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 2019

UNAUDITED INTERIM RESULTS

The board of directors (the "Board") of Carrianna Group Holdings Company Limited (the "Company") is pleased to announce the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2019. These interim condensed consolidated 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 2019

		For the six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**572,958**	590,471
Cost of sales		**(220,819)**	(209,386)
Gross profit		**352,139**	381,085
Other income and gains, net		**113,372**	37,507
Selling and distribution expenses		**(146,282)**	(150,492)
General and administrative expenses		**(117,512)**	(119,562)
Other expenses, net		**(22,415)**	(112,681)
Finance costs	*5*	**(37,410)**	(24,901)
Share of profits and losses of associates		**(33,305)**	115,423

		For the six months ended 30 September	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
PROFIT BEFORE TAX	*6*	**108,587**	126,379
Income tax expense	*7*	**(37,554)**	(21,612)
PROFIT FOR THE PERIOD		**71,033**	104,767
ATTRIBUTABLE TO:			
Owners of the parent		**48,600**	78,182
Non-controlling interests		**22,433**	26,585
		71,033	104,767
		HK cents	*HK cents*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**3.87**	6.22
Diluted		**3.86**	6.20

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**71,033**	104,767
Other comprehensive loss:		
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(139,093)**	(128,523)
Share of other comprehensive loss of associates	**(16,619)**	(57,819)
Items that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**(42,682)**	(72,542)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(198,394)**	(258,884)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(127,361)**	(154,117)
ATTRIBUTABLE TO:		
Owners of the parent	**(147,187)**	(175,459)
Non-controlling interests	**19,826**	21,342
	(127,361)	(154,117)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	**30 September 2019 HK$'000 (Unaudited)**	31 March 2019 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**753,144**	807,215
Investment properties		**1,949,509**	1,822,580
Right-of-use assets		**169,018**	–
Prepaid land lease payments		**–**	31,315
Goodwill		**50,207**	50,207
Interests in associates		**1,125,183**	993,174
Equity investments designated at fair value through other comprehensive income		**129,239**	175,098
Derivative financial instrument		**12**	41
Properties under development		**283,335**	298,520
Deferred tax assets		**49**	49
Other debtors, deposits and prepayments		**197,922**	304,069
Pledged time deposits		**–**	35,492
Total non-current assets		**4,657,618**	4,517,760
CURRENT ASSETS			
Properties under development		**87,309**	68,392
Properties held for sale		**446,615**	527,622
Inventories		**24,864**	24,220
Tax recoverable		**691**	535
Trade debtors	*10*	**45,913**	23,571
Other debtors, deposits and prepayments		**482,114**	656,336
Due from directors		**7,438**	10,498
Due from non-controlling shareholders		**206**	206
Due from an associate		**55,150**	60,736
Financial assets at fair value through profit or loss		**249,245**	197,097
Equity investments designated at fair value through other comprehensive income		**38,630**	37,643
Structured deposits		**116,086**	817
Restricted cash		**82**	90
Pledged time deposits		**35,056**	9,920
Cash and cash equivalents		**595,851**	126,259
Total current assets		**2,185,250**	1,743,942

	Notes	**30 September 2019** *HK$'000* **(Unaudited)**	31 March 2019 *HK$'000* (Audited)
CURRENT LIABILITIES			
Trade creditors	*11*	**(80,761)**	(51,012)
Other creditors, accruals and deposits received		**(409,059)**	(341,790)
Provisions		**(990)**	(1,050)
Due to directors		**–**	(485)
Due to non-controlling shareholders		**(29,832)**	(22,391)
Interest-bearing bank borrowings		**(1,279,268)**	(976,323)
Lease liabilities		**(72,685)**	–
Finance lease payables		**–**	(18)
Deferred income		**(32,883)**	(35,328)
Tax payable		**(250,750)**	(248,556)
Total current liabilities		**(2,156,228)**	(1,676,953)
NET CURRENT ASSETS		**29,022**	66,989
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,686,640**	4,584,749
NON-CURRENT LIABILITIES			
Accruals and deposits received		**(53,898)**	(56,735)
Interest-bearing bank borrowings		**(507,423)**	(308,576)
Lease liabilities		**(68,134)**	–
Finance lease payables		**–**	(25)
Deferred income		**(134,962)**	(142,646)
Deferred tax liabilities		**(254,501)**	(243,289)
Provisions		**(2,884)**	(3,412)
Total non-current liabilities		**(1,021,802)**	(754,683)
Net assets		**3,664,838**	3,830,066
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**125,709**	125,709
Reserves		**3,559,274**	3,744,101
		3,684,983	3,869,810
Non-controlling interests		**(20,145)**	(39,744)
Total equity		**3,664,838**	3,830,066

NOTES:

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2019 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), 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 interim condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of new and revised standards effective as of 1 April 2019. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

The Group has adopted the following new and revised HKFRSs for the first time for the financial year beginning 1 April 2019:

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than explained below regarding the impact of HKFRS 16 *Leases*, the adoption of the new and revised HKFRSs had no significant financial effect on the unaudited interim condensed consolidated financial statements.

