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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).)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2020**

HIGHLIGHTS

- Underlying profit* decreased by 65.9% to \$44.2 million (2019: \$129.6 million). Underlying earnings per share* was 6.2 cents (2019: 18.3 cents)
- Profit for the year amounted to \$33.8 million (2019: \$149.0 million), inclusive of a decrease in fair value of investment properties of \$10.3 million (2019: increase of \$19.4 million). Earnings per share was 4.8 cents (2019: 21.0 cents)
- Final dividend of 4.0 cents per share (2019: 5.8 cents per share) is recommended
- Bonus issue of one new share credited as fully paid for every one share held is proposed
- Net assets as at 31 March 2020 amounted to \$2,405 million

** 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 year and earnings per share respectively*

The board (the “Board”) of directors (the “Directors”) of Grand Ming Group Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2020 together with the comparative figures for the corresponding period in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

		2020	2019
	Notes	\$'000	\$'000
Revenue	4	902,596	613,410
Direct costs		<u>(682,308)</u>	<u>(346,962)</u>
Gross profit		220,288	266,448
Other income and gain/(loss), net	4	9,290	4,487
Selling expenses		(69,179)	(26,676)
General and administrative expenses		(39,455)	(33,093)
Change in fair value of investment properties	9(a)	<u>(10,344)</u>	<u>19,419</u>
Profit from operations		110,600	230,585
Finance costs	5(a)	<u>(67,328)</u>	<u>(53,471)</u>
Profit before taxation	5	43,272	177,114
Income tax expenses	6	<u>(9,443)</u>	<u>(28,114)</u>
Profit for the year		<u>33,829</u>	<u>149,000</u>
		<i>Cents</i>	<i>Cents</i>
Earnings per share (reported earnings per share)			
- Basic and Diluted	8(a)	<u>4.8</u>	<u>21.0</u>
Earnings per share (underlying earnings per share)			
- Basic and Diluted	8(b)	<u>6.2</u>	<u>18.3</u>

Details of the dividends payable to owners of the Company attributable to the profit for the year are disclosed in note 7 to the financial statements.

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

For the year ended 31 March 2020

	2020	2019
	\$'000	\$'000
Profit for the year	33,829	149,000
Other comprehensive income for the year		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Financial assets at fair value through other comprehensive income – net movement in fair value reserve	(2,596)	(830)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange difference on translation of foreign operations	(587)	–
Cash flow hedges – net movement in hedging reserve	(15,366)	(29,194)
	(15,953)	(29,194)
Other comprehensive income for the year, net of tax	(18,549)	(30,024)
Total comprehensive income for the year	15,280	118,976

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 \$'000	2019 \$'000
Non-current assets			
Fixed assets			
- Investment properties	9	3,643,000	3,595,000
- Property, plant and equipment		865,774	864,368
		4,508,774	4,459,368
Deferred tax assets		27,876	12,436
Derivative financial instruments		-	288
Intangible assets		500	500
Financial assets at fair value through other comprehensive income		10,114	12,710
Financial assets at fair value through profit and loss		7,766	7,220
		4,555,030	4,492,522
Current assets			
Inventories of properties		2,385,683	2,080,437
Contract assets		228,303	196,173
Trade and other receivables	10	170,160	116,918
Tax recoverable		3,338	2,000
Derivative financial instruments		8	-
Restricted and pledged deposits		2,127,031	104,478
Cash and bank balances		80,059	58,269
		4,994,582	2,558,275
Current liabilities			
Trade and other payables	11	252,125	157,744
Contract liabilities		2,159,022	25,555
Dividend payables		354,885	-
Bank loans	12	664,496	782,538
Tax payable		23,727	11,791
		3,454,255	977,628
Net current assets		1,540,327	1,580,647
Total assets less current liabilities		6,095,357	6,073,169

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**As at 31 March 2020*

		2020	2019
	<i>Notes</i>	\$'000	\$'000
Non-current liabilities			
Bank loans	<i>12</i>	3,603,271	3,188,219
Deferred tax liabilities		48,831	50,653
Derivative financial instruments		37,896	19,775
		<u>3,689,998</u>	<u>3,258,647</u>
NET ASSETS		<u>2,405,359</u>	<u>2,814,522</u>
CAPITAL AND RESERVES			
Share capital		7,098	7,098
Reserves		<u>2,398,261</u>	<u>2,807,424</u>
TOTAL EQUITY		<u>2,405,359</u>	<u>2,814,522</u>

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 the 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.

