佳寧娜集團控股有限公司

CARRIANNA GROUP HOLDINGS COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00126)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 MARCH 2018

RESULTS

The Board of Directors (the "Board") of Carrianna Group Holdings Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2018, together with the comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	3	**932,620**	867,468
Cost of sales		**(477,427)**	(471,670)
Gross profit		**455,193**	395,798
Other income and gains, net		**245,429**	78,099
Selling and distribution expenses		**(203,679)**	(183,380)
General and administrative expenses		**(144,413)**	(134,597)
Other expenses, net		**(51,522)**	(6,261)
Finance costs	4	**(48,696)**	(36,342)
Share of profits and losses of associates		**231,767**	47,236
PROFIT BEFORE TAX	5	**484,079**	160,553
Income tax expense	6	**(152,677)**	(10,828)
PROFIT FOR THE YEAR		**331,402**	149,725

	Notes	2018 HK$'000	2017 HK$'000
Attributable to:			
Owners of the parent		**317,017**	127,446
Non-controlling interests		**14,385**	22,279
		331,402	149,725
		HK cents	*HK cents*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**25.27**	10.16
Diluted		**25.21**	10.16

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2018

	2018	2017
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**331,402**	149,725
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**23,624**	–
Exchange differences:		
Exchange differences on translation of foreign operations	**189,349**	(84,896)
Reclassification adjustment on disposal of foreign operations	**(1,938)**	–
Reclassification adjustment on deregistration of foreign operations	**864**	(508)
Share of other comprehensive income/(loss) of associates	**52,666**	(11,130)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**264,565**	(96,534)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**595,967**	53,191
Attributable to:		
Owners of the parent	**576,142**	36,883
Non-controlling interests	**19,825**	16,308
	595,967	53,191

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**744,965**	587,306
Investment properties		**1,764,648**	1,527,202
Prepaid land lease payments		**12,954**	26,384
Goodwill		**58,928**	90,318
Other intangible assets		**–**	359,394
Interests in associates		**786,548**	553,644
Available-for-sale investments		**295,959**	267,447
Derivative financial instrument		**139**	83
Financial assets at fair value through profit or loss		**–**	83,761
Properties under development		**366,693**	860,955
Debtors, deposits and prepayments		**426,548**	25,487
Pledged time deposits		**35,018**	42,926
Total non-current assets		**4,492,400**	4,424,907
CURRENT ASSETS			
Properties under development		**–**	101,746
Properties held for sale		**560,536**	817,869
Inventories		**26,212**	24,308
Tax recoverable		**590**	–
Debtors, deposits and prepayments	*9*	**487,057**	225,300
Due from directors		**6,661**	35,539
Due from non-controlling shareholders		**207**	200
Due from an associate		**81,960**	–
Financial assets at fair value through profit or loss		**112,482**	79,785
Structured deposits		**124,264**	12,129
Restricted cash		**602**	5,077
Pledged time deposits		**9,151**	4,122
Cash and cash equivalents		**348,950**	284,215
		1,758,672	1,590,290
Investment properties classified as held for sale		**55,200**	68,918
Total current assets		**1,813,872**	1,659,208

	Notes	2018 *HK$'000*	2017 *HK$'000*
CURRENT LIABILITIES			
Trade creditors	*10*	**(45,537)**	(88,978)
Sundry creditors, accruals and deposits received		**(363,044)**	(356,814)
Provisions		**(2,037)**	(11,972)
Due to directors		**(5,069)**	(5,434)
Due to non-controlling shareholders		**(28,051)**	(25,795)
Interest-bearing bank and other borrowings		**(827,680)**	(806,528)
Finance lease payables		**(18)**	(18)
Deferred income		**(22,461)**	(20,711)
Tax payable		**(244,486)**	(199,655)
Total current liabilities		**(1,538,383)**	(1,515,905)
NET CURRENT ASSETS		**275,489**	143,303
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,767,889**	4,568,210
NON-CURRENT LIABILITIES			
Accruals and deposits received		**(59,539)**	(8,350)
Interest-bearing bank and other borrowings		**(330,227)**	(425,738)
Finance lease payable		**(43)**	(60)
Deferred income		**(168,013)**	(151,585)
Deferred tax		**(249,133)**	(450,575)
Provisions		**(3,261)**	(2,318)
Total non-current liabilities		**(810,216)**	(1,038,626)
Net assets		**3,957,673**	3,529,584
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**125,509**	125,389
Reserves		**3,831,949**	3,313,467
		3,957,458	3,438,856
Non-controlling interests		**215**	90,728
Total equity		**3,957,673**	3,529,584

