers	304,291	92,929	188,907	–	586,127
Inter-segment revenue	190,743	36,947	–	(227,690)	–
Segment revenue	495,034	129,876	188,907	(227,690)	586,127
Segment results	33,434	63,385	(10,026)	(15,505)	71,288
Unallocated net income					5,427
Unallocated expenses					(7,080)
Changes in fair value of investment properties					40,025
Finance costs					(35,568)
Profit before taxation					74,092

Six months ended 30 September 2020 (unaudited)

	Construction \$'000	Property leasing \$'000	Property development \$'000	Inter-segment elimination \$'000	Total \$'000
Revenue from external customers	538,001	78,131	170,000	—	786,132
Inter-segment revenue	449,608	30,046	—	(479,654)	—
Segment revenue	987,609	108,177	170,000	(479,654)	786,132
Segment results	97,243	47,719	232	(12,484)	132,710
Unallocated net income					5,086
Unallocated expenses					(8,997)
Changes in fair value of investment properties					(13,161)
Finance costs					(26,127)
Profit before taxation					89,511

(b) Other segment information

	Six months ended 30 September (Unaudited)									
	Construction		Property leasing		Property development		Unallocated		Total	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Additions to non-current segment assets	478	—	241,943	417,614	—	—	84	—	242,505	417,614

(c) Geographic information

No geographic information has been presented as a substantial part 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			
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000		
At a point in time	—	—	—	—	188,907	170,000	188,907	170,000		
Transferred over time	304,291	538,001	12,425	10,881	—	—	316,716	548,882		
Revenue from other sources	—	—	80,504	67,250	—	—	80,504	67,250		
	304,291	538,001	92,929	78,131	188,907	170,000	586,127	786,132		

5. REVENUE AND OTHER INCOME AND GAIN, NET

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

(a) Disaggregation of revenue

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Revenue from contract with customer		
Revenue from building construction	304,291	538,001
Rental related income	12,425	10,881
Sale of properties	188,907	170,000
Revenue from other sources		
Rental income	80,504	67,250
	<u>586,127</u>	<u>786,132</u>

(b) Other income and gain, net

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Bank interest income	3,081	3,341
Dividend income from unlisted fund investments	398	420
Forfeited deposits	4,216	-
Net foreign exchange gain	431	1,112
Others	6,337	6,208
	<u>14,463</u>	<u>11,081</u>

6. PROFIT BEFORE TAXATION

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

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	\$'000	\$'000
(a) Finance costs		
Interest on bank loans and other borrowing costs	57,497	85,103
Less: Amount included in construction contracts in progress	(2,812)	(9,850)
Amount capitalised	(19,117)	(49,126)
	<u>35,568</u>	<u>26,127</u>
(b) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	65,641	64,954
Contributions to defined contribution retirement plans	1,513	1,467
	<u>67,154</u>	<u>66,421</u>
Less: Amount included in construction contracts in progress	(20,319)	(23,692)
Amount capitalised	(35,355)	(28,798)
	<u>11,480</u>	<u>13,931</u>
(c) Other items		
Direct operating expenses arising from investment properties that generated income	42,169	35,382
Depreciation	13,442	13,532
Short term leases expenses	988	2,208
	<u>56,600</u>	<u>51,122</u>

7. INCOME TAX EXPENSES

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Current tax		
Provision for Hong Kong Profits Tax for the period	6,257	23,118
Over-provision in respect of prior years	(40)	-
	<u>6,217</u>	<u>23,118</u>
Deferred tax		
Credited to profit or loss for the period	(1,359)	(3,830)
	<u>4,858</u>	<u>19,288</u>

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.

Hong Kong profits tax is calculated at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the period arising in Hong Kong, except for the first \$2,000,000 of qualified group entity's assessable profit is calculated at 8.25% (2020: 8.25%), which is in accordance with the two-tiered profits tax rates regime.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory tax rate of the Group's PRC subsidiaries is 25% (2020: 25%). The Group had not generated any taxable profits in the PRC during the period (2020: Nil).

8. DIVIDENDS

(a) Dividends attributable to the interim period:

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Special interim dividend declared and paid of 20.0 cents (2020: Nil) per share	283,908	-
Interim dividend declared after the interim period of 4.0 cents (2020: 4.0 cents) per share	56,782	56,782
	<u>340,690</u>	<u>56,782</u>

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	
	2021	2020
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Special interim dividend in respect of the previous financial year paid during the interim period of Nil (2020: 50.0 cents) per share	-	354,885
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 4.0 cents (2020: 4.0 cents) per share	56,782	28,391
	<u>56,782</u>	<u>383,276</u>

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 \$69,234,000 (2020: \$70,223,000) and the weighted average number of 1,419,542,346 shares (2020: 1,419,542,346 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 2021 and 2020.

