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 2020

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 results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2020. The 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 2020

		For the six months ended 30 September	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**475,968**	572,958
Cost of sales		**(186,983)**	(220,819)
Gross profit		**288,985**	352,139
Other income and gains, net		**117,454**	113,372
Selling and distribution expenses		**(102,423)**	(146,282)
General and administrative expenses		**(83,569)**	(117,512)
Other expenses, net		**(1,414)**	(22,415)
Finance costs	*5*	**(28,997)**	(37,410)
Share of profits and losses of associates		**(34,373)**	(33,305)

	Notes	For the six months ended 30 September 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
PROFIT BEFORE TAX	*6*	**155,663**	108,587
Income tax expense	*7*	**(42,296)**	(37,554)
PROFIT FOR THE PERIOD		**113,367**	71,033
ATTRIBUTABLE TO:			
Owners of the parent		**87,374**	48,600
Non-controlling interests		**25,993**	22,433
		113,367	71,033
		HK cents	*HK cents*
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**6.95**	3.87
Diluted		**6.95**	3.86

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	For the six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period	**113,367**	71,033
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**47,337**	(139,093)
Share of other comprehensive income/(loss) of associates	**22,345**	(16,619)
	69,682	(155,712)
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	**(4,804)**	(42,682)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**64,878**	(198,394)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**178,245**	(127,361)
ATTRIBUTABLE TO:		
Owners of the parent	**152,085**	(147,187)
Non-controlling interests	**26,160**	19,826
	178,245	(127,361)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2020

	Notes	**30 September 2020**	31 March 2020
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**747,623**	741,979
Investment properties		**2,052,277**	1,982,167
Right-of-use assets		**110,936**	137,355
Goodwill		**76,451**	76,451
Interests in associates		**938,658**	916,728
Equity investments designated at fair value through other comprehensive income		**98,666**	104,225
Properties under development		**305,075**	286,440
Deferred tax assets		**704**	719
Other receivables, deposits and prepayments		**431,531**	349,043
Pledged time deposits		**24,589**	15,014
Total non-current assets		**4,786,510**	4,610,121
CURRENT ASSETS			
Properties held for sale		**453,731**	439,923
Inventories		**23,298**	32,927
Tax recoverable		**939**	573
Trade receivables	*10*	**87,068**	52,245
Other receivables, deposits and prepayments		**166,872**	246,930
Due from directors		**4,475**	5,984
Due from non-controlling shareholders		**–**	6
Due from an associate		**395,963**	272,656
Financial assets at fair value through profit or loss		**197,424**	185,995
Equity investment designated at fair value through other comprehensive income		**41,405**	39,004
Structured deposits		**121,583**	241,103
Restricted cash		**127**	167
Pledged time deposits		**19,275**	19,682
Cash and cash equivalents		**374,397**	245,895
Total current assets		**1,886,557**	1,783,090

	Notes	30 September 2020 HK$'000 (Unaudited)	31 March 2020 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade payables	*11*	**(99,166)**	(51,987)
Other payables, accruals and deposits received		**(382,668)**	(317,802)
Provisions		**(740)**	(960)
Due to directors		**–**	(654)
Due to non-controlling shareholders		**(26,610)**	(27,893)
Interest-bearing bank borrowings		**(1,214,752)**	(1,000,079)
Lease liabilities		**(54,017)**	(66,449)
Deferred income		**(32,850)**	(31,543)
Tax payable		**(286,971)**	(244,775)
Total current liabilities		**(2,097,774)**	(1,742,142)
NET CURRENT (LIABILITIES)/ASSETS		**(211,217)**	40,948
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,575,293**	4,651,069
NON-CURRENT LIABILITIES			
Accruals and deposits received		**(7,007)**	(8,115)
Interest-bearing bank borrowings		**(457,657)**	(675,133)
Lease liabilities		**(41,418)**	(59,922)
Deferred income		**(92,569)**	(88,866)
Deferred tax liabilities		**(266,577)**	(253,217)
Provisions		**(2,704)**	(2,812)
Total non-current liabilities		**(867,932)**	(1,088,065)
Net assets		**3,707,361**	3,563,004
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**125,709**	125,709
Reserves		**3,588,742**	3,473,650
		3,714,451	3,599,359
Non-controlling interests		**(7,090)**	(36,355)
Total equity		**3,707,361**	3,563,004

NOTES:

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2020 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants, and in compliance 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").

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 March 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2020, except for the adoption of the following revised HKFRSs for the first time for the current period's financial statements:

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

Other than as explained below regarding the impact of Amendment to HKFRS 16, the adoption of the above revised HKFRSs has had no significant financial effect on the unaudited interim condensed consolidated financial statements.

Amendment to HKFRS 16

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the six months ended 30 September 2020, certain monthly lease payments for the leases of the Group's restaurants and bakery shops have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 April 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic during the six months ended 30 September 2020. Accordingly, a reduction in the lease payments arising from the rent concessions of HK$4,918,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the six months ended 30 September 2020.

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 engages 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 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					
	2020	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenue:						
Revenue from external customers	**433,457**	519,761	**42,511**	53,197	**475,968**	572,958
Intersegment revenue	**281**	628	**3,514**	2,656	**3,795**	3,284
	433,738	520,389	**46,025**	55,853	**479,763**	576,242
Reconciliation:						
Elimination of intersegment revenue					**(3,795)**	(3,284)
Total revenue					**475,968**	572,958
Segment results	**113,126**	83,530	**55,694**	48,688	**168,820**	132,218
Reconciliation:						
Bank interest income					**1,159**	996
Unallocated other income and gains, net					**30,646**	36,868
Corporate and unallocated expenses					**(15,965)**	(24,085)
Finance costs					**(28,997)**	(37,410)
Profit before tax					**155,663**	108,587

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Income from restaurant, food and hotel businesses	**433,457**	519,761
Proceeds from sale of properties, property management service income and commission income	**565**	5,769
	434,022	525,530
Revenue from other sources		
Gross rental income	**41,946**	47,428
	475,968	572,958

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 September 2020

Segments	**Restaurant, food and hotel**	**Property investment and development**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Restaurant and bakery operations	191,890	–
Sale of food products	233,096	–
Hotel operations	8,471	–
Property management services	–	565
Total revenue from contracts with customers	433,457	565
Geographical markets		
Hong Kong	127,526	–
Mainland China	305,931	565
Total revenue from contracts with customers	433,457	565
Timing of revenue recognition		
At a point in time	424,986	–
Over time	8,471	565
Total revenue from contracts with customers	433,457	565

For the six months ended 30 September 2019

Segments	**Restaurant, food and hotel** *HK$'000* (Unaudited)	**Property investment and development** *HK$'000* (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
Over time	19,952	408
Total revenue from contracts with customers	519,761	5,769

5. FINANCE COSTS

	For the six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest in respect of:		
Bank loans and bank overdrafts	**26,817**	33,712
Lease liabilities	**2,180**	3,698
	28,997	37,410

6. PROFIT BEFORE TAX

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

	For the six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold and services provided	**186,805**	220,819
Depreciation of property, plant and equipment	**29,173**	32,312
Lease payments not included in the measurement of lease liabilities	**957**	3,953
Depreciation of right-of-use assets	**28,742**	39,628
Reversal of impairment of other receivables	**(496)**	(13,571)
Changes in fair value of financial assets at fair value through profit or loss, net	**(1,897)**	6,316
Equity-settled share option expense	**526**	73
Foreign exchange differences, net	**(5,802)**	16,090
Bank interest income	**(1,159)**	(996)
Changes in fair value of investment properties, net	**(50,288)**	(66,817)
Dividend income from