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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 2013

The board of Directors (the “Board”) 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 2013 together with the comparative figures for the corresponding period in 2012 as follows:

CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 September	
		2013	2012
	<i>Note</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	4	224,398	531,365
Direct costs		(136,533)	(462,463)
Gross profit		87,865	68,902
Other revenue	5	1,315	1,804
Other net income/(loss)	6	1,868	(1,445)
General and administrative expenses		(21,179)	(5,338)
Changes in fair value of investment properties		8,235	10,000
Profit from operations		78,104	73,923
Finance costs	7(a)	(11,604)	(12,376)
Profit before taxation	7	66,500	61,547
Income tax	8	(11,331)	(7,995)
Profit for the period		55,169	53,552
Earnings per share (Hong Kong cents) —			
Basic and Diluted	10	16.8	17.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 September	
<i>Note</i>	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit for the period	55,169	53,552
Other comprehensive income for the period		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Available-for-sale securities:		
net movement in the fair value reserve	(495)	392
Cash flow hedges:		
net movement in the hedging reserve	6,486	235
	5,991	627
Total comprehensive income for the period	61,160	54,179

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	At 30 September 2013 HK\$'000 (unaudited)	At 31 March 2013 HK\$'000 (audited)
Non-current assets			
Fixed assets	<i>11</i>		
— Investment properties		1,993,000	1,974,000
— Other property, plant and equipment		695	1,131
		<u>1,993,695</u>	<u>1,975,131</u>
Other financial assets		15,210	15,045
		<u>2,008,905</u>	<u>1,990,176</u>
Current assets			
Gross amount due from customers for contract work		17,540	16,358
Trade and other receivables	<i>12</i>	137,833	186,506
Restricted and pledged deposits	<i>13</i>	51,046	43,920
Cash and cash equivalents		229,897	55,467
		<u>436,316</u>	<u>302,251</u>
Current liabilities			
Gross amount due to customers for contract work		5,084	33,747
Trade and other payables	<i>14</i>	76,586	87,582
Bank loans	<i>15</i>	97,872	67,470
Tax payable		13,123	5,996
		<u>192,665</u>	<u>194,795</u>
Net current assets		<u>243,651</u>	<u>107,456</u>
Total assets less current liabilities		<u>2,252,556</u>	<u>2,097,632</u>
Non-current liabilities			
Bank loans	<i>15</i>	762,117	760,671
Deferred tax liabilities		21,193	17,833
Derivative financial instruments		19,748	28,724
		<u>803,058</u>	<u>807,228</u>
NET ASSETS		<u>1,449,498</u>	<u>1,290,404</u>
CAPITAL AND RESERVES			
Share capital		4,000	5,000
Reserves	<i>16</i>	1,445,498	1,285,404
TOTAL EQUITY		<u>1,449,498</u>	<u>1,290,404</u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Hong Kong dollars)

1 GENERAL INFORMATION AND BASIS OF PREPARATION

(a) 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.

Pursuant to a reorganisation of the Group (the “Reorganisation”) which was completed on 19 July 2013 to rationalise the group structure in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 30 July 2013 (the “Prospectus”). The Company’s shares were listed on the Stock Exchange on 9 August 2013 (“the Listing Date”).

The Group is regarded as a continuing entity resulting from the Reorganisation under common control and the Reorganisation has been accounted for using the principles of merger accounting. The interim financial report of the Group has been prepared as if the current group structure had been in existence throughout both periods presented, or since the respective dates of incorporation or establishment of the group companies, rather than from the date when the Company became the holding company of the Group pursuant to the Reorganisation.

(b) Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 15 November 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the combined financial statements for the year ended 31 March 2013, except for the accounting policy changes that are expected to be reflected in the 2013/14 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the combined financial statements for the year ended 31 March 2013. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 March 2013 that is included in the interim financial report as being previously reported information does not constitute the Company’s combined financial statements for that financial year but is derived from those financial statements.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009–2011 Cycle*
- Amendments to HKFRS7, *Disclosures — Offsetting financial assets and financial liabilities*

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial report. The Group has provided these disclosures in note 17 to the interim financial report. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

The other developments have had no material impact on the Group's financial statements.