The consolidated annual results set out in this announcement do not constitute the Group’s consolidated financial statements for the year ended 31 March 2020 but are extracted from these consolidated financial statements.

The consolidated financial statements have been prepared in accordance with all Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial statements also include the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

2. ADOPTION OF HKFRSs

(a) Adoption of new/revised HKFRSs – effective 1 April 2019

In the current year, the Group has applied the following amendments to HKFRSs issued by HKICPA which are relevant to and effective for the Group’s consolidated financial statements for the annual period beginning on or after 1 April 2019:

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, Business Combinations; HKFRS 11, Joint Arrangement; HKAS 12, Income Taxes and HKAS 23, Borrowing Costs

The application of the new or amended to HKFRSs that are effective from 1 April 2019 has no material impact on the Group’s financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group:

Amendments to HKFRS 3	Definition of a Business ¹
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹
HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred / removed. Early application of the amendments of the amendments continue to be permitted

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have significant impact on the Group's result of operations and financial positions.

3. 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 group companies
- Property leasing: leasing of data centres
- Property development: development and sale of properties

Inter-segment transactions are priced with reference to prices charged to 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

	Construction		Property leasing		Property development		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	497,147	264,918	139,835	157,460	265,614	191,032	902,596	613,410
Inter-segment revenue	537,203	192,403	30,282	32,035	—	—	567,485	224,438
Segment revenue	<u>1,034,350</u>	<u>457,321</u>	<u>170,117</u>	<u>189,495</u>	<u>265,614</u>	<u>191,032</u>	<u>1,470,081</u>	<u>837,848</u>
Segment results	<u>78,757</u>	<u>84,931</u>	<u>71,444</u>	<u>86,373</u>	<u>(15,091)</u>	<u>58,833</u>	<u>135,110</u>	<u>230,137</u>
Unallocated net income							3,606	4,487
Unallocated expenses							(18,126)	(20,644)
Change in fair value of financial assets at fair value through profit or loss							354	(2,814)
Change in fair value of investment properties							(10,344)	19,419
Finance costs							(67,328)	(53,471)
Profit before taxation							<u>43,272</u>	<u>177,114</u>

(b) Other segment information

	Construction		Property leasing		Property development		Unallocated		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Additions to non-current segment assets	178	196	63,039	118,695	19,029	454,671	4,602	67	86,848	573,629

(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) Information about major customers

Revenue from customers contributing over 10% of the Group's revenue is as follows:

	2020	2019
	\$'000	\$'000
Customer A ¹	464,486	212,806
Customer B ²	95,603	—
Customer C ²	91,242	—
Customer D ³	70,067	70,714
Customer E ⁴	—	148,000

¹ The revenue was derived from building construction.

² The revenue was derived from sales of properties.

³ The revenue was derived from property leasing. Customer D did not contribute over 10% of the total turnover of the Group for the year ended 31 March 2020.

⁴ The revenue was derived from sales of properties, which is identified as a related party transaction, Customer E did not contribute over 10% of the total turnover of the Group for the year ended 31 March 2020.

(e) Timing of revenue recognition

	Construction		Property leasing		Property development		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At a point in time	–	–	–	–	265,614	191,032	265,614	191,032
Transferred over time	497,147	264,918	20,024	24,060	–	–	517,171	288,978
Revenue from other sources	–	–	119,811	133,400	–	–	119,811	133,400
	<u>497,147</u>	<u>264,918</u>	<u>139,835</u>	<u>157,460</u>	<u>265,614</u>	<u>191,032</u>	<u>902,596</u>	<u>613,410</u>

4. REVENUE AND OTHER INCOME AND GAIN/(LOSS), NET

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

(a) Disaggregation of revenue

	2020	2019
	\$'000	\$'000
Revenue from contract with customer		
Revenue from building construction	497,147	264,918
Rental related income	20,024	24,060
Sales of properties	265,614	191,032
Revenue from other sources		
Rental income	<u>119,811</u>	<u>133,400</u>
	<u>902,596</u>	<u>613,410</u>

As at 31 March 2020, the aggregate amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is approximately \$5,586.3 million (2019: \$2,096.1 million). This amount represents revenue expected to recognise in the future from construction contracts and property sales contracts entered into by the customers with the Group. The Group will recognise the expected revenue in the future when or as the work is completed, which is expected to occur over the next 12 to 48 months.

