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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

UNAUDITED INTERIM RESULTS

The Board of Directors (the "Board") of Carrianna Group Holdings Company Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2018. These condensed consolidated interim financial statements have not been audited but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

		For the six months ended 30 September	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**590,471**	574,157
Cost of sales		**(209,386)**	(210,853)
Gross profit		**381,085**	363,304
Other income and gains, net		**37,507**	84,291
Selling and distribution expenses		**(150,492)**	(150,177)
General and administrative expenses		**(119,562)**	(114,455)
Other expenses, net		**(112,681)**	(79,706)
Finance costs	*5*	**(24,901)**	(22,658)
Share of profits and losses of associates		**115,423**	81,441

	Notes	For the six months ended 30 September	
		2018	2017
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
PROFIT BEFORE TAX	*6*	**126,379**	162,040
Income tax expense	*7*	**(21,612)**	(60,954)
PROFIT FOR THE PERIOD		**104,767**	101,086
ATTRIBUTABLE TO:			
Owners of the parent		**78,182**	76,385
Non-controlling interests		**26,585**	24,701
		104,767	101,086
		HK cents	*HK cents*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**6.22**	6.09
Diluted		**6.20**	6.09

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**104,767**	101,086
Other comprehensive income/(loss):		
Items to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**–**	87,549
Exchange differences on translation of foreign operations	**(186,342)**	100,896
Items will not be reclassified to profit or loss in subsequent periods:		
Financial assets at fair value through other comprehensive income:		
Changes in fair value	**(72,542)**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(258,884)**	188,445
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(154,117)**	289,531
ATTRIBUTABLE TO:		
Owners of the parent	**(175,459)**	261,448
Non-controlling interests	**21,342**	28,083
	(154,117)	289,531

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	**30 September 2018 HK$'000 (Unaudited)**	31 March 2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**721,567**	744,965
Investment properties		**1,772,234**	1,764,648
Prepaid land lease payments		**11,594**	12,954
Goodwill		**58,928**	58,928
Interests in associates		**991,109**	786,548
Available-for-sale investments		**–**	295,959
Financial assets at fair value through other comprehensive income		**223,417**	–
Derivative financial instrument		**187**	139
Properties under development		**361,670**	366,693
Debtors, deposits and prepayments		**260,623**	426,548
Pledged time deposits		**38,258**	35,018
Total non-current assets		**4,439,587**	4,492,400
CURRENT ASSETS			
Properties held for sale		**497,338**	560,536
Inventories		**23,811**	26,212
Tax recoverable		**282**	590
Debtors, deposits and prepayments	*10*	**759,527**	487,057
Due from directors		**14,394**	6,661
Due from non-controlling shareholders		**7,698**	207
Due from an associate		**–**	81,960
Financial assets at fair value through profit or loss		**112,726**	112,482
Structured deposits		**43,172**	124,264
Restricted cash		**250**	602
Pledged time deposits		**9,180**	9,151
Cash and cash equivalents		**247,438**	348,950
		1,715,816	1,758,672
Assets held for sale		**–**	55,200
Total current assets		**1,715,816**	1,813,872

	Notes	**30 September 2018 HK$'000 (Unaudited)**	31 March 2018 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade creditors	*11*	**(66,706)**	(45,537)
Sundry creditors, accruals and deposits received		**(456,766)**	(363,044)
Provisions		**(973)**	(2,037)
Due to directors		**–**	(5,069)
Due to non-controlling shareholders		**(18,459)**	(28,051)
Interest-bearing bank borrowings		**(613,843)**	(827,680)
Finance lease payables		**(18)**	(18)
Deferred income		**(20,462)**	(22,461)
Tax payable		**(245,745)**	(244,486)
Total current liabilities		**(1,422,972)**	(1,538,383)
NET CURRENT ASSETS		**292,844**	275,489
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,732,431**	4,767,889
NON-CURRENT LIABILITIES			
Accruals and deposits received		**(53,539)**	(59,539)
Interest-bearing bank borrowings		**(550,085)**	(330,227)
Finance lease payables		**(34)**	(43)
Deferred income		**(153,424)**	(168,013)
Deferred tax liabilities		**(232,567)**	(249,133)
Provisions		**(2,978)**	(3,261)
Total non-current liabilities		**(992,627)**	(810,216)
Net assets		**3,739,804**	3,957,673
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**125,709**	125,509
Reserves		**3,595,313**	3,831,949
		3,721,022	3,957,458
Non-controlling interests		**18,782**	215
Total equity		**3,739,804**	3,957,673

NOTES:

1. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2018 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and in compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2018, except for the adoption of new and revised standards effective as of 1 April 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group has adopted the following new and revised HKFRSs for the first time for the financial year beginning 1 April 2018:

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the new and revised HKFRSs had no significant financial effect on the unaudited condensed consolidated interim financial statements, are disclosed in "Changes in accounting policies" section below.