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

3 SEGMENT REPORTING

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

- Construction contracts: this segment constructs residential buildings, shopping arcades, commercial buildings and data centres for external customers and for group companies.
- Property leasing: this segment leases data centre premises to generate rental income.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to income generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Six months ended 30 September					
	Construction contracts		Property leasing		Total	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Revenue from external customers	156,855	464,770	67,543	66,595	224,398	531,365
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	<u>156,855</u>	<u>464,770</u>	<u>67,543</u>	<u>66,595</u>	<u>224,398</u>	<u>531,365</u>
Reportable segment profit	<u>35,823</u>	<u>17,177</u>	<u>46,942</u>	<u>47,366</u>	<u>82,765</u>	<u>64,543</u>
Interest income	389	108	13	-	402	108
Interest expense	-	-	(11,604)	(12,376)	(11,604)	(12,376)
Dividend income from unlisted securities	442	467	-	-	442	467
Depreciation	(98)	(98)	(517)	(442)	(615)	(540)
Changes in fair value of investment properties	-	-	8,235	10,000	8,235	10,000

(b) Reconciliation of reportable segment revenue and profit or loss

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Revenue		
Reportable segment revenue	224,398	531,365
Elimination of inter-segment revenue	-	-
Consolidated turnover	<u>224,398</u>	<u>531,365</u>
Profit		
Reportable segment profit derived from the Group's external customers	82,765	64,543
Other revenue and other net income	1,315	1,810
Depreciation	(615)	(540)
Finance costs	(11,604)	(12,376)
Changes in fair value of investment properties	8,235	10,000
Net unrealised gain/(loss) on financial derivative instruments	1,868	(1,451)
Unallocated head office and corporate expenses	(15,464)	(439)
Consolidated profit before taxation	<u>66,500</u>	<u>61,547</u>

(c) Geographic information

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

4 TURNOVER

Turnover represents revenue from construction contracts, rental and rental related income and is analysed as follows:

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue from construction contracts	156,855	464,770
Rental income	56,270	56,469
Rental related income	11,273	10,126
	224,398	531,365

5 OTHER REVENUE

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank interest income	402	108
Dividend income from unlisted securities	442	467
Others	471	1,229
	1,315	1,804

6 OTHER NET INCOME/(LOSS)

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net unrealised gain/(loss) on derivative financial instruments	1,868	(1,451)
Net realised gain on foreign exchange forward contract	-	6
	1,868	(1,445)

7 PROFIT BEFORE TAXATION

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

	Six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
(a) Finance costs		
Interest on bank loans wholly repayable:		
— within five years	13,883	11,724
— after five years	3,216	3,254
Other borrowing costs	1,122	164
	<u>18,221</u>	<u>15,142</u>
Less: Amount included in construction contracts in progress	<u>(6,617)</u>	<u>(2,766)</u>
	<u>11,604</u>	<u>12,376</u>
(b) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	25,172	22,792
Contributions to defined contribution retirement plans	800	819
Less: Amount included in construction contracts in progress	<u>(20,608)</u>	<u>(20,330)</u>
	<u>5,364</u>	<u>3,281</u>
(c) Other items		
Rental income from investment properties	(56,270)	(56,469)
Less: Direct outgoings	<u>19,160</u>	<u>17,250</u>
	<u>(37,110)</u>	<u>(39,219)</u>
Depreciation	<u>615</u>	<u>540</u>

8 INCOME TAX

Income tax in the consolidated income statements represents:

	Six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax		
Provision for Hong Kong Profits Tax for the period	9,253	5,948
Deferred tax		
Origination and reversal of temporary differences	<u>2,078</u>	<u>2,047</u>
	<u>11,331</u>	<u>7,995</u>

- (i) 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.
- (ii) The provision for Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits for the six months ended 30 September 2013.