2. IMPACTS AND CHANGES IN ACCOUNTING POLICIES ON APPLICATION OF HKFRS 16 LEASES

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

The Group has adopted HKFRS 16 using the modified retrospective approach with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has elected to use the transition practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 and not apply this standard to contracts that were not previously identified as containing a lease at the date of initial application. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various properties. Under HKFRS 16, the Group applies a single approach to recognise and measure the short-term lease recognition exemption to leases of certain restaurants and staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Impacts on transition

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-to-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-to-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong and Mainland China was determined on a portfolio basis; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group recognised lease liabilities of HK$175,693,000 and right-of-use assets of HK$209,317,000 upon application of HKFRS 16 at 1 April 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by the relevant group entities was 4.57%.

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	At 1 April 2019 *HK$'000*
Operating lease commitments disclosed as at 31 March 2019	185,020
Less: Recognition exemptions	
– short-term leases	(5,946)
– leases of low-value assets	(906)
	178,168
Discounting of lease commitments, as at 1 April 2019	(2,475)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	175,693
Analysed as	
Current	72,339
Non-current	103,354
	175,693

The carrying amount of right-of-use assets as at 1 April 2019 comprises the following:

	Notes	*HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		175,693
Reclassification from property, plant and equipment		841
Reclassification from prepaid land lease payments		32,143
Adjustments on rental deposits	(a)	2,010
Adjustments on lease incentive liabilities	(b)	(1,370)
		209,317
By class:		
Leasehold land and buildings		209,317

(a) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$2,010,000 was adjusted to refundable rental deposits paid and right-of-use assets.

(b) This relates to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities as at 1 April 2019 was adjusted to right-of-use assets at transition.

	Carrying amounts previously reported at 31 March 2019	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 April 2019**
	HK$'000	HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	807,215	(841)	806,374
Prepaid land lease payments	31,315	(31,315)	–
Right-of-use assets	–	209,317	209,317
Current assets			
Other debtors, deposits and prepayments*	656,336	(2,838)	653,498
Current liabilities			
Lease liabilities	–	(72,339)	(72,339)
Other creditors, accruals and deposits received	(341,790)	1,370	(340,420)
Non-current liabilities			
Lease liabilities	–	(103,354)	(103,354)

* Included in other debtors, deposits and prepayments at 31 March 2019 was current portion of prepaid land lease payments of HK$828,000.

Summary of new accounting policies

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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 which engaged in the operations of hotel, restaurant and food businesses; and

(b) the property investment and development segment which 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 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 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 or at the agreed 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					
	2019	2018	**2019**	2018	**2019**	2018
	HK\$'000	*HK\$'000*	***HK\$'000***	*HK\$'000*	***HK\$'000***	*HK\$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:						
Revenue from external customers	**519,761**	537,704	**53,197**	52,767	**572,958**	590,471
Intersegment revenue	**628**	548	**2,656**	2,118	**3,284**	2,666
	520,389	538,252	**55,853**	54,885	**576,242**	593,137
Reconciliation:						
Elimination of intersegment revenue					**(3,284)**	(2,666)
Total revenue					**572,958**	590,471
Segment results	**83,530**	102,649	**48,688**	47,024	**132,218**	149,673
Reconciliation:						
Bank interest income					**996**	6,145
Unallocated other income and gains, net					**36,868**	13,488
Corporate and unallocated expenses					**(24,085)**	(18,026)
Finance costs					**(37,410)**	(24,901)
Profit before tax					**108,587**	126,379

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Income from the restaurant, food and hotel businesses	**519,761**	537,704
Proceeds from sale of properties, property management service income and commission income	**5,769**	4,082
Revenue from other sources		
Gross rental income	**47,428**	48,685
	572,958	590,471