(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 \$29,209,000 (2020: \$83,384,000), which excludes the effects of changes in fair value of investment properties. A reconciliation of profit is as follows:

	Six months ended 30 September	
	2021	2020
	(Unaudited)	(Unaudited)
	\$'000	\$'000
Profit for the period	69,234	70,223
Changes in fair value of investment properties	(40,025)	13,161
Underlying profit for the period	<u>29,209</u>	<u>83,384</u>

10. INVESTMENT PROPERTIES

(a) Revaluation of investment properties

The Group's investment properties and investment properties under development were revalued as at 30 September 2021 by Colliers International (Hong Kong) Limited, an independent firm of surveyors on a market value basis. The fair values of the investment properties are determined using income capitalisation method or market comparison approach. The fair values of the investment properties under development are determined using residential method.

As a result, a net fair value gain of \$40,025,000 (2020: net loss of \$13,161,000) on the investment properties and investment properties under development has been recognised in the condensed consolidated statement of profit or 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 2021 (Unaudited) \$'000	31 March 2021 (Audited) \$'000
Trade receivables	33,574	28,394
Less: Loss allowance	<u>(259)</u>	<u>(252)</u>
	33,315	28,142
Deposits, prepayments and other receivables	74,522	83,513
Contract costs	<u>110,820</u>	<u>105,422</u>
	<u>218,657</u>	<u>217,077</u>

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

	30 September 2021 (Unaudited) \$'000	31 March 2021 (Audited) \$'000
Less than 1 month	21,114	23,347
More than 1 month but less than 3 months	9,437	4,586
More than 3 months but less than 6 months	2,764	-
More than 6 months	<u>-</u>	<u>209</u>
	<u>33,315</u>	<u>28,142</u>

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 2021 (Unaudited) \$'000	31 March 2021 (Audited) \$'000
Trade payables	244,349	203,037
Other payables and accrued charges	56,712	26,670
Rental and other deposits	5,655	3,074
Receipts in advance	7,166	9,274
Retention payables	<u>132,765</u>	<u>117,283</u>
	<u>446,647</u>	<u>359,338</u>

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

	30 September 2021 (Unaudited) \$'000	31 March 2021 (Audited) \$'000
Less than 1 month	156,330	202,483
More than 1 month but less than 3 months	87,966	533
More than 3 months but less than 6 months	53	21
	244,349	203,037

13. BANK LOANS

	30 September 2021 (Unaudited) \$'000	31 March 2021 (Audited) \$'000
Bank loans		
- Secured	3,937,252	3,951,901
- Unsecured	53,000	53,000
	3,990,252	4,004,901

The bank loans were repayable as follows:

	30 September 2021 (Unaudited) \$'000	31 March 2021 (Audited) \$'000
On demand or within 1 year and included in current liabilities	1,363,756	2,512,262
After 1 year and included in non-current liabilities:		
After 1 year but within 2 years	473,893	1,025,943
After 2 years but within 5 years	1,990,658	363,786
After 5 years	161,945	102,910
	2,626,496	1,492,639
	3,990,252	4,004,901

The bank loans were secured by the following assets:

	30 September 2021 (Unaudited) \$'000	31 March 2021 (Audited) \$'000
Investment properties	4,367,700	4,086,700
Property, plant and equipment	793,928	802,501
Financial assets at fair value through other comprehensive income	11,962	11,889
Pledged deposits	343,113	494,892
Other assets	44,082	31,734
	5,560,785	5,427,716

14. CONTINGENT LIABILITIES

At 30 September 2021 and 31 March 2021, the Group did not have any material contingent liabilities.

15. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 2 September 2021, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to acquire the entire issued share capital of Dream Palace Holdings Limited together with its wholly owned subsidiary, Dormax Limited (collectively referred to as “Dream Palace Group”), and the shareholder’s loan, at a cash consideration of \$320,000,000 (subject to adjustment of the net current assets value of Dream Palace Group as at completion date). A deposit paid of \$32,000,000 had been included in the consolidated statement of financial position as at 30 September 2021 as deposit paid for acquisition of subsidiaries. The major asset of Dream Palace Group is a site located at No.41, 43 and 45 Pau Chung Street in To Kwa Wan, Kowloon, Hong Kong.

On 5 October 2021, the remaining consideration of approximately \$286,297,000 had been settled and the acquisition was completed accordingly.

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 3 December 2021. The interim dividend will be paid to Shareholders on 16 December 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 1 December 2021 to 3 December 2021, both days inclusive, during which period no share transfer will be registered. In order to qualify for entitlement to 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 30 November 2021.