9 OTHER COMPREHENSIVE INCOME

	Six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Available-for-sale securities:		
Changes in fair value and net movement in the fair value reserve during the period recognised in other comprehensive income	<u>(495)</u>	<u>392</u>
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments recognised during the period	7,767	281
Net deferred tax charged to other comprehensive income	<u>(1,281)</u>	<u>(46)</u>
Net movement in the hedging reserve during the period recognised in other comprehensive income	<u>6,486</u>	<u>235</u>

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of \$55,169,000 (2012: \$53,552,000) and the weighted average number of 328,571,429 shares (2012: 300,000,000 shares) in issue during the period.

The weighted average number of shares in issue during the six months ended 30 September 2013 is based on the assumption that 300,000,000 shares of the Company were in issue, comprising 100 shares in issue, 9,900 shares issued under the share split and 299,990,000 shares issued pursuant to the capitalisation issue, as if these shares were outstanding throughout the period from 1 April 2013 to the Listing Date, and 100,000,000 shares issued under the IPO. The weighted average number of shares in issue during the six months ended 30 September 2012 is based on the assumption that 300,000,000 shares of the Company were in issue, and comprising 100 shares in issue, 9,900 shares issued under the share split and 299,990,000 shares issued pursuant to the capitalisation issue, and as if these shares were outstanding throughout that period.

	Six months ended	
	30 September	
	2013	2012
	'000	'000
	(unaudited)	(unaudited)
Weighted average number of shares		
Issued ordinary shares at 1 April	–	–
Effect of share split (<i>note 16(a)(i)</i>)	10	10
Effect of capitalisation issue (<i>note 16(a)(ii)</i>)	299,990	299,990
Effect of issuance of new shares under the IPO (<i>note 16(a)(iii)</i>)	28,571	–
	<hr/>	<hr/>
Weighted average number of shares at 30 September	328,571	300,000
	<hr/> <hr/>	<hr/> <hr/>

(b) Diluted earnings per share

There were no diluted potential shares in existence during the six months ended 30 September 2013 and 2012.

11 FIXED ASSETS

(a) Revaluation of investment properties

The Group's investment properties and investment properties under development were revalued as at 30 September 2013 by an independent firm of surveyors, Colliers International (Hong Kong) Limited ("Colliers"), who have among their staff Fellow of The Hong Kong Institute of Surveyors, with recent experience in the location and category of the properties being valued. The valuations of the Group's investment properties were carried out by Colliers on a market value basis in their existing states on the basis of capitalisation of discounted cash flow projections based on estimates of future rental income using current market rentals and yields as inputs and, where appropriate, on the basis of capitalisation of the net rental income allowing for revisionary income potential. The valuation of the Group's investment properties under development was carried out by Colliers using the direct comparison approach which is based on recent comparable market transactions with adjustments which take into account the date, location, size and site layout of the respective comparable market transactions.

A gain of \$8,235,000 (2012: \$10,000,000) has been recognised in profit or loss for the period in respect of investment properties.

(b) The Group's investment properties and investment properties under development were pledged against bank loans, details of which are set out in note 15.

12 TRADE AND OTHER RECEIVABLES

	At 30 September 2013 <i>HK\$'000</i> (unaudited)	At 31 March 2013 <i>HK\$'000</i> (audited)
Trade debtors (<i>note</i>)	79,377	135,950
Deposits, prepayment and other receivables	7,612	8,858
Retentions receivable	50,844	41,698
	<u>137,833</u>	<u>186,506</u>

Note: Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	At 30 September 2013 <i>HK\$'000</i> (unaudited)	At 31 March 2013 <i>HK\$'000</i> (audited)
Not yet due	70,583	126,148
Under 1 month overdue	8,590	8,824
More than 1 month overdue and up to 3 months overdue	184	902
More than 3 months overdue and up to 6 months overdue	–	49
More than 6 months overdue and up to 1 year overdue	20	27
	<u>79,377</u>	<u>135,950</u>