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

31 March 2018

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain leasehold land and buildings, investment properties, derivative financial instruments, and certain financial assets which have been measured at fair value. The consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Operating cycle

The operating cycle of the Group for the property investment and development business is the time between the acquisition of assets and their realisation in cash or cash equivalents. Due to the nature of such business, the normal operating cycle is longer than 12 months. The Group's current assets include assets (such as properties under development and properties held for sale) which are sold, consumed or realised as part of the normal operating cycle for the property investment and development business even when they are not expected to be realised within 12 months after the end of the reporting period.

1.2 Changes in accounting policies and disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on the Group's consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of financial position. Disclosure has been made in the current year's consolidated financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2. Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the restaurant, food and hotel segment is engaged in restaurant and hotel operations and the provision of food and beverage services; and

(b) the property investment and development segment comprises the development and sale of properties and the leasing of residential, commercial and industrial properties.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, certain fair value gains or losses from the Group's financial instruments, finance costs as well as corporate and unallocated expenses are excluded from such measurement.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the agreed prices.

Year ended 31 March 2018/At 31 March 2018

	Restaurant, food and hotel *HK$'000*	Property investment and development *HK$'000*	Total *HK$'000*
Segment revenue:			
Revenue from external customers	**813,085**	**119,535**	**932,620**
Intersegment revenue	**1,866**	**6,414**	**8,280**
	814,951	**125,949**	**940,900**
Reconciliation:			
Elimination of intersegment revenue			**(8,280)**
Total revenue			**932,620**
Segment results	**128,865**	**453,576**	**582,441**
Reconciliation:			
Bank interest income			**2,911**
Unallocated other income and gains, net			**27,939**
Corporate and other unallocated expenses			**(80,516)**
Finance costs			**(48,696)**
Profit before tax			**484,079**
Other segment information:			
Changes in fair value of investment properties, net	**–**	**128,034**	**128,034**
Change in fair value of an investment property classified as held for sale	**–**	**592**	**592**
Gain on disposal of investment properties	**–**	**730**	**730**
Fair value gain on financial assets at fair value through profit or loss, net – unallocated			**17,272**
Fair value loss on derivative instruments – transactions not qualifying as hedges, net – unallocated			**(107)**
Share of profits and losses of associates	**–**	**231,767**	**231,767**
Gain on deregistration of a subsidiary	**1,143**	**2,458**	**3,601**
Loss on disposal of a subsidiary	**–**	**14,122**	**14,122**
Impairment of goodwill	**–**	**31,390**	**31,390**
Equity-settled share option expense			
– segment	**–**	**315**	**315**
– unallocated			**561**
			876
Investment interest income	**–**	**–**	**4,753**
Other interest income			
– segment	**–**	**20,216**	**20,216**
– unallocated			**5,165**
			25,381
Impairment of trade debtors, net	**549**	**–**	**549**
Amortisation of prepaid land lease payments	**429**	**–**	**429**
Depreciation			
– segment	**41,374**	**4,472**	**45,846**
– unallocated			**1,057**
			46,903
Interests in associates	**173**	**786,375**	**786,548**
Capital expenditure			
– segment	**105,561**	**174,735**	**280,296**
– unallocated			**127**
			280,423

* *Capital expenditure consists of additions to property, plant and equipment, excluding assets from the acquisition of subsidiaries.*