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 September 2019

Segments	Restaurant, food and hotel	Property investment and development
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Restaurant and bakery operations	273,399	–
Sale of food products	226,410	–
Hotel operations	19,952	–
Property management services	–	408
Sale of properties	–	5,050
Property agency services – commission income	–	311
Total revenue from contracts with customers	519,761	5,769
Geographical markets		
Hong Kong	203,762	4,461
Mainland China	315,999	1,308
Total revenue from contracts with customers	519,761	5,769
Timing of revenue recognition		
At a point in time	499,809	5,361
Services transferred over time	19,952	408
Total revenue from contracts with customers	519,761	5,769

For the six months ended 30 September 2018

Segments	**Restaurant, food and hotel** *HK$'000* (Unaudited)	**Property investment and development** *HK$'000* (Unaudited)
Types of goods or services		
Restaurant and bakery operations	260,954	–
Sale of food products	251,360	–
Hotel operations	25,390	–
Sale of properties	–	4,082
Total revenue from contracts with customers	537,704	4,082
Geographical markets		
Hong Kong	194,544	–
Mainland China	343,160	4,082
Total revenue from contracts with customers	537,704	4,082
Timing of revenue recognition		
At a point in time	512,314	4,082
Services transferred over time	25,390	–
Total revenue from contracts with customers	537,704	4,082

5. FINANCE COSTS

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest in respect of:		
Bank loans and bank overdrafts	**33,712**	24,901
Lease liabilities	**3,698**	–
	37,410	24,901

6. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold and services provided	**220,819**	209,386
Depreciation	**32,312**	20,777
Recognition of prepaid land lease payments	**–**	198
Minimum lease payments under operating leases for land and buildings	**–**	43,582
Depreciation of right-of-use assets	**39,028**	–
Reversal of impairment of other debtors	**(13,571)**	–
Changes in fair value of financial assets at fair value through profit or loss, net	**6,316**	2,619
Equity-settled share option expense	**73**	257
Foreign exchange differences, net	**16,090**	60,527
Bank interest income	**(996)**	(6,145)
Changes in fair value of investment properties, net	**(66,817)**	49,489
Dividend income from financial assets at fair value through other comprehensive income	**(6,948)**	(6,948)
Gain on disposal of subsidiaries	**(133)**	(8,290)
Unwinding of discount on receivables	**(8,752)**	(4,612)

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	**417**	1,264
Current – Mainland China		
Charge for the period	**23,774**	34,313
Deferred	**13,363**	(13,965)
Total tax charge for the period	**37,554**	21,612

8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2019 (2018: Nil).

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

The calculation of the basic earnings per share amounts 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 1,257,087,536 (2018: 1,256,224,148) in issue during the period.

The calculation of the diluted earnings per share amounts 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**48,600**	78,182

	Number of shares For the six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**1,257,087,536**	1,256,224,148
Effect of dilution – weighted average number of ordinary shares:		
Share options	**507,143**	4,619,819
	1,257,594,679	1,260,843,967

10. TRADE DEBTORS

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

	30 September 2019 *HK$'000* **(Unaudited)**	31 March 2019 *HK$'000* (Audited)
Current to 30 days	**36,882**	15,649
31 to 60 days	**4,399**	4,038
61 to 90 days	**1,639**	1,939
Over 90 days	**2,993**	1,945
	45,913	23,571

For restaurant, bakery and hotel operations, the Group's trading terms with its customers are mainly on cash or credit card settlements. For sale of food products, customers are generally given 30 to 90 days credit terms, except for new customers or certain food products, where payment in advance is normally required. The Group seeks to maintain strict control over its outstanding trade 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 ageing analysis of trade creditors as at the end of the reporting period, based on the invoice date, is as follows:

	30 September 2019 *HK$'000* **(Unaudited)**	31 March 2019 *HK$'000* (Audited)
Current to 30 days	**51,558**	30,495
31 to 60 days	**21,125**	8,057
61 to 90 days	**4,796**	7,367
Over 90 days	**3,282**	5,093
	80,761	51,012

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

OVERALL RESULTS

For the six months ended 30 September 2019, the Group's turnover was HK$572,958,000, decreased by 3% from the same period last year. The Group's profit attributable to shareholders was HK$48,600,000, decreased by 38% from the same period last year. Excluding the exchange loss of the receivable from the disposal of Carrianna (Hunan) Enterprise Co., Ltd. of HK$15,834,000 and property revaluation gain and related tax effect of HK$55,871,000, operating profit attributable to shareholders was HK$8,563,000, decreased by 85% from the same period last year. The decrease in turnover was mainly attributable to the decrease in food and hotel businesses turnover during the period, despite the small growth in the restaurant business turnover and rental income. The decrease in profit attributable to shareholders was mainly due to the decrease in the mooncake sales and share of operating loss of the associate during the period.