(b) Other income and gain/(loss), net

	2020	2019
	\$'000	\$'000
Bank interest income	2,720	1,127
Dividend income from unlisted fund investments	848	850
Net foreign exchange (loss)/gain	(632)	145
Change in fair value of financial assets at fair value through profit or loss	354	(2,814)
Others	<u>6,000</u>	<u>5,179</u>
	<u>9,290</u>	<u>4,487</u>

5. PROFIT BEFORE TAXATION

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

	2020 \$'000	2019 \$'000
(a) Finance costs		
Interest on bank loans and other borrowing costs	185,959	149,614
Less: Amount included in construction contracts in progress	(10,507)	(3,348)
Amount capitalised	<u>(108,124)</u>	<u>(92,795)</u>
	<u>67,328</u>	<u>53,471</u>
(b) Staff costs (including directors' remuneration)		
Salaries, wages and other benefits	129,061	112,779
Contributions to defined contribution retirement plans	2,670	2,924
	<u>131,731</u>	<u>115,703</u>
Less: Amount included in construction contracts in progress	(58,688)	(50,491)
Amount capitalised	<u>(47,922)</u>	<u>(41,321)</u>
	<u>25,121</u>	<u>23,891</u>
(c) Other items		
Rental income from investment properties	(119,812)	(133,400)
Less: Direct outgoings	66,091	65,161
	<u>(53,721)</u>	<u>(68,239)</u>
Depreciation	22,746	14,838
(Reversal of)/impairment loss on trade receivables	(272)	25
Short term leases expenses	3,849	—
Auditors' remuneration		
- audit services	1,088	962
- other services	145	140
	<u>1,233</u>	<u>1,102</u>

6. INCOME TAX EXPENSES

	2020 \$'000	2019 \$'000
Current tax		
Provision for Hong Kong Profits Tax for the year	24,139	26,676
Over-provision in respect of prior years	(469)	(464)
	<u>23,670</u>	<u>26,212</u>
Deferred tax		
(Credited)/charged to profit or loss for the year	<u>(14,227)</u>	<u>1,902</u>
	<u>9,443</u>	<u>28,114</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.

The provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year.

Under the Law of the 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%.

7. DIVIDENDS

(a) Dividends attributable to the year:

	2020 \$'000	2019 \$'000
Interim dividend declared and paid of 4.0 cents (2019: 4.0 cents) per share	28,391	28,391
Special interim dividend declared and payable of 50.0 cents (2019: Nil) per share	354,885	—
Final dividend proposed after the end of the reporting period of 4.0 cents (2019: 5.8 cents) per share	<u>28,391</u>	<u>41,167</u>
	<u>411,667</u>	<u>69,558</u>

On 19 March 2020, the Board resolved to declare a special interim dividend of 50.0 cents per share, amounting to approximately \$354,885,000 in total, to the shareholders whose names appeared on the register of members of the Company on 20 April 2020. The special interim dividend is reflected as dividend payables at the end of the reporting period.

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

(b) Dividends attributable to the previous financial year:

	2020 \$'000	2019 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year of 5.8 cents (2019: 5.8 cents) per share	<u>41,167</u>	<u>41,167</u>

8. 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 \$33,829,000 (2019: \$149,000,000) and the weighted average number of 709,771,173 shares (2019: 709,771,173 shares) in issue during the year.

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 years ended 31 March 2020 and 2019.

(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 \$44,173,000 (2019: \$129,581,000), which excludes the effects of changes in fair value of investment properties. A reconciliation of profit is as follows:

	2020 \$'000	2019 \$'000
Profit for the year	33,829	149,000
Change in fair value of investment properties	<u>10,344</u>	<u>(19,419)</u>
Underlying profit for the year	<u>44,173</u>	<u>129,581</u>

9. INVESTMENT PROPERTIES

- (a) The Group's investment properties were revalued as at 31 March 2020. The fair value of the Group's 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 loss of \$10,344,000 (2019: gain of \$8,513,000) in respect of investment properties has been recognised in the consolidated statement of profit or loss for the year.
- (b) During the year ended 31 March 2019, the Group transferred certain of its property interests from investment properties to buildings held for own use. The resulting revaluation surplus of \$10,906,000 relating to such property interests as at the date of transfer was recognised in the consolidated statement of profit or loss for the year ended 31 March 2019.
- (c) The Group's investment properties were pledged against bank loans, details of which are set out in note 12 to the financial statements.