13 RESTRICTED AND PLEDGED DEPOSITS

	At 30 September 2013 <i>HK\$'000</i> (unaudited)	At 31 March 2013 <i>HK\$'000</i> (audited)
Pledged deposits (<i>note (i)</i>)	44,982	37,856
Restricted deposits (<i>note (ii)</i>)	6,064	6,064
	<u>51,046</u>	<u>43,920</u>

Notes:

- (i) The balances represent bank deposits pledged to secure banks loans of the Group (note 15).
- (ii) The balances represent security deposits placed in a bank according to the terms of the tenancy agreement entered into with a tenant by the Group. The Group has no absolute right and control over the bank balance as the usage of the bank balance is specifically restricted by the tenant under the tenancy agreement. The Group can deduct the balance upon the breach of the tenancy agreement by the tenant. If the Group makes a deduction from the deposit, the tenant shall make up the difference within 14 days of demand.

14 TRADE AND OTHER PAYABLES

	At 30 September 2013 <i>HK\$'000</i> (unaudited)	At 31 March 2013 <i>HK\$'000</i> (audited)
Creditors and accrued charges (<i>note (i)</i>)	33,458	37,106
Rental and other deposits	6,064	6,064
Retentions payable	37,064	35,962
Amounts due to the former holding company (<i>note (ii)</i>)	–	8,450
	<u>76,586</u>	<u>87,582</u>

Notes:

- (i) Included in trade and other payables are trade creditors with the following ageing analysis at the balance sheet date:

	At 30 September 2013 <i>HK\$'000</i> (unaudited)	At 31 March 2013 <i>HK\$'000</i> (audited)
Due within 1 month or on demand	9,178	6,843
Due after 1 month but within 3 months	–	10,472
Due after 6 months but within 1 year	3	–
	<u>9,181</u>	<u>17,315</u>

- (ii) The amounts due to the former holding company, Grand Ming Holdings Limited, at 31 March 2013 were unsecured, interest-free and repayable on demand. The amounts were fully settled during the six months ended 30 September 2013.

15 BANK LOANS

	At 30 September 2013 <i>HK\$'000</i> (unaudited)	At 31 March 2013 <i>HK\$'000</i> (audited)
Bank loans — Secured	<u>859,989</u>	<u>828,141</u>

At 30 September 2013, the bank loans were repayable as follows:

	At 30 September 2013 <i>HK\$'000</i> (unaudited)	At 31 March 2013 <i>HK\$'000</i> (audited)
Within 1 year and included in current liabilities	<u>97,872</u>	<u>67,470</u>
After 1 year and included in non-current liabilities:		
After 1 year but within 2 years	113,765	110,765
After 2 years but within 5 years	444,594	401,235
After 5 years	<u>203,758</u>	<u>248,671</u>
	<u>762,117</u>	<u>760,671</u>
	<u>859,989</u>	<u>828,141</u>

At 30 September 2013, the bank loans were secured by the following assets:

	At 30 September 2013 <i>HK\$'000</i> (unaudited)	At 31 March 2013 <i>HK\$'000</i> (audited)
Investment properties	1,993,000	1,812,000
Pledged deposits	44,982	37,856
Available-for-sale securities	14,550	15,045
Other assets	<u>54,765</u>	<u>55,390</u>
	<u>2,107,297</u>	<u>1,920,291</u>

16 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	At 30 September 2013		At 31 March 2013	
	No. of Shares '000 (unaudited)	Amount HK\$'000	No. of Shares '000 (audited)	Amount HK\$'000
Authorised:				
Ordinary Shares of \$0.01 each (31 March 2013: \$1 each)	10,000,000	100,000	390	390
Ordinary Shares, issued and fully paid				
At 1 April 2013/October 2012	–#	–*	–#	–*
Share split (<i>note (i)</i>)	10	–	–	–
Capitalisation issue (<i>note (ii)</i>)	299,990	3,000	–	–
Issuance of new shares under the IPO (<i>note (iii)</i>)	100,000	1,000	–	–
At 30 September/31 March 2013	400,000	4,000	–#	–*

* Each represents \$100

Each represents 100 shares

Notes:

- (i) The Company was incorporated on 14 August 2012 with an authorised share capital of \$390,000 divided into 390,000 shares of \$1 each. On the same date, the Company allotted and issued an aggregate of 100 shares of \$1 each to its then shareholders.