2. CHANGES IN ACCOUNTING POLICIES

The following explains the impact of the adoption of HKFRS 9 "Financial instruments" and HKFRS 15 "Revenue from contracts with customers" on the Group's unaudited condensed consolidated interim financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

(a) Impact on unaudited condensed consolidated interim financial statements

The Group elects to adopt HKFRS 9 and HKFRS 15 without restating comparatives. The classification and the adjustments arising from the adoption of HKFRS 9 and HKFRS 15 are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the opening of the condensed consolidated interim statement of financial position on 1 April 2018.

(b) HKFRS 9 "Financial instruments" – Impact on adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has elected not to adjust the comparative information for the period beginning 1 April 2017, which the comparative information was prepared under classification and measurement requirements of HKAS 39.

The adoption of HKFRS 9 "Financial instruments" from 1 April 2018 resulted in changes in accounting policies.

(i) Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The Group elected to present changes in the fair value of all its previously classified as available-for-sale investments ("AFS") in other comprehensive income.

As a result, AFS with aggregated fair value of HK$295,959,000 and available-for-sale investment revaluation reserve of HK$65,026,000 were reclassified to financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at FVOCI fair value reserve, respectively on 1 April 2018.

Other classes of financial assets and financial liabilities had the same carrying amounts in accordance with HKAS 39 and HKFRS 9 on 1 April 2018, and there is no change in the measurement categories of each material class of financial assets and liabilities.

(ii) Impairment of financial assets

The Group's significant financial assets are subject to the new expected credit loss model under HKFRSs.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade debtors based on credit risk characteristics and the days past due. For other financial assets, expected credit losses are assessed according to change in credit quality since initial recognition. Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

The Group has assessed the expected credit loss model applied as at 1 April 2018 and the change in impairment methodologies has no significant impact to the Group's allowance for impairment as at 1 April 2018.

(c) HKFRS 15 "Revenue from contracts with customers" – Impact of adoption

The Group has adopted HKFRS 15 "Revenue from contracts with customers" from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the unaudited condensed consolidated interim financial statements. As such, receipt in advance from customers which was previously included in sundry creditors, accruals and deposits received, amounting to HK$80,873,000 as at 1 April 2018, are now recognised as contract liabilities (as included in sundry creditors, accruals and deposits received) to reflect the terminology of HKFRS 15. Except for the above, the directors consider the adoption of HKFRS 15 does not have a material impact to the opening balance of equity as at 1 April 2018.

3. 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 provisions of food and beverage services; and

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources 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 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 market prices.

The following tables present revenue, profit or loss information for the Group's reportable operating segments during the period.

	Restaurant, food and hotel		Property investment and development		Total	
	For the six months ended 30 September					
	2018	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:						
Revenue from external customers	**537,704**	499,991	**52,767**	74,166	**590,471**	574,157
Intersegment revenue	**548**	606	**2,118**	2,561	**2,666**	3,167
	538,252	500,597	**54,885**	76,727	**593,137**	577,324
Reconciliation:						
Elimination of intersegment revenue					**(2,666)**	(3,167)
Total revenue					**590,471**	574,157
Segment results	**102,649**	89,336	**47,024**	96,052	**149,673**	185,388
Reconciliation:						
Bank interest income					**6,145**	635
Unallocated other income and gains, net					**13,488**	16,507
Corporate and unallocated expenses					**(18,026)**	(17,832)
Finance costs					**(24,901)**	(22,658)
Profit before tax					**126,379**	162,040

4. REVENUE

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

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Income from the restaurant, food and hotel businesses	**537,704**	499,991
Gross rental income	**48,685**	44,735
Proceeds from sale of properties	**4,082**	29,431
	590,471	574,157

5. FINANCE COSTS

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest in respect of:		
Bank loans and bank overdrafts	**24,901**	22,658

6. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold and services provided	**209,386**	210,853
Depreciation	**20,777**	21,789
Recognition of prepaid land lease payments	**198**	370
Minimum lease payments under operating leases for land and building	**43,582**	44,166
Equity-settled share option expense	**257**	554
Foreign exchange differences, net	**60,527**	(2,080)
Bank interest income	**(6,145)**	(635)
Gain on disposal of investment properties	**–**	(730)
Changes in fair value of investment properties, net	**49,489**	(50,403)
Dividend income from available-for-sale investments	**–**	(6,948)
Dividend income from financial assets at fair value through other comprehensive income	**(6,948)**	–
(Gain)/loss on disposal of subsidiaries	**(8,290)**	48,095
Impairment of goodwill upon disposal of subsidiaries	**–**	31,390
Unwinding of discount on receivables	**(4,612)**	–

7. INCOME TAX EXPENSE

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 period. Taxes on profits assessable in Mainland China have been calculated at the rates of tax prevailing in Mainland China.

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	**1,264**	393
Current – Mainland China		
Charge for the period	**34,313**	48,789
Deferred	**(13,965)**	11,772
Total tax charge for the period	**21,612**	60,954

8. INTERIM DIVIDEND

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 September 2018 (2017: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the unaudited profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,257,360,760 (2017: 1,253,920,105) in issue during the period.

The calculation of the diluted earnings per share is based on the unaudited profit for the period 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 period, 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:

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**78,182**	76,385

	Number of shares For the six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,257,360,760**	1,253,920,105
Effect of dilution – weighted average number of ordinary shares:		
Share options	**4,619,819**	1,059,133
	1,261,980,579	1,254,979,238

10. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK$69,633,000 (31 March 2018: HK$38,103,000) representing the trade debtors of the Group. 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:

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current to 30 days	**53,229**	11,153
31 to 60 days	**3,139**	3,037
61 to 90 days	**2,295**	948
Over 90 days	**10,970**	22,965
	69,633	38,103

For restaurant, food and hotel businesses, the Group's trading terms with its customer are mainly on cash or credit card settlements. 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.

The Group does not hold any collateral or other credit enhancements over these balances. Trade debtors are non-interest-bearing.

11. TRADE CREDITORS

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

	30 September 2018	31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current to 30 days	**58,105**	34,256
31 to 60 days	**3,816**	5,883
61 to 90 days	**624**	2,253
Over 90 days	**4,161**	3,145
	66,706	45,537

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

For the six months ended 30 September 2018, the Group's turnover was HK$590,471,000, increased by 3% from the same period of last year; profit attributable to shareholders was HK$78,182,000 increased by 2% from the same period of last year. Excluding the exchange loss of the receivable from the sale of Carrianna (Hunan) Enterprise Co., Ltd. and property revaluation gain and related taxes of subsidiaries and associates of the Group, operating profit attributable to shareholders was HK$56,583,000, decreased by 48% from the same period of last year. Increase in turnover was because of the continuing growth of restaurant and food businesses turnover and rental income, the increase of which was higher than the decrease in sales revenue of property development and hotel businesses. The decrease in profit attributable to shareholders was mainly due to the fact that there was substantial revenue recorded from the sale of apartments of Dongguan Hometown project developed by associates South China International group in the same period of last year whereas in this year only a small amount of property sales revenue was recorded. Excluding operating profit of South China International group, the operating profit of the Group and subsidiaries for the period was HK$62,300,000, increased by 18% from the same period of last year. The increase in the operating profit of the Group and subsidiaries was mainly due to the good growth in mooncake sales and rental income.

PROPERTY

Turnover for property segment for the period was HK$52,767,000, decreased by 29% from the same period of last year. The decrease in segment turnover was mainly because in the same period of last year, there was sales revenue of HK$26,476,000 from the sale of the remaining properties of Hunan Grand Lake City while there was only about HK$4 million shops sales revenue at Lianyungang China East City in this year. Segment profit was HK$47,024,000, decreased by 51% from the same period of last year. Excluding the exchange loss of the receivable from the sale of Carrianna (Hunan) Enterprise Co., Ltd. of HK$64,828,000 and property revaluation gain of subsidiaries and associates of the Group of HK$72,462,000, segment operating profit was HK$39,390,000, decreased by 60% from the same period of last year. The decrease in segment profit was mainly due to the fact that there was property sales revenue of over HK$400 million recorded from the sale of Dongguan Hometown project of associates South China International group in the same period of last year. Excluding the operating profit of South China International group, property segment operating profit of the Group and subsidiaries for the period was HK$45,727,000, roughly the same as last year.