Year ended 31 March 2017/At 31 March 2017

	Restaurant, food and hotel *HK$'000*	Property investment and development *HK$'000*	Total *HK$'000*
Segment revenue:			
Revenue from external customers	712,777	154,691	867,468
Intersegment revenue	231	5,411	5,642
	713,008	160,102	873,110
Reconciliation:			
Elimination of intersegment revenue			(5,642)
Total revenue			867,468
Segment results	79,830	125,016	204,846
Reconciliation:			
Bank interest income			2,828
Unallocated other income and gains, net			19,603
Corporate and other unallocated expenses			(30,382)
Finance costs			(36,342)
Profit before tax			160,553
Other segment information:			
Changes in fair value of investment properties, net	–	15,830	15,830
Change in fair value of an investment property classified as held for sale	–	13,118	13,118
Gain on disposal of investment properties	–	4,059	4,059
Fair value gain on financial assets at fair value through profit or loss, net – unallocated			12,724
Fair value gain on derivative instruments – transactions not qualifying as hedges, net – unallocated			6
Share of profit of an associate	–	47,236	47,236
Utilisation of provision for onerous contracts	–	10,128	10,128
Gain on deregistration of a subsidiary	530	–	530
Equity-settled share option expense			
– segment	–	503	503
– unallocated			1,238
			1,741
Investment interest income	–	–	4,465
Other interest income			
– segment	–	4,918	4,918
– unallocated			5,558
			10,476
Impairment of trade debtors, net	4,100	–	4,100
Amortisation of prepaid land lease payments	740	–	740
Depreciation			
– segment	36,056	4,156	40,212
– unallocated			1,824
			42,036
Interests in associates	173	553,471	553,644
Capital expenditure			
– segment	76,488	35,353	111,841
– unallocated			233
			112,074 *

* *Capital expenditure consists of additions to property, plant and equipment, excluding assets from the acquisition of subsidiaries.*

Geographical information

(a) Revenue from external customers

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**390,814**	341,027
Mainland China	**541,806**	526,441
	932,620	867,468

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**284,894**	223,352
Mainland China	**3,449,841**	3,781,851
	3,734,735	4,005,203

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

No revenue from any single external customer accounted for 10% or more of the Group's total revenue for the years ended 31 March 2018 and 31 March 2017.

3. Revenue

Revenue represents gross restaurant and food business income and net invoiced value of goods sold, net of allowances for trade discounts; income from the rendering of hotel and other services; proceeds from the sale of properties; and gross rental income received and receivable during the year.

An analysis of revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Income from hotel, restaurant and food businesses	**813,085**	712,777
Gross rental income	**82,998**	83,624
Proceeds from sale of properties	**36,537**	71,067
	932,620	867,468

4. Finance costs

	2018	2017
	HK$'000	*HK$'000*
Interest in respect of:		
Bank loans, overdrafts and other loans	**51,917**	41,098
Less: Interest capitalised	**(3,221)**	(4,756)
	48,696	36,342

5. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**477,427**	471,670
Depreciation	**46,903**	42,036
Amortisation of prepaid land lease payments	**429**	740
Changes in fair value of investment properties, net	**(128,034)**	(15,830)
Changes in fair value of investment properties classified as held for sale	**(592)**	(13,118)
Fair value losses/(gains), net:		
Financial assets at fair value through profit or loss		
– held for trading	**(15,548)**	(12,515)
– designated as such upon initial recognition	**(1,724)**	(209)
Derivative instruments		
– transactions not qualifying as hedges	**107**	(6)
Bank interest income	**(2,911)**	(2,828)
Investments interest income	**(4,753)**	(4,465)
Other interest income	**(25,381)**	(10,476)
Dividend income from available-for-sale investments	**(10,779)**	(6,948)
Dividend income from financial assets at fair value through profit or loss	**(2,206)**	(2,585)
Gain on disposal of investment properties	**(730)**	(4,059)
Loss on disposal of items of property, plant and equipment, net	**77**	246
Impairment of goodwill	**31,390**	–
Loss on disposal of subsidiaries	**14,122**	–
Gain on deregistration of subsidiaries	**(3,601)**	(530)
Unwinding of discount on receivable	**(2,565)**	–

6. Income tax

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China have been calculated at the relevant rates of tax prevailing in Mainland China.

	2018	2017
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**2,529**	1,426
Current – Mainland China		
Corporate income tax	**130,989**	30,252
Land appreciation tax	**167**	459
Overprovision in prior years	**(7,826)**	(20,106)
Deferred	**26,818**	(1,203)
Total tax charge for the year	**152,677**	10,828

7. Dividends

	2018	2017
	HK$'000	*HK$'000*
Proposed final – HK3 cents (2017: HK3 cents) per ordinary share	**37,653**	37,629
Proposed special – HK2 cents (2017: Nil) per ordinary share	**25,102**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8. Earnings per share attributable to ordinary equity holders of the parent

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,254,363,152 (2017: 1,253,887,536) in issue during the year.