Upon the completion of the Reorganisation on 19 July 2013, the Company became the holding company of the Group.

Since the Reorganisation was not completed on 31 March 2013, the share capital in the consolidated balance sheet as at 31 March 2013 represented the aggregate share capital of the Company and companies comprising the Group. The share capital in the consolidated balance sheet as at 30 September 2013 represented the share capital of the Company.

On 23 July 2013, pursuant to a written resolution of the shareholders of the Company, each share of \$1 each was split into 100 shares of \$0.01 each, and accordingly the authorised share capital and issued shares were increased from 390,000 shares to 39,000,000 shares and from 100 shares to 10,000 shares respectively. The authorised share capital (after the share split) was increased from 39,000,000 shares to 10,000,000,000 shares by the creation of 9,961,000,000 new shares, ranking pari passu in all respects with the shares in issue as at the date of passing of the written resolution.

- (ii) On 23 July 2013, pursuant to a written resolution of the shareholders of the Company, the Company allotted and issued 299,990,000 shares of \$0.01 each to the then existing shareholders of the Company. This resolution was conditional on the share premium account being credited as a result of the Company's IPO and pursuant to this resolution, a sum of \$2,999,900 standing to the credit of the share premium account was subsequently applied in paying up this capitalisation in full upon the Listing Date.

- (iii) On 9 August 2013, the Company was successfully listed on the Stock Exchange following the completion of its IPO of 100,000,000 shares of \$0.01 each issued at a price of \$1.11 per share. Proceeds of \$1,000,000 representing the par value of shares issued, were credited to the Company's share capital. The remaining proceeds of \$101,934,000, after deducting issuing expenses of \$8,066,000, were credited to the share premium account.

(b) Dividends

Dividends payable to equity shareholders attributable to the interim period

	Six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interim dividend declared and paid after the interim period of 3.6 cents per share (2012: Nil cents per share)	14,400	–

The interim dividend has not been recognised as a liability at the balance sheet date.

17 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 September 2013 not provided for were as follows:

	At	At
	30 September	31 March
	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Contracted for	38,687	12,756
Authorised but not contracted for	508,951	545,646
	547,638	558,402

The capital commitments solely related to development expenditure for a data centre building.

18 CONTINGENT LIABILITIES

	At	At
	30 September	31 March
	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Guarantees given to financial institutions for loan facilities granted to the former holding company	–	5,734

The guarantees given by the Group as at 31 March 2013 as set out above were released upon the Listing Date.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Board of the Company is delighted to present the first interim results of the Group for the period from 1 April 2013 to 30 September 2013 (“HY 2013”) since the listing of the Company’s shares (“Shares”) on the Stock Exchange on the Listing Date. 100,000,000 Shares had been issued under the public offer and placing of Shares (the “IPO” or “Share Offer”), raising net proceeds of approximately HK\$85.6 million with an oversubscription of 176 times for the public offer under the then adverse stock market condition of Hong Kong. Net proceeds are planned to be utilised for the development of a second high-tier data centre building (65%), construction projects (24.5%), sales and marketing (0.5%), and general working capital (10%) as per the Company’s Prospectus. The Group is principally engaged in the construction of residential property development projects for renowned local developers. In order to broaden the Group’s income stream from a project-based nature to a more balanced one, we diversified into the data centre premises leasing business which has a relatively higher gross profit margin since 2007. The Group recorded a turnover of approximately HK\$224.4 million for HY 2013, representing a decrease of approximately 57.8%, as compared to approximately HK\$531.4 million for the six months ended 30 September 2012 (“HY 2012”). The net profit for the period gently increased from approximately HK\$53.6 million for HY 2012 to approximately HK\$55.2 million for HY 2013. To thank the support and trust of the Company’s shareholders (the “Shareholders”), the Board is pleased to declare an interim dividend of HK3.6 cents per share for HY 2013.