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 decreased by 43.4% or \$233.7 million, from approximately \$538.0 million for the six months ended 30 September 2020 (“FH 2020/21”) to approximately \$304.3 million for the six months ended 30 September 2021 (“FH 2021/22”). The decrease was primarily attributed to lower revenue recognised from the Kai Tak construction project which was at the completion stage during the period under review.

As at 30 September 2021, the gross contract sum of the construction projects in progress amounted to approximately \$1.63 billion.

Data Centre Premises Leasing

The Group currently owns two data centres, namely iTech Tower 1 and iTech Tower 2, and its leasing business achieved a healthy growth during the period under review. Revenue derived from this segment increased by 17.6% or \$13.8 million, from approximately \$78.1 million for FH 2020/21 to approximately \$91.9 million for FH 2021/22, primarily driven by the increased utilisation of data centre spaces in iTech Tower 2.

As previously disclosed, in September 2020 the Group simultaneously acquired two land parcels located at No.3 On Kiu Street and No.8 On Chuen Street in Fanling, the New Territories. These two sites are intended to be developed into two high-tier data centres for leasing purposes, which are targeted to deliver in mid-2025 and mid-2026. Application for change of land use of the two lands by way of land exchange are in progress.

Property Development – Hong Kong

The Grand Marine

The Grand Marine, located at Sai Shan Road, Tsing Yi, the New Territories is a 100%-owned residential project with a saleable area of approximately 345,000 square feet for 776 residential units. Pre-sales began in November 2019 with tremendous market response and over 92% of the residential units had been pre-sold, resulting in contracted sales of approximately \$4.8 billion in total. Interior fitting-out works are in progress and the project is expected to be completed by the end of 2021.

Cristallo

This luxurious residential project is located at No. 279 Prince Edward Road West, Kowloon. During FH 2021/22, sales and delivery of 5 apartments had been completed, and revenue of approximately \$188.9 million was recognised accordingly.

Luen Fat Street project

The Group acquired this parcel of land situated at No.1 Luen Fat Street, Fanling, the New Territories in January 2021, and intends to develop into a residential-cum-retail complex with a total gross floor area of approximately 36,000 square feet. Development plan had been submitted to the Town Planning Board for approval. Upon obtaining such approval, the Group will proceed with the change of land use and land premiums application. Upon completion of the redevelopment of the site, the completed properties will be sold to generate revenue for the Group.

Pau Chung Street project

In early October 2021, the Group added to its land bank a new site located at No. 41, 43 and 45 Pau Chung Street in To Kwa Wan, Kowloon through acquisition of the entire equity interests of Dream Palace Group. The site will be redeveloped into a residential-cum-commercial project which comprises a residential tower with retail shops at the lower level covering a total gross floor area of approximately 31,000 square feet. The general building plan for this residential and commercial project had been approved. Its foundation works had already been completed, and the superstructure works is expected to commence in the first quarter of 2022. Upon completion of the redevelopment of the site, the completed properties will be sold to generate revenue for the Group.

Property Development – Mainland China

In July 2021, the Group acquired its first land parcel in Mainland China through government public auction. The land parcel is located at Guangxi-ASEAN Economic and Technological Development Zone, Wuming District, Nanning City, Guangxi Province with a site area of approximately 53,334 square metres, and will be developed into a composite of residential and commercial complex. Apart from the general residential and commercial development, the Group plans to develop luxury residence comprising villa and low-rise apartment for the elderly and retired and their families under the theme of leisure and healthy lifestyle. The land site had been handed over to the Group and site clearance works are now underway. Planning and design works are also in progress.

OUTLOOK

Despite the COVID-19 pandemic, Hong Kong residential property market remain resilient in light of the solid end-user demand, limited supply of housing due to near term shortage of land supply and ultra-low interest rate. We remain positive on the outlook of the local residential property market, and are keen to pursue further development projects via various channels, thereby ensuring the Group's sustainability. On the other hand, the ongoing pandemic had boosted the internet usage for business transactions, remote working and learning, which has driven the demand for high-tier data centres. We will continue scaling up our investments in upgrading the existing infrastructure and facilities of our two data centres and look for suitable sites to expand our data centre network.

The acquisition of the land parcel in Wuming, Nanning City, PRC marks a solid step to extend the footprint of the Group's property development business to the Mainland China. We will keep on exploring potential property development projects in the Mainland China. In particular, we will focus on senior residence projects in Nanning and cities in the Greater Bay Area as the boom of ageing population will thrust vast demand for senior housing.

FINANCIAL REVIEW

Consolidated revenue decreased by \$200.0 million or 25.4% from approximately \$786.1 million in FH 2020/21 to approximately \$586.1 million in FH 2021/22, mainly due to lower revenue being recognised from the construction project in Kai Tak which was at the completion stage during the period under review.