The calculation of the diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**317,017**	127,446

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,254,787,262**	1,253,887,536
Effect of dilution – weighted average number of ordinary shares:		
Share options	**2,147,622**	196,978
	1,256,934,884	1,254,084,514

9. Debtors, deposits and prepayments

Included in the balance is an amount of HK$38,103,000 (2017: HK$47,087,000) representing the trade debtors of the Group.

	2018	2017
	HK$'000	*HK$'000*
Trade debtors	**68,550**	75,443
Impairment	**(30,447)**	(28,356)
	38,103	47,087

An ageing analysis of such trade debtors as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Current to 30 days	**11,153**	9,962
31 to 60 days	**3,037**	789
61 to 90 days	**948**	516
Over 90 days	**22,965**	35,820
	38,103	47,087

For hotel, restaurant and food businesses, the Group's trading terms with its customers for the current year are mainly on cash or credit card settlements, or payment in advance is required. For property sales, credit terms vary in accordance with the terms of the sale and purchase agreements. All trade debtors are recognised and carried at their original invoiced amounts less impairment of debtors which is provided when the collection of the full amount is no longer probable. The Group seeks to maintain strict control over its outstanding debtor balances. Overdue balances are reviewed regularly by senior management.

10. Trade creditors

An ageing analysis of the trade creditors as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Current to 30 days	**34,256**	73,955
31 to 60 days	**5,883**	5,086
61 to 90 days	**2,253**	5,479
Over 90 days	**3,145**	4,458
	45,537	88,978

Trade creditors are non-interest-bearing and are normally repayable within the normal operating cycle.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2018, the Group's turnover was HK$932,620,000 (2017: HK$867,468,000), increased by 8% compared with last year. The Group's profit attributable to shareholders was HK$317,017,000 (2017: HK$127,446,000), significantly increased by 1.5 times from last year. Excluding property revaluation gain and related taxes of the Group and attributable to associates of HK$273,310,000, and the loss on the sale of Hunan property business and related taxes and expenses of HK$89,554,000, operating profit attributable to shareholders was HK$133,261,000 (2017: HK$98,892,000), increased by 35% from last year. During the year, restaurant and food businesses recorded good turnover growth with a combined growth of 14% which compensated the drop in the turnover of property sales and hotel business. The growth in operating profit attributable to shareholders was mainly due to the increase in the segment profits from restaurant, food and hotel businesses. Property sales recorded by the Group's 50% owned Dongguan Home Town project also contributed to the growth in profit. Besides, the appreciation of Renminbi has also contributed to the profits in Mainland China business which are accounted for in Hong Kong dollars by the Group.

PROPERTY

Turnover for property segment for the year ended 31 March 2018 was HK$119,535,000 (2017: HK$154,691,000), decreased by 23% from last year. Segment profit was HK$453,576,000 (2017: HK$125,016,000), increased significantly by 2.6 times from last year. Excluding property revaluation gain on the basis as set out above and the loss on the sale of Hunan property business and related taxes and expenses, segment operating profit was HK$177,116,000 (2017: HK$96,068,000), increased by 84% from last year. The decrease in turnover was mainly due to only a small amount of property sales revenue from remaining Hunan Grand Lake City and Jiangsu Linyungong residential units and shops were recorded during the year. The growth in segment operating profit mainly came from the recording of the property sales of the Group's 50% owned Dongguan Home Town project.

The Group's 50% owned Dongguan Home Town project was close to completion, the east tower of six storeys and two levels of basement with total floor area of 109,000 sq.m. home furniture and building materials centre has been opened for business in April 2018, with an initial rent-out rate of 63%. The west tower and north tower with a total area of 164,000 sq.m. of community dining and shopping mall are being internally-decorated, and expected to be opened for business in the fourth quarter of 2018. Home Town apartments started sales in 2016 and were delivered to the buyers in the third quarter of 2017. During the year, our associate South China International Purchasing Exchange Centre Limited recorded property sales income of HK$448,202,000, from sales area of 35,323 sq.m., representing 85% of 41,611 sq.m total saleable area.

On 18 July 2017 the Group signed an agreement to sell its entire 92.21% equity of Carrianna (Hunan) Enterprise Co., Ltd. to Hunan Country Garden Real Estate Co., Ltd., the consideration being RMB800,000,000, payments to be settled over three years (please see the announcement of 24 July 2017). The reason for the sale of Hunan property project is the development and sale of the project had been slow. The sales value and gross profit are also relatively low when compared with Greater Bay Area. The Group will use the sale proceeds to invest in property development projects in Hong Kong and Greater Bay Area, which are expected to give higher investment returns than the Hunan project.