BUSINESS REVIEW

Construction Business

The Group has established solid relationships with local prominent developers, providing them with building construction services, alterations, renovation and fitting-out works. As at the date of this announcement, the Group has construction and fitting-out contracts on hand in progress with total contract value of approximately HK\$672.7 million. The Group still emphasises quality work delivered in order to expand our clientele to more renowned developers.

Data Centre Premises Leasing Business

The Group’s existing high-tier data centre, namely iTech Tower, in Tsuen Wan, provides approximately 53,200 square feet of raised floor area (“RFA”), and has been fully occupied since 2011. The site for the second high-tier data centre, located in Ta Chuen Ping Street, Kwai Chung, was acquired in November 2012 and underwent foundation work since July 2013. The development work is expected to be completed around the third quarter of 2016 with estimated total development cost, including land cost, at HK\$682 million. The second data centre building is expected to provide approximately 45,000 square feet of RFA with initial operation by the end of 2015.

OUTLOOK

The current economic environment in Hong Kong is stable with increases in average salaries, inflation rate and gross domestic product. Although the property market price is under the close scrutiny of the Government of HKSAR (the “Government”), the demand for private residential sector cannot be curbed in the medium to long term. When the global market gradually recovers and the property pricing is stabilised, the demand for private residential housing will gradually soar and our revenue from building construction business will benefit accordingly. On the other hand, there is threat from rising construction costs due to the shortage of construction professionals, skilled labours and the increasing costs of construction materials. In order to ensure reasonable returns to the Shareholders and sustainable growth, we continue to adopt a conservative approach when submitting tenders and taking on new construction projects. We also work closely with our subcontractors and suppliers, develop construction initiatives in technology and design for better operational efficiency, and reduce the demand for manpower to trim the overall cost. Further expanding our quality customer base other than the current few renowned property developers is another strategy to broaden our revenue base. As such, our construction business is still optimistic in the foreseeable future.

According to a discussion paper written by the Commerce and Economic Development Bureau of HKSAR in March 2011, the National Twelfth Five-Year Plan has affirmed the Central People’s Government of the PRC’s continuous support for Hong Kong to strengthen the development in finance, logistics, information services, and other high-value-added service industries. Data centres play a critical role in buttressing all these industries. In sharpening its competitiveness, Hong Kong must move expeditiously in the race to further the development of high-tier data centres, especially those in support of high-frequency stock trading, e-commerce, and cloud computing services. Data centres constitute an essential part of the infrastructure in a knowledge-based economy, and are fundamental therefore to the growth of the information and communications technology industry. Hong Kong is a prime location for data centres, benefiting from its proximity to the Mainland, business-friendly environment, sound protection of data privacy, reliable power supply, comprehensive telecommunications infrastructure and low risk of natural disasters. The Government fully and continuously supports the development of data centres in Hong Kong as the backbone to our economic growth, and has granted parcels of land in Tseung Kwan O and Taipo Industrial Estates since 2001 for housing high-tier data centres for local and multinational corporations (“MNCs”).

The Office of the Government Chief Information Officer has been fostering Hong Kong as a prime location for high-tier data centres in the Asia Pacific region. The Government has embarked on respective supporting policies, including (i) setting aside more land in Tseung Kwan O since 2013, and (ii) establishing two incentive measures, since June 2012, to encourage the conversion of industrial buildings (“IBs”) to data centres and the development of high-tier data centres on industrial lots, encompassing firstly the exemption of waiver fee for changing part of eligible IBs into data centre use and, secondly, assessing the premium for lease modification of industrial lots for development of high-tier data centres on the basis of actual development and high-tier data centre use. In addition, through the Data Centre Facilitation Unit and its information portal, an one-stop support service can assist interested corporations to set up data centres in Hong Kong and liaise with various Government departments on technical requirements. InvestHK also assists in providing customised services to interested data centre investors from the Mainland and overseas in addition to meeting local demand.