Consolidated gross profit also decreased by \$88.9 million or 46.6% from approximately \$190.6 million in FH 2020/21 to approximately \$101.7 million in FH 2021/22, mainly due to the combined effect of (i) decrease in revenue recognised from the construction segment as abovementioned; and (ii) lower margin attained from the sales of five typical units of Cristallo during the period under review, as compared to one duplex and one typical unit being sold during FH 2020/21.

Operating expenses (inclusive of selling and general and administrative expenses) for the period decreased by 36.1% to approximately \$46.6 million (FH 2020/21: \$72.9 million), largely because of lower agency commission and marketing expenses incurred in relation to the sales of Cristallo and The Grand Marine respectively during FH 2021/22.

An unrealised fair value gain on investment properties of approximately \$40.0 million (FH 2020/21: loss of \$13.2 million) was recognised for FH 2021/22.

Finance costs for the period increased by 36.1% to approximately \$35.6 million (FH 2020/21: \$26.1 million), primarily due to reduction of finance costs being capitalised to property under development for sale which was at completion stage.

Net profit for FH 2021/22 slightly dropped by 1.4% to approximately \$69.2 million (FH 2020/21: \$70.2 million). Excluding the change in fair value of investment properties, the Group recorded an underlying profit of approximately \$29.2 million in FH 2021/22, representing a decrease of 65.0% as compared to an underlying profit of approximately \$83.4 million for FH 2020/21.

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations and capital expenditure with its shareholders' funds and bank borrowings. A variety of credit facilities are maintained which had contracted repayment terms ranging from repayable on demand to about 20 years. As at 30 September 2021, the Group had outstanding bank borrowings of approximately \$3,990.3 million (31 March 2021: approximately \$4,004.9 million), all of which were denominated in Hong Kong dollars. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group was approximately 179.9% (31 March 2021: approximately 161.6%). The Group recorded a net current liability of approximately \$388.8 million as at 30 September 2021. The current ratio (defined as current assets divided by current liabilities) of the Group was 0.92 times (31 March 2021: 0.84 times).

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 2021 were approximately \$583.4 million (31 March 2021: approximately \$1,122.0 million), most of which were held in Hong Kong dollars.

As abovementioned, on 29 September 2021 the Group entered into a new facility agreement pursuant to which a 5-year committed loan facility of \$2,200 million is made available to the Group to refinance a revolving loan and certain term loans due in March 2022. Besides, a new loan facility of \$600 million is granted to the Group as working capital. Taking into account the cash at banks and credit facilities available, the Directors consider 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 use of interest rate swaps. As at 30 September 2021, the Group had outstanding interest rate swaps with notional amount of approximately \$2.12 billion. These swaps have fixed interest rates ranging from 0.5% to 2.63% per annum and will mature between 2022 to 2025.

FOREIGN CURRENCY RISK

The Directors consider that the Group's foreign currency risk is insignificant as substantially all the Group's transactions are denominated in Hong Kong dollars. The Group currently had not implemented any foreign currency hedging policy. However, the management monitors the Group's foreign exchange exposure closely and may consider adopting foreign currency hedging policy in the future depending on the circumstances and the trend of foreign currency.

CHARGE ON ASSETS

As at 30 September 2021, certain assets of the Group with an aggregate carrying amount of approximately \$5,561 million were pledged to secure bank loans of approximately \$3,937 million granted to the Group.

NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

Details of the non-adjusting event after the reporting period are set out in note 15 to the condensed financial statements.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 September 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 2 September 2021, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with an independent third party to acquire the entire issued share capital of Dream Palace Holdings Limited together with its wholly owned subsidiary, Dormax Limited (collectively referred to as “Dream Palace Group”), and the shareholder’s loan, at a cash consideration of \$320,000,000 (subject to adjustment of the net current assets value of Dream Palace Group as at completion date). A deposit paid of \$32,000,000 had been included in the condensed consolidated statement of financial position as at 30 September 2021 as deposit paid for acquisition of subsidiaries. The major asset of Dream Palace Group is a site located at No.41, 43 and 45 Pau Chung Street in To Kwa Wan, Kowloon, Hong Kong. On 5 October 2021, the remaining consideration of approximately \$286,297,000 had been settled and the acquisition was completed accordingly.

Save as disclosed above, there was no other material acquisition or disposal of subsidiaries and associated companies by the Company during FH 2021/22.

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 185 employees as at 30 September 2021. Total remuneration of employees for FH 2021/22 was approximately \$67.2 million. The remuneration policy and packages of the Group’s employees are periodically reviewed with 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.

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 2021.

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 2021.

DIRECTORS’ 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 2021.

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, 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 2021/22.

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, 12 November 2021

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