The Group disposed Carrianna (Hunan) Enterprise Co., Ltd. in July of last year. The proceeds of RMB800 million of cash will be received by instalments in three years which can be used to invest in new property projects. After the sale of Carrianna (Hunan) Enterprise Co., Ltd., the property business of the Group currently consists mainly of investment properties. In this period, the rental income reached HK$48,685,000, increased by 10% from the same period of last year and represented 92% of segment turnover. Other than the growth in rental income from investment properties of Shenzhen Carrianna Friendship Square, Shenzhen Imperial Palace Shopping Mall and Lianyungang China East City, the properties bought and constructed recently by the Group in Hong Kong and the mainland also contributed to the growth in rental income.

During the period, the east tower furniture and construction materials mall of the Group's 50% owned Dongguan Home Town project has opened for business and the rent-out rate is about 69%. The west tower community, dining and shopping mall will commence business in December 2018. The present rent-out rate is about 65%. Home Town project has a total rentable floor area of 197,000 sq.m. which will bring in promising rental return to the Group.

In March 2018, the Group invested in 50% equity interest in a gross floor area of 42,559 square feet residential redevelopment project at Haitan Street, Shamshuipo, Kowloon. Progress of the project has been satisfactory with 85% property ownership acquired recently. Removal agreements have been signed with previous owner and tenants. It is expected that all of them will move out in the second quarter of 2019. Acquisition of the remaining 15% of property ownership is under negotiations. The 100% property ownership is targeted to be completed in the first quarter of 2019 and the rebuilding works is planned to begin in the second half of 2019.

On 26 October 2018 the Group signed a sale and purchase agreement to acquire a property developed by Vanke group which is a 13-storey high office building and 75 parking lots situated next to Guangzhou South High Speed Train Station. The gross floor area of the office units is approximately 9,203 sq.m. and the total consideration is RMB235,593,000. Guangzhou South Station and Shanghai Hongqiao Station are the largest high speed train stations and change-over centres in China. The demand for business buildings as South-China and East-China regional headquarters for large enterprises in the area nearby the stations is very large. After completion of construction and hand-over in 2020, the property will bring in promising rental income and potential in value appreciation for the Group.

RESTAURANT, FOOD AND HOTEL

For the period, turnover of restaurant, food and hotel segment was HK$537,704,000, increased by 8% from the same period of last year; segment profit was HK$102,649,000, increased by 15% from the same period of last year. Segment turnover growth came from food and restaurant businesses while segment profit growth mainly came from food business.

In this period, food business continued to achieve good results with turnover and operating profit increased by 7% and 23% respectively. The Group's three major mooncake markets, namely Hainan, Shenzhen and Kunming, all recorded growth in turnover and profit. The percentage growth in operating profit is higher than the percentage growth in turnover mainly because this year the factory in Kunming started to produce ingredients for making mooncakes which were used in the Kunming and Shenzhen production lines and resulted in reduction in materials cost. By keeping the sale price unchanged, this year's unit sale profit of mooncakes increased. On the other hand, the sales growth of Hainan mooncake continued to be the largest source of growth in sales turnover and profit for food business. The Hainan new food factory will begin production in 2019. In addition to increasing the production capacity of mooncake, the new factory will also produce other food products, including Hainan style packaged tourist food products and meat products. These will help to continue the growth momentum of the Group's food business.

In this period, Profit Smart Group turnover has grown by 3% whereas profit decreased from the same period of last year. Both factory wholesale and retail business recorded reduction in profit. The reduction was mainly due to more fierce market competition compared with last year. More restaurants and bread stores were opened in Link-operated malls and markets. Management has strengthened product development and introduced more new products with the aim to boost sales and planned to close down shops with continuous loss so as to increase overall operating profit.

For restaurant business, Carrianna restaurants turnover has recorded a growth of 11% from the same period of last year but with a decrease in profit. The Shenzhen "ShunYi" Shunde cuisine restaurant, managed by Carrianna restaurant group, opened last year recorded growth in turnover and profit which partially compensated the reduction in profit of Carrianna restaurants. The second half-year is the peak season for restaurants. Turnover and profit should be better than the first half-year. On the other hand, Dongguan Carrianna Restaurant has commenced business in November 2018. Initial response from customers is satisfactory and turnover for the first month is also above budget. The Dongguan restaurant should contribute profit to Carrianna restaurant group. Management expects that the profit for the whole year of Carrianna and Shunyi restaurants will be not less than last year.