PROPERTY

Turnover of property segment for the period ended 30 September 2019 was HK$53,197,000 (2018: HK$52,767,000), an increase of 1% from the same period last year. The Group maintained more or less the same level of rental income and property sales during the period. Segment profit for the period was HK$48,688,000 (2018: HK$47,024,000), an increase of 3% from the same period last year. Excluding the property revaluation gain of HK$69,234,000 and the exchange loss of the receivable from the disposal of Carrianna (Hunan) Enterprise Co., Ltd. of HK$15,834,000, the Group recorded a segment operating loss of HK$4,712,000 (2018: profit of HK$39,390,000). The decrease in segment profit was mainly due to the share of the operating loss of the Group's 50% owned Dongguan Home Town project of HK$33,816,000 for the period.

The Group's 50% owned Dongguan Home Town project was fully completed. The east tower of six storeys and two levels of basement with a total floor area of 109,000 sq.m. home furniture and building materials centre was entirely opened for business. The west tower and north tower with a total area of 164,000 sq.m. of community, dining and shopping mall were also opened for business in December 2018. The overall rent-out rate for the east, west and north towers was 65%. All the residential units of the Dongguan Home Town project were sold out last year and there were no property sales recorded by the associate, South China International Purchasing Exchange Centre Limited during the period. The associate is operating at a loss due to insufficient rental income to cover the finance expenses. Management is putting in its continuous effort in organizing promotional events to attract more shop tenants to both the home furniture and building materials centre and the community, dining and shopping mall so as to increase the occupancy rates.

The Group's rental income from investment properties for the period was HK$47,428,000 (2018: HK$48,685,000), a decrease of 2% from the same period last year. The investment properties of Shenzhen Carrianna Friendship Square Shopping Mall and Shenzhen Imperial Palace Shopping Mall in the Mainland and Hong Kong maintained more or less the same level of rental income during the period. The slight decrease was mainly resulted from the exchange loss due to devaluation of the Renminbi.

In October 2018, the Group entered into a pre-sale agreement with Vanke Group's affliliate Guangzhou Wanche Property Company Limited（廣州市萬澈房地產有限公司）to purchase a 13 storeys commercial building being constructed at the vibrant central district of the Guangzhou South high speed train station ("Guangzhou South Station Property") in Panyu, Guangzhou. The building comprises the ground floor lobby, all office units from 3rd to 13th floors and 75 car parking spaces in the basement level. The total gross floor area of the office units is 9,203 sq.m. Construction of the Guangzhou South Station Property is on schedule and will be completed in the fourth quarter of 2020. After completion, it will become a high grade commercial building at the Guangzhou South Station and will bring additional rental income to the Group.

Also in the pipeline is the Group's re-development project at Haitan Street, Sham Shui Po, Hong Kong. In 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. The project is situated at 223-225A Haitan Street, Sham Shui Po, with a site area of 4,729 sq.ft., buildable gross floor area of 42,500 sq.ft., and saleable floor area of approximately 34,400 sq.ft.. As of today, Grand Creation has successfully acquired 90% of the property ownerships and expects to complete the acquisition by end of 2019. Construction works will commence in the first quarter of 2020 and it is expected to complete in mid-2022.

In May 2019, the Group further expanded its property development business in Hong Kong by entering into an agreement to subscribe for 50% equity interest in Mega Success Limited ("Mega Success"). The principal business of Mega Success is the property re-development project at Castle Peak Road. The project is situated at 300-306 Castle Peak Road, Sham Shui Po with a site area of 4,709 sq.ft., buildable gross floor area of 42,400 sq.ft., and saleable floor area of approximately 34,300 sq.ft.. As at today, Mega Success has successfully acquired about 90% of the property ownership of the Phase 1 development, and it is expected all the remaining units will be acquired by the fourth quarter of 2020. Construction works will be carried out thereafter, which is expected to complete by end of 2023.

The Group remains cautiously optimistic towards the outlook of the investment property market. Management believes that the economic development of the Greater Bay Area will continue to create new demand for commercial buildings and office towers. In addition, management believes that the low level of interest rates, high employment situation and strong estate demand in Hong Kong will provide a solid edge to the Group's residential re-development projects, which are located in Sham Shui Po city centre with very convenient transport. While the existing investment property portfolio provides a steady income flow to the Group, management will continue to explore new opportunities of property investment as they arise.