10. TRADE AND OTHER RECEIVABLES

	2020 \$'000	2019 \$'000
Trade receivables	89,491	52,328
Less: Impairment	<u>(159)</u>	<u>(431)</u>
	89,332	51,897
Deposits, prepayments and other receivables	<u>80,828</u>	<u>65,021</u>
	<u>170,160</u>	<u>116,918</u>

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

	2020 \$'000	2019 \$'000
Less than 1 month	87,388	47,895
More than 1 month but less than 3 months	1,710	2,481
More than 3 months but less than 6 months	176	1,093
More than 6 months	<u>58</u>	<u>428</u>
	<u>89,332</u>	<u>51,897</u>

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

11. TRADE AND OTHER PAYABLES

	2020 \$'000	2019 \$'000
Trade payables	103,250	26,235
Other payables and accrued charges	63,983	41,552
Rental and other deposits	1,900	7,174
Receipts in advance	5,341	4,050
Retention payables	<u>77,651</u>	<u>78,733</u>
	<u>252,125</u>	<u>157,744</u>

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

	2020 \$'000	2019 \$'000
Less than 1 month	102,406	25,677
More than 1 month but less than 3 months	<u>844</u>	<u>558</u>
	<u><u>103,250</u></u>	<u><u>26,235</u></u>

12. BANK LOANS

	2020 \$'000	2019 \$'000
Bank loans		
- Secured	4,202,198	3,970,757
- Unsecured	<u>65,569</u>	<u>—</u>
	<u><u>4,267,767</u></u>	<u><u>3,970,757</u></u>

The bank loans were repayable as follows:

	2020 \$'000	2019 \$'000
Within 1 year and included in current liabilities	<u>664,496</u>	<u>782,538</u>
After 1 year and included in non-current liabilities:		
After 1 year but within 2 years	2,032,982	335,590
After 2 years but within 5 years	1,459,515	2,734,876
After 5 years	<u>110,774</u>	<u>117,753</u>
	<u><u>3,603,271</u></u>	<u><u>3,188,219</u></u>
	<u><u>4,267,767</u></u>	<u><u>3,970,757</u></u>

The bank loans were secured by the following assets:

	2020 \$'000	2019 \$'000
Investment properties	3,643,000	3,595,000
Property, plant and equipment	819,646	836,741
Financial assets at fair value through other comprehensive income	10,114	12,710
Inventories of properties	1,850,399	2,080,437
Pledged deposits	100,965	72,854
Other assets	<u>39,782</u>	<u>40,885</u>
	<u><u>6,463,906</u></u>	<u><u>6,638,627</u></u>

13. COMMITMENTS

Capital commitments outstanding at 31 March 2020 not provided for in the Group's financial statements were as follows:

	2020	2019
	\$'000	\$'000
Development of investment property	—	2,290
Assets under construction	—	14,212
	<u>—</u>	<u>16,502</u>
	<u>—</u>	<u>16,502</u>

14. CONTINGENT LIABILITIES

At 31 March 2020 and 2019, the Company did not have any material contingent liabilities.

DIVIDENDS

The Board recommends payment of a final dividend of 4.0 cents per share to shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company on 4 August 2020. Subject to approval by the Shareholders in the forthcoming annual general meeting, the proposed final dividend warrants are expected to be dispatched to Shareholders on 17 August 2020.

Together with the interim dividend of 4.0 cents per share and special interim dividend of 50.0 cents per share, the total dividends for the year ended 31 March 2020 will amount to 58.0 cents per share.

PROPOSED BONUS ISSUE OF SHARES

The Board proposes an issue of bonus shares on the basis of one new share credited as fully paid for every one existing share of the Company held by Shareholders whose names appear on the register of members of the Company on 4 August 2020. The relevant resolution will be proposed in the forthcoming annual general meeting of the Company and, if approved and upon The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting the listing of and permission to deal in such new shares, share certificates for the bonus shares will be dispatched to Shareholders on 17 August 2020.

The bonus shares will rank *pari passu* in all respects with the existing shares in issue from the date of issue except that they will not rank for the final dividend for the year ended 31 March 2020. No fractional shares arising from the bonus issue shall be allotted, and fractional entitlements will be aggregated and sold at such time or times as the Directors shall think fit.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of Shareholders to the right to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 22 July 2020 to 27 July 2020, both days inclusive, during which period no share transfer will be effected. In order to qualify for attending and voting at the forthcoming annual general meeting, 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 21 July 2020.

In order to determine Shareholders who qualify for the proposed final dividend and bonus shares, the register of members of the Company will be closed from 31 July 2020 to 4 August 2020, both days inclusive, during which period no share transfer will be effected. In order to qualify for the proposed final dividend and bonus shares, 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 July 2020.