As such, the Group, as a wholesale co-location provider, continues its core policy to further enlarge the RFA of high-tier data centres in coming years either by constructing a brand new building (the second data centre), or conversion of existing IBs (similar to iTech Tower), actually aligning with the local government policies of supporting high-tier data centres and exploiting such opportunities fully. More importantly, the Group has gained precious experience from iTech Tower to cater for the ultra-stringent requirements requested by MNCs for high-tier data centre. Indeed the Group had received direct enquiries from several MNCs in the financial and telecommunications sectors about the availability of the second high-tier data centre. The Group is well-equipped with the soaring opportunities in the high-tier data centre market in Hong Kong.

FINANCIAL REVIEW

Turnover

The Group's total turnover for HY 2013 was approximately HK\$224.4 million, representing a decrease of approximately 57.8% or HK\$307.0 million from approximately HK\$531.4 million for HY 2012. Turnover from the construction business decreased by approximately 66.3% or HK\$307.9 million, from approximately HK\$464.8 million for HY 2012 to approximately HK\$156.9 million for HY 2013. Turnover from the data centre premises leasing business slightly increased by approximately 1.4% or HK\$0.9 million, from approximately HK\$66.6 million for HY 2012 to approximately HK\$67.5 million for HY 2013.

The decrease in turnover was mainly attributable to substantial completion of several sizable construction projects in the second half of previous financial year as compared to much smaller extent of works being certified on these projects during the HY 2013.

Gross profit

The Group's gross profit increased by approximately 27.5% or HK\$19.0 million, from approximately HK\$68.9 million for HY 2012 to approximately HK\$87.9 million for HY 2013. The significant increase in gross profit was attributable to the increasing gross profit contribution from additional works in several construction projects which were completed during the HY 2013.

Other net income/(loss)

In HY 2013, the Group recorded a net unrealised gain on the interest rate swaps which resulted in other income of approximately HK\$1.9 million. In HY 2012, the other net loss primarily came from the net unrealised loss on the interest rate swaps.

General and administrative expenses

The Group's general and administrative expenses increased by approximately 297% or HK\$15.8 million, from approximately HK\$5.4 million for HY 2012 to approximately HK\$21.2 million for HY 2013. This was mainly attributable to the increase in the listing and listing related expenses, professional fees and staff costs incurred during the HY 2013.

Profit for the period

After taking into account the one-off listing and listing related expenses of approximately HK\$11.6 million and excluding the fair value gain on investment properties, the Group recorded an adjusted profit for the period of approximately HK\$46.9 million in HY 2013, representing an increase of approximately 7.8% or HK\$3.3 million when compared to an adjusted profit for the period of approximately HK\$43.6 million in HY 2012.

FINANCIAL POSITION

The Group funded its liquidity and capital requirements primarily through cash inflows from operating activities, bank borrowings and proceeds received from the IPO.

As at 30 September 2013, the Group's total cash balances were approximately HK\$280.9 million (31 March 2013: approximately HK\$99.4 million), most of which are held in Hong Kong dollars. The current ratio (defined as current assets divided by current liabilities) of the Group increased from 1.55 times as at 31 March 2013 to 2.26 times as at 30 September 2013. The gearing ratio (defined as total interest-bearing borrowings divided by shareholders' equity) of the Group declined from approximately 64.2% as at 31 March 2013 to approximately 59.3% as at 30 September 2013. These were mainly attributable to the proceeds received from the IPO.

Interest on bank loans is charged at floating rates. The Group had in place treasury policy in which the exposure to floating interest rate risk was mitigated by the use of interest rate swaps. The swaps had fixed swap rates ranging from 0.89% to 1.97% per annum.