On 28 March 2018, the Group entered into an agreement to subscribe for 50% equity interest in Grand Creation Development Limited ("Grand Creation"). The principal business of Grand Creation is the property re-development project at Haitan Street. It is expected that the capital commitment of the Group will be approximately HK$170,000,000. The project is situated at 223-225A Haitan Street Shum Shui Po of Kowloon, with a site area of 4,729 sq.ft, buildable gross floor area of 42,500 sq.ft., and saleable floor area of 34,400 sq.ft. Grand Creation has successfully acquired more than 80% of the property ownership, and it is expected that the total acquisition can be completed, removal finished and construction commenced in the second half of 2019. Also, the Group invested 15% equity interest in the Shenzhen Maguling old town redevelopment project in last year. The development company has procured 95% of the owners to sign to give the consent to rebuild. They are working hard to win the unanimous consent of all the owners to agree to redevelop, so as to start commencement of the construction works as soon as possible.

For the investment properties, rental income was HK$82,998,000, about the same as last year. In RMB term, the actual rental was a little less than last year, mainly because the Group completed the sale of Hunan property business in September 2017, and no more Hunan rental income was booked in the second half-year. The rental income of the investment properties in Hong Kong and Shenzhen continued to keep growing, compensating the loss of rental income caused by the sale of Hunan property business and Hong Kong Tak Sing Alliance Building. The Group sold six floors of Tsim Sha Tsui Tak Sing Alliance Building in April 2017 at a consideration of HK$68,648,000, HK$12,848,000 higher than the value appraised by an independent valuer recorded before the sale. The Group used the sales proceeds to acquire four ground floor shop units which are situated at areas with appreciation potential in Hong Kong and Kowloon at a consideration of HK$126,220,000. One of these shops which is located at Shum Shui Po was sold within a year at higher than purchase price by 28%, net profit of about 18% after stamp duty and charges was earned. For the coming year, as there is no more Hunan property project rental income, the total rental will drop from this year, but the rental income growth of the present properties and newly acquired investment properties will continue to bring good rental income to the Group.

RESTAURANT, FOOD AND HOTEL

Turnover of restaurant, food and hotel segment for the year ended 31 March 2018 was HK$813,085,000 (2017: HK$712,777,000), increased by 14% from last year. Segment profit was HK$128,865,000 (2017: HK$79,830,000), increased by 61% from last year. Restaurant and food businesses recorded growth in sales revenue during the year, while hotel business sales revenue dropped slightly. Operating results for restaurant and food businesses both recorded satisfactory growth.

Restaurant turnover for the year was HK$403,569,000, increased by 20% from last year. Carrianna restaurants turnover increased by an impressive 21% from last year. Except Haikou shop, all Carrianna restaurants in mainland China as well as the Hong Kong shop recorded satisfactory growth in sales revenue and profit. The new 'ShunYi'（順意）brand of Shunde cuisine restaurant, managed by Carrianna restaurant group, opened in October 2016 in Shenzhen also recorded turnover of about HK$20,728,000, a growth of 1.5 times from last year and also brought contributions to profit.

As at 31 March 2018, Delicious Group operated 20 restaurants in Hong Kong. In addition to Delicious restaurants and Gusto South East Asian cusines, three newly added shops are northern China style noodle branded "King Noodle". Delicious Group recorded turnover growth of 17% from last year, mainly from new shops. During the year, Hong Kong low price catering sector competition continued to be fierce. The turnover of certain old shops dropped from last year.

On the other hand, the operating results of the two September 2017 newly-opened "ZZang" Korean food restaurant and "V.THAi" Thai food restaurant in Causeway Bay were not up to expectations, management is strengthening promotion and control, to improve operating efficiency.

Looking into the following year, Carrianna restaurants plan to open one shop at Dongguen Home Town Mall and Shenzhen respectively. Management will continue to control purchasing costs, improve operational flow to enhance efficiency, and strengthen the promotion works on wedding banquets and business dining. Management hopes that the results can continue to improve. Delicious Group of restaurants plan to open three to four new shops, and will close down two to three shops which are loss-making. Management is still cautiously optimistic on the results of the Group's restaurant business in the following year.