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. Revenue derived from the construction business increased by approximately 87.7% or \$232.2 million, from approximately \$264.9 million for the year ended 31 March 2019 ("FY 2018/19") to approximately \$497.1 million for the year ended 31 March 2020 ("FY 2019/20"). The increase is mainly attributable to a new construction project at Kai Tak of which the contract was awarded in March 2019 and work commenced in May 2019.

As at 31 March 2020, 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, telecommunication conglomerate 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 contributions from existing and new customers. As at 31 March 2020, binding commitments have been secured on all the raised floor area space of iTech Tower 2.

Revenue derived from data centre premises leasing business decreased by approximately 8.2% or \$12.4 million, from approximately \$152.2 million for FY 2018/19 to approximately \$139.8 million for FY 2019/20, primarily due to reduction of rental related income as a result of lower electricity consumption by the tenant of iTech Tower 1 during the year under review.

Property Development

Tsing Yi Sai Shan Road project

The Group's first property development project, situated at No. 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 foundation works has been completed and the superstructure work will be proceeded immediately. The development is expected to be completed in late 2021.

Pre-sale consent was obtained in October 2019. Coupled with the government's move to relax mortgage restriction for first-time homebuyers and reduction of prime rates among local banks, the Group captured the opportune moment and launched the presale of the project in November 2019. The project was well received in the market, with over 83% of the residential units being sold and cumulative presale proceeds of approximately \$4.0 billion being recorded as of the end of May 2020.

Cristallo

The Group's luxury residential project, CRISTALLO, at No. 279 Prince Edward Road West, Kowloon were sold well. During the year under review, sales and delivery of 5 apartments had been completed, and revenue of approximately \$265.6 million were recognized accordingly. Furthermore, the Group had entered into 8 provisional sales and purchase agreements in respect of sales of 8 apartments with aggregate contract sum of approximately \$405.7 million. Completions of these 8 apartments are scheduled to take place from June 2020 to October 2021.

OUTLOOK

FY 2019/20 has been a challenging and crucial year to the Group. In November 2019, the Group managed to launch the presale of the Grand Marine project and had received overwhelming response from the market amid the social instability. The sales remain resilient in the first and second quarter of Year 2020. We expect the presale proceeds, which are gradually received according to the payment plan, will significantly improve the financial position of the Group. This also provides a solid foundation for the Group's future property development business.

Since the middle of Year 2019 Hong Kong economy was hit hard by the large scale protests and demonstration triggered by the proposed extradition bill. Worse still, the outbreak of novel coronavirus pandemic in the beginning of Year 2020 further exerted a drag to the already weakened economy. Hence the short-term and medium-term economic outlook would remain soft. Nevertheless, we are of the view that this may create opportunity for the Group to expand its property development business. We will adhere to our usual cautious strategy to actively identify suitable land and properties acquisition opportunities so as to increase the Group's land reserve and enhance the Group's sustainable development.

Following completion of acquisition of a property development business in January 2020, the Group started to diversify the geographical presence of its property development business from Hong Kong to Guangxi Province of Mainland China where the land costs are comparatively lower but possess huge market potential. We are now seeking suitable development projects in Nanning City of Guangxi Province in order to broaden the Group's income stream and enhance returns for Shareholders.

We endeavor to invest and upgrade the existing infrastructure and facilities in our two data centres to cater for customers' needs. At the same time, we continue to look at suitable opportunities for expansion and are actively seeking new sites (either greenfield land or existing industrial buildings) in the territory and elsewhere outside Hong Kong for the establishment of our third high-tier data centre.

For the construction business, we keep focusing on the existing construction projects. Meanwhile we maintain our extremely prudent strategy in tendering new construction contracts as reduction in new residential projects and severe competition among the construction industry considerably undermine the profit margin.

FINANCIAL REVIEW

In FY 2019/20, the Group's consolidated revenue amounted to approximately \$902.6 million (2019: \$613.4 million), representing an increase of approximately 47.1% as compared to the corresponding period of last year. The increase was primarily driven by revenue from a new building construction contract in Kai Tak and sales of five units of Cristallo during the year.

Consolidated gross profit reduced by 17.3% from last year to approximately \$220.3 million (2019: \$266.4 million), mainly due to (i) profit of additional work in a construction project being recognised in FY 2018/19 but no such additional work were recorded in FY 2019/20; (ii) absence of rental income received from the leasing of the units on 22/F, Railway Plaza, Tsim Sha Tsui as the premises were leased out during FY 2018/19 and then occupied by the Group as its headquarter since May 2019; and (iii) reduction of rental related income in the data centre leasing business.