RESTAURANT, FOOD AND HOTEL

Due to the China-US trade wars and the social unrest in Hong Kong, there was a slow-down of the economy in the Mainland China and Hong Kong, which had to a certain extent affected the restaurant, food and hotel segment businesses. Turnover of restaurant, food and hotel segment for the period ended 30 September 2019 was HK$519,761,000 (2018: HK$537,704,000), a decrease of 3% from the same period last year. The decrease was mainly attributable to the decrease in mooncake sales. Segment profit for the period was HK$83,530,000 (2018: HK$102,649,000), a decrease of 18% from the same period last year. The decrease was mainly attributable to the drop in profit of Carrianna mooncake business and the enlarged operating loss of hotel business.

Restaurant turnover for the period was HK$215,475,000 (2018: HK$201,552,000), an increase of 7% from the same period last year. This was attributable to the increase in sales of Delicious Hong Kong style "Cha Chaan Teng" ("茶餐廳") restaurant group, "Shun Yi" ("順意") Shunde cuisine restaurants and the new "Chao Mei Li" ("潮梅里") special Chao Zhou cuisine restaurants, which was partly offset by the decrease in sales of the Carrianna Chao Zhou cuisine restaurant group.

There was a decrease in revenue of Carrianna restaurant Group of 9% over the same period last year, despite the opening of an additional Carrianna restaurant in Dongguan. Although the Carrianna restaurant group recorded an operating loss during the period, the peak season of restaurant business falls in the second half of the year and management expects that the turnover and operating results of the second half of the year will be better than the first half of the year. However, it is expected profit for the whole financial year will decrease from last year. "Shun Yi" ("順意") Shunde cuisine restaurants continued to contribute in sales growth and profit for the period. The second "Shun Yi" Shunde cuisine restaurant was newly opened in Shenzhen in September 2019 and has achieved better results than expected. The third one is expected to be opened in coming December 2019. "Shun Yi" Shunde cuisine restaurants in Shenzhen will become another profit contributing restaurant division of the Group.

With two newly opened restaurants and one new noodle shop operating during the period, Delicious restaurant group recorded an increase of 12% in turnover to HK$119,585,000. Delicious restaurant group operated 22 restaurants in Hong Kong, which included 18 chain restaurants under the trade names "Delicious"（味皇）, "Gustation"（嚐味）and "Gusto"（樂天廚房）, and 4 northern China style noodle shops, branded "King Noodle"（麵皇）. In November 2019, a new South East Asian cuisine restaurant under the new trade name "Rasa Pesta" ("嚐聚") was opened in Shatin and is achieving good business results. The business of Delicious restaurant group was to a certain extent affected by the recent social unrest in Hong Kong. The group's management will try to improve the operating results by implementing stringent cost control measures.

Food business turnover for the period was HK$284,334,000 (2018: HK$310,762,000), a decrease of 9% from the same period last year. The decrease in food business turnover mainly came from the decrease in mooncake sales due to the slow-down of the economy in the Mainland China. Hainan, Kunming and Shenzhen markets all recorded a decrease in turnover and profit. The construction of the new Hainan food factory was largely completed. The new factory has a site area of 29,968 sq.m. and a total floor area of 58,114 sq.m. The production base comprises 6 individual buildings, which include a composite administration building, a staff quarter building, a logistics and storage building, production building One (for mooncake and filling production), production building Two (for tourist packaged food and bread production) and production building Three (for packaged meat production). Each of the production buildings is installed with modern advanced automatic production facilities. The mooncake production line is in full operation and will significantly increase the production capacity of mooncakes. Management is confident that the mooncake market will pick up again in the coming year. The bread production line will be in its trial run at end of 2019 and will be in full production in mid-2020. Besides, the factory will also produce packaged Hainan-style food and Chinese-style dry meat products by end of 2020, which will make the food business more diversified and will contribute to the new growth of the Group's food business in the coming year.

Turnover of the subsidiary Profit Smart group's bread business in Hong Kong slightly reduced 2% from the same period last year. Operating loss contracted from the same period last year. Management is trying to improve sales by introducing new products and promotions in the retail shops. With the strong growth of the factory's direct sales business and improving business of the retail shops, management expects that Profit Smart group will turn around in the second half of year and will become profitable for the whole financial year.