Food business turnover for the year was HK$354,518,000, increased by 11% from last year. The growth in food business turnover mainly came from Carrianna mooncake sales, which was 11% high than last year. Hainan, Shenzhen and Kunming markets all recorded satisfactory turnover and profit growth. Besides, Profit Smart Group turnover also increased by 12%, mainly from newly-opened bread retail shops. During the year, the shops of Profit Smart Group located at Tung Chung, Tsing Yi and Kwai Chung all recorded better than planned turnover and profits.

Looking into the following year, the construction of Hainan new food factory is expected to be completed by the second half of 2018. Besides mooncake, the Group will make use of the present retail network, target at tourists to sell packaged Hainan style food and Chinese-style packaged dry meat products. Profit Smart Group plans to open three to four new bread retail shops, and will close down two to three loss-making shops. Management is still cautiously optimistic on the turnover and profit of food business.

Turnover of hotel business for the year was HK$54,998,000, dropped by 4% from last year. During the year, Foshan Carrianna Hotel recorded turnover growth, but with a rise in loss, mainly because the newly-added restaurant operating results were not satisfactory. Although Carrianna Hotel in Yiyang, Hunan Province recorded a drop in turnover, the loss was smaller, mainly because management worked hard to control gross profit and staff expenses. Looking ahead, by improving service quality and putting more effort on sales promotion, hotel business is expected to increase turnover, to improve operating cashflow and to reduce operating loss.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31 March 2018, the Group's cash and cash equivalents amounted to HK$348,950,000 (2017: HK$284,215,000), which were denominated in Hong Kong dollars, Renminbi and United States dollars of HK$87,832,000, HK$261,069,000, and HK$49,000 respectively. The Group's free cash and bank balances, structured deposits, and derivative financial instrument were HK$473,353,000 (2017: HK$296,427,000).

The Group's total borrowings amounted to HK$1,157,968,000 (2017: HK$1,232,344,000) comprised interest-bearing bank and other borrowings and finance lease payable. All interest-bearing bank and other borrowings bear interest at floating rates. Netting off cash deposits pledged for borrowings, the Group's net total borrowings were HK$1,113,799,000 (2017: HK$1,185,296,000). Net total borrowings less free cash and bank balances, structured deposits and derivative financial instrument were HK$640,446,000 (2017: HK$888,869,000).

The Group's gearing ratio, which was defined as the Group's interest-bearing bank and other borrowings, net of cash and cash equivalents, structured deposits, restricted cash and pledged time deposits as percentage of the Group's total equity, was approximately 16% (2017: 25%).

The Group adopts conservative treasury policy in cash and financial management. The objective of the Group's treasury policy is to maintain a sound financial position by holding an appropriate level of cash to meet its operating requirements and long-term business development needs.

Material acquisition and disposal

On 12 April 2017, Goldfield Properties Limited, an indirect wholly-owned subsidiary of the Group, entered into an agreement for the disposal of shops on 1st Floor, 2nd Floor, 3rd Floor and offices on 15th Floor, 16th Floor, 17th Floor and 18th Floor, Tak Sing Alliance Building, No. 115 Chatham Road South, Kowloon, Hong Kong with Famous Charm Limited(亮華有限公司), at a cash consideration of HK$68,648,000 (See announcement dated 12 April 2017).

On 18 July 2017, Tak Sing Alliance Limited(達成有限公司)(the "Vendor") (an indirect wholly-owned subsidiary of the Company), Hunan Country Garden Real Estate Co., Ltd.(湖南省碧桂園地產有限公司)(the "Purchaser"), Hunan Wancheng Commercial Investment Operations Management Co., Ltd.(湖南萬城商業投資經營管理有限公司)and Carrianna (Hunan) Enterprise Co., Ltd.(佳寧娜(湖南)實業有限公司)(the "Carrianna Hunan") entered into an equity transfer agreement, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire (i) the first sale equity, which is 51% equity interest of Carrianna Hunan, for a cash consideration of RMB442,500,000, and (ii) the second sale equity, which is 41.21% equity interest of Carrianna Hunan, for a cash consideration of RMB357,500,000 (See announcement dated 24 July 2017). At the year end date, all the above equity sales had been completed.