Operating expenses (inclusive of selling and general and administrative expenses) for the year increased by 81.8% to approximately \$108.6 million (2019: \$59.8 million), primarily because (i) advertising and marketing expenses incurred in the sales campaign of the Grand Marine project were accounted for in the Group's consolidated profit and loss for the year, whereas the sales proceeds received will be reflected in the Group's consolidated profit and loss at the point in time when the project is completed; and (ii) increase in depreciation charges from the renovation and equipment in the sales office and headquarter office.

An unrealised fair value loss on investment properties of approximately \$10.3 million (2019: gain of \$19.4 million) was recognised for the year. The deficit reflected the fact that the Group made further investment in the infrastructure and facilities in the two data centres to suit the requirements of new customers.

Finance costs for the year increased by approximately 25.9% to approximately \$67.3 million (2019: \$53.5 million), which was due to (i) increase in interest rate which pushed the Group's average interest rates on variable rate borrowings to about 4.00% (2019: 3.70%) and (ii) cessation of interest expense capitalisation upon completion of iTech Tower 2.

Net profit for FY 2019/20 was approximately \$33.8 million (2019: \$149.0 million), representing a decrease of approximately 77.3% when compared to that of FY 2018/19. Excluding the change in fair value of investment properties, the Group recorded an underlying profit of approximately \$44.2 million in FY 2019/20, representing a decrease of approximately 65.9% as compared to an underlying profit of approximately \$129.6 million in FY 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 18.1 years. As at 31 March 2020, the Group had outstanding bank borrowings of approximately \$4,267.8 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 177.4% (31 March 2019: approximately 141.1%). Increase in the bank borrowings and gearing ratio was mainly contributed by the drawdown of new bank loans for financing the 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 31 March 2020 were approximately \$2,207.1 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 1.45 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 31 March 2020, the Group had outstanding interest rate swaps with notional amount of approximately \$1.63 billion. These swaps have fixed interest rates ranging from 1.3% to 2.63% per annum and will mature between 2020 to 2022.

FOREIGN CURRENCY RISK

The Directors consider that the Group's foreign currency risk is insignificant as substantially all of the Group's transactions are denominated in Hong Kong dollars. The Group has not implemented any foreign currency hedging policy at the moment. 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 31 March 2020, bank loans of approximately \$4,202 million are secured by certain assets of the Group with an aggregate carrying amount of approximately \$6,464 million.

CAPITAL COMMITMENTS

The Group had no capital commitments as at 31 March 2020.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 March 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 18 January 2020, the Group entered into an agreement for sale and purchase in respect of the acquisition of the entire equity interest of Grand Victor Enterprise Company Limited ("Grand Victor") and its shareholder's loan at an aggregate cash consideration of HK\$18,800,000 (the "Acquisition"). Grand Victor is an investment holding company and has no other substantial business save as the holding of the entire equity interest of Guangxi Jiaming Property Development Co., Ltd. ("Guangxi Jiaming"). Guangxi Jiaming is principally engaged in property development in Guangxi Province of the Mainland China. The Acquisition was completed on 21 January 2020. Details of the Acquisition were set out in the announcement of the Company dated 20 January 2020.

Save as disclosed above, the Group did not make any other material acquisition or disposal of subsidiaries and associated companies during FY 2019/20.

EMPLOYEES AND REMUNERATION POLICIES

The Group had a total of 173 employees as at 31 March 2020. Total remuneration of employees for FY 2019/20 was approximately \$131.7 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 consist of 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 FY 2019/20.

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 FY 2019/20.

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 enquiries to all Directors by the Company, all Directors confirmed their compliance with the required standard set out in the Model Code throughout the FY 2019/20.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained the prescribed minimum public float under the Listing Rules.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 27 July 2020. A notice convening the annual general meeting will be issued and dispatched to Shareholders in due course.

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 auditor; 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 Chun Yiu Johnny.

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

REVIEW OF THIS RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit and loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY 2019/20 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Company (www.grandming.com.hk) and the Stock Exchange (www.hkexnews.hk). The annual report for FY 2019/20 containing all relevant information required by the Listing Rules will be disseminated to the Shareholders and available on the above websites in due course.

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 Shareholders, the Group's business partners and associates, bankers and auditors for their supports to the Group.

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

Hong Kong, 5 June 2020

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