USE OF NET PROCEEDS FROM THE IPO

The Company raised aggregate net proceeds of approximately HK\$85.6 million from the IPO. Up to 30 September 2013, the Group has used up part of the net proceeds in accordance with the proposed usage set out in the Prospectus:

	Available	Net proceeds (HK\$million) Utilised	Unutilised
Development of second data centre	55.6	2.0	53.6
Initial outlay for new construction projects	21.0	–	21.0
Sales and marketing promotion activities	0.4	–	0.4
General working capital	8.6	8.5	0.1
	<u>85.6</u>	<u>10.5</u>	<u>75.1</u>

The unutilised net proceeds are held in reputable banks in Hong Kong as short-term deposits and time deposits.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

During the period under review, there was no acquisition or disposal of subsidiaries and associated companies by the Company save as disclosed in the Prospectus.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2013, the Group had a total of 137 (30 September 2012: 147) employees. The total remuneration cost incurred by the Group for the HY 2013 was approximately HK\$26.0 million (HY 2012: approximately HK\$23.6 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 package consisted of basic salary, benefit-in-kind, fringe benefits and contributions to mandatory provident funds, as well as discretionary bonuses which are determined according to individual performance.

DEBTS AND CHARGE ON ASSETS

The Group had total bank borrowings of approximately HK\$860.0 million as at 30 September 2013 (31 March 2013: approximately HK\$828.1 million). These bank borrowings are secured by the Group's assets with an aggregate carrying amount of approximately HK\$2,107.3 million and HK\$1,920.3 million as at 30 September 2013 and 31 March 2013 respectively.

FOREIGN CURRENCY RISK

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

CAPITAL COMMITMENTS

Save as disclosed in note 17 to this announcement, the Group had no other capital commitments as at 30 September 2013 and 31 March 2013.

CONTINGENT LIABILITIES

Save as disclosed in note 18 to this announcement, the Group had no other contingent liabilities as at 30 September 2013 and 31 March 2013.

INTERIM DIVIDEND

The Board has recommended the payment of an interim dividend of HK3.6 cents (HY 2012: Nil) per share for the six months ended 30 September 2013 to Shareholders whose names appear on the register of member of the Company as at the close of business on 5 December 2013. The interim dividend will be paid to Shareholders on 20 December 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 December 2013 to 5 December 2013, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement of the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrars and transfer office in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 2 December 2013.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") was established on 23 July 2013 with terms of reference in compliance with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchanges of Hong Kong Limited (the "Listing Rules") for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, reviewing the financial statements and related materials and providing advice in respect of the financial reporting process, and overseeing the internal control procedures of the Group. The Audit Committee now comprises four members, all being independent non-executive Directors, namely, Mr Mok Kwai Pui Bill (Chairman), Mr Tsui Ka Wah, Mr Kan Yau Wo and Mr Lee Chung Yiu Johnny. The Group's accounting principles and practices, financial statements and related materials for the period were reviewed by the Audit Committee. The Audit Committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and discussed the matters relating to the unaudited interim financial report of the Group for the six months ended 30 September 2013 and recommended its adoption by the Board.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed Shares from the Listing Date up to 30 September 2013.

CORPORATE GOVERNANCE

The Board of the Company recognises the importance of and is committed to maintaining high standards of corporate governance so as to enhance corporate transparency and safeguard the interests of the Company and its shareholders, customers, staff and other stakeholders. It strives to maintain effective accountability systems through well-developed corporate policies and procedures, and internal systems and controls. The Company has complied with all the code provisions as set out in the Code as contained in Appendix 14 to the Listing Rules from the Listing Date to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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. Following specific enquiry by the Company to the Directors, all Directors have confirmed their compliance with the required standard set out in the Model Code from the Listing Date to the date of the announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT

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

APPRECIATION

The Board would like to thank the management of the Group and all the staff for their hard work and dedication, as well as the Shareholders, the Group's business partners and associates, bankers and auditors for their support to the Group.

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

Hong Kong, 15 November 2013

As at the date of this announcement, the Executive Directors of the Company are Mr Chan Hung Ming, Mr Lau Chi Wah, Mr Yuen Ying Wai and Mr Kwan Wing Wo; and the Independent Non-Executive Directors of the Company are Mr Tsui Ka Wah, Mr Kan Yau Wo, Mr Mok Kwai Pui Bill and Mr Lee Chung Yiu Johnny.