On 28 March 2018, Max Honour Investments Limited ("Max Honour") (an indirect wholly-owned subsidiary of the Company), Choice Investment Holdings Limited ("Choice") and Grand Creation Development Limited ("Grand Creation") entered into a shareholders agreement, pursuant to which (a) Max Honour will subscribe for 100 shares, being 50% of the total issued share capital, of Grand Creation and (b) Max Honour and Choice agree to manage and operate the property development project of Grand Creation at Hai Tan Street, Sham Shui Po, Hong Kong in accordance with the terms of the agreement. It is expected that the total capital commitments of Max Honour towards Grand Creation for the property development project will be approximately HK$170,000,000 (See announcement dated 28 March 2018).

Contingent liabilities and future commitment

As at the end of the reporting period, the Group had contingent liabilities relating to guarantees given to banks for mortgage loan facilities granted to purchasers of properties of approximately HK$13,675,000 (2017: HK$213,934,000).

Charges on the Group's Assets

As at the end of the reporting period, certain of the Group's property, plant and equipment, investment properties, properties held for sale, time deposits and financial assets at fair value through profit or loss with a total carrying value of approximately HK$1,970,549,000 (2017: HK$1,542,233,000) were pledged to secure general banking, trade finance and other facilities granted to the Group. In addition, rental income generated in respect of certain investment properties of the Group was assigned to banks to secure loan facilities granted to the Group.

Foreign exchange exposure

The Group mainly operates in Hong Kong and Mainland China with most of the Group's monetary assets, liabilities and transactions as at 31 March 2018 principally denominated in Hong Kong dollars and Renminbi, respectively. Majority of the sales, purchases and expenditure incurred by the operating units of the Group during the year were denominated in the units' functional currencies and as a result, the Group does not anticipate significant transactional currency exposures.

EMPLOYEE AND REMUNERATION POLICY

The Group's staff consists of approximately 990 employees in Hong Kong and approximately 1,100 employees outside Hong Kong. Employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Directors recommended the payment of a final dividend of HK3 (2017: HK3 cents) per ordinary share and a special dividend of HK2 cents (2017: Nil) per ordinary share for the year ended 31 March 2018. Subject to the approval of the shareholders at the forthcoming Annual General Meeting, the final dividend and the special dividend will be paid on or before 12 October 2018.

For the purpose of ascertaining shareholders' entitlement to the proposed final dividend, the Register of Members of the Company will be closed from Monday, 24 September 2018 to Friday, 28 September 2018 both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend (subject to shareholders' approval at the Annual General Meeting), all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 21 September 2018.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The Annual General Meeting of the shareholders of the Company will be held at Carrianna (Chiu Chow) Restaurant, 1st Floor, 151 Gloucester Road, Wanchai, Hong Kong on Monday, 27 August 2018 at 11:00 a.m.. The Notice of the Annual General Meeting will be published on the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the website of the Company (http://www.carrianna.com) and included in the 2018 Annual Report which will be despatched to the shareholders in due course.

For the purpose of ascertaining shareholders' right to attend and vote at the Annual General Meeting, the Register of Members of the Company will be closed from Wednesday, 22 August 2018 to Monday, 27 August 2018, both days inclusive, during which period no transfer of shares will be effected. In order for a shareholder to be eligible to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 21 August 2018.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors of the Company, namely Mr. Lo Ming Chi, Charles (Chairman), Mr. Lo Man Kit, Sam and Mr. Wong See King.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the Group's financial statements for the year ended 31 March 2018.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2018.

COMPLIANCE WITH CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as the code for securities transactions by the Directors of the Company. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code for the year ended 31 March 2018.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2018.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND DESPATCH OF ANNUAL REPORT

The annual results announcement is published on the websites of the Company (http://www.carrianna.com) and The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk), respectively. The 2018 annual report will be despatched to the shareholders of the Company and available on the same websites in due course.

APPRECIATION

The Board takes this opportunity to express hearty gratitude to business partners, shareholders, and loyal and diligent staff.

For and on behalf of the Board
Carrianna Group Holdings Company Limited
Dr. Ma Kai Yum
Chairman

Hong Kong, 29 June 2018

As at the date of this announcement, the Board comprises Mr. Ma Kai Cheung (Honorary Chairman and non-executive Director); Mr. Ma Kai Yum (Chairman), Mr. Leung Pak Yan, Mr. Ng Yan Kwong and Mr. Ma Hung Ming, John as executive Directors; and Mr. Lo Ming Chi, Charles, Mr. Lo Man Kit, Sam and Mr. Wong See King as independent non-executive Directors.