In this period, Delicious Group turnover recorded a growth of 5% while profit reduced, similar to Carrianna restaurants. The effects of on-line purchasing had reduced the number of Hong Kong retail shops and caused more competitors to join the restaurant business. Many major restaurant chains in Hong Kong are affected and recorded lower profit this year. For the next half-year, there will be two "Gustation" restaurants and one "King Noodles" noodle shop to commence business. Management has strengthened cost control and more strictly controlled the stability of food product quality and has introduced more popular food products, e.g. higher quality steaks and pork chops. The result of the second half-year is expected to be better than the first half-year.

In this period, turnover of the "ZZang" Korean food restaurant and "V.THAI" Thai food restaurant in Causeway Bay increased by 22% from the previous six months and operating loss also significantly reduced. Management will continue to improve service and product quality so as to achieve break-even level in the near future.

For hotel business, turnover for the period decreased by 8% from the same period of last year while operating loss was reduced. New hotels continued to open in Foshan and Yiyang. As a result, it is difficult for management to significantly increase sale turnover for these two hotels. In this period, management strengthened the control on gross profit and personnel cost and, as a result, operating cashflow increased. However, after deducting depreciation, the two hotels were still operating at a loss.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2018, the Group's consolidated net assets after deduction of non-controlling interests was HK$3,721,022,000 (31 March 2018: HK$3,957,458,000) and consolidated net assets after deduction of non-controlling interests per share was HK$2.96 (31 March 2018: HK$3.15).

As at 30 September 2018, the Group's cash and cash equivalents amounted to HK$247,438,000 (31 March 2018: HK$348,950,000), which were denominated in Hong Kong dollars, Renminbi and United States dollars of HK$70,956,000, HK$171,785,000, and HK$4,697,000, respectively. The Group's free cash and bank balances and structured deposits, and derivative financial instrument were HK$290,797,000 (31 March 2018: HK$473,353,000).

As at 30 September 2018, the Group's total borrowings amounted to HK$1,163,980,000 (31 March 2018: HK$1,157,968,000) comprised interest-bearing bank borrowings, finance lease payable and derivative financial instrument. All interest-bearing bank borrowings bear interest at floating rates. Netting off cash deposits pledged for borrowings, the Group's net bank borrowings were HK$1,116,542,000 (31 March 2018: HK$1,113,799,000). Net bank less free cash and bank balances, structured deposits and derivative financial instrument were HK$825,745,000 (31 March 2018: HK$640,446,000).

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 and pledged time deposits as percentage of the Group's total equity, was approximately 22% (31 March 2018: 16%).

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.

Foreign exchange exposure

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

Contingent liabilities and future commitment

As at the end of the reporting period, the Group had contingent liabilities relating to guarantees given to bank for mortgage loan facilities granted to purchasers of properties of approximately HK$9,744,000 (31 March 2018: HK$13,675,000).

Charges on the Group's Assets

As at the end of the reporting period, certain of the Group's properties, 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$1,901,557,000 (31 March 2018: HK$1,970,549,000) 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.

EVENTS AFTER THE REPORTING PERIOD

On 26 October 2018, the Company entered into a pre-sale agreement as purchaser with Guangzhou Wanche Property Company Limited（廣州市萬澈房地產有限公司）as Vendor, to purchase a property, being the lobby on the ground level, all office units from 3rd to 13th floor and 75 car parking spaces in basement level 1 to level 3 of the Building (which comprises 13 storeys above the ground) to be constructed on the Land, being land number 4 on the northeast corner of the intersection between Shixing Road South and Shuangchong Road at the southeast of the Guangzhounan (Guangzhou South) Railway Station Core District, located at Shibi Village, Zhongcun Town, Panyu District, Guangzhou, PRC（中國廣州市番禺區鍾村鎮石壁村廣州南站核心區東南部石興大道南與雙涌路交界處東北角4號地塊）. The gross floor area of the office units is 9,203 sq. m. and the consideration for the acquisition is RMB235,592,771 (equivalent to approximately HKD266,219,831), payable by instalments (see announcement dated 26 October 2018).

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group's staff consists of approximately 900 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.

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 unaudited condensed consolidated interim financial statements for the six months ended 30 September 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 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 six months ended 30 September 2018.

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 six months ended 30 September 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 six months ended 30 September 2018.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (http://www.carrianna.com) and the Stock Exchange (http://www.hkex.com.hk) respectively. The 2018/2019 interim 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 November 2018

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