Hotel business environment remained difficult for the period with a turnover of HK$19,952,000 (2018: HK$25,390,000), a decrease of 21% from the same period last year. The operating loss of the two hotels in Foshan and Yiyang also increased from the same period last year. The increase in loss was mainly due to the unsatisfactory operating results from the food and beverage division of Yiyang Carrianna International Hotel. Management is implementing measures to improve the overall results of the hotels through tighter cost control and rendering of better services. Management is considering a refurbishment plan to upgrade Foshan Carrianna Hotel to increase its competitiveness. After implementing the above measures, management believes Foshan Carrianna Hotel will become profit making and Yiyang Carrianna International Hotel will achieve positive cash flows.

OUTLOOK

Although there are economic uncertainties and challenges ahead, management remain positive and optimistic about the prospects of the Group's property investment and development business and the restaurant and food business. Beside the existing Guangzhou South Station Property and the 2 Shum Shui Po re-development projects, the Group will continue to explore investment opportunities of other property projects. At the same time, with the large Hainan production facility, the Group will expand the mooncake's Mainland market and develop the markets for the meat products, tourist packaged food and bread, to maximize the shareholders' value.

The Group is at present in a very strong liquidity position. As at the period end, the Group had a total of free cash balance, structured deposits and derivative financial instrument of HK$711,949,000. In addition, the Group had various equity and debt investments in the aggregate amount of HK$417,114,000, which can be converted into cash in a short period of time. This provides adequate financing resources for the Group's future business expansion and investment.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the Group's consolidated net assets after deduction of non-controlling interests was HK$3,684,983,000 (31 March 2019: HK$3,869,810,000) and consolidated net assets after deduction of non-controlling interests per share was HK$2.93 (31 March 2019: HK$3.08).

As at 30 September 2019, the Group's cash and cash equivalents amounted to HK$595,851,000 (31 March 2019: HK$126,259,000), which were denominated in Hong Kong dollars, Renminbi and United States dollars of HK$278,081,000, HK$313,170,000, and HK$4,600,000, respectively. The Group's free cash and bank balances, structured deposits, and derivative financial instrument were HK$711,949,000 (31 March 2019: HK$127,117,000).

As at 30 September 2019, the Group's total bank borrowings amounted to HK$1,786,691,000 (31 March 2019: HK$1,284,942,000) and 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$1,751,635,000 (31 March 2019: HK$1,239,530,000). Net bank borrowings less free cash and bank balances, structured deposits and derivative financial instrument were HK$1,039,686,000 (31 March 2019: HK$1,112,413,000).

The Group's gearing ratio, which was defined as the Group's interest-bearing bank borrowings, net of cash and cash equivalents, structured deposits and pledged time deposits as percentage of the Group's total equity, was approximately 28% (31 March 2019: 29%).

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.

The Group generally funds the operations from internal resources, investment income and bank borrowings. The liquidity needs mainly comprise general working capital, capital expenditure and investment, and repayment of bank borrowings and interest.

During the period under review, management closely monitored the cash position of the Group from time to time to ensure that it was adequate to finance the financial and operational requirements. With the increase in the level of cash balance at the period end, management will utilize it for appropriate investments in accordance with the Group's strategies and directions from the Board.

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

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$4,665,000 (31 March 2019: HK$6,144,000).

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$1,945,343,000 (31 March 2019: HK$1,943,288,000) 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.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group's staff consisted of approximately 930 employees in Hong Kong and approximately 1,200 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 interim condensed consolidated financial statements for the six months ended 30 September 2019.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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 2019.

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 2019 save as disclosed below.

In accordance with Code Provision A.4.1 of the Corporate Governance Code, non-executive directors should be appointed for a specific term, subject to re-election. Currently, the non-executive director and the independent non-executive directors are not appointed for a specific term. However, all the directors (except Chairman) are subject to retirement by rotation at least once every three years at the annual general meeting of the Company in accordance with the provision of the By-laws of the Company and their terms of appointment are reviewed when they are due for re-election.

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 2019.

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 2019/2020 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.

By order of the Board
Carrianna Group Holdings Company Limited
Dr. Ma Kai Yum
Chairman

Hong Kong, 27 November 2019

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. Ma Hung Ming, John (Vice-chairman), Mr. Leung Pak Yan and Mr. Ng Yan Kwong as executive directors; and Mr. Lo Ming Chi, Charles, Mr. Lo Man Kit, Sam and Mr. Wong See King as independent non-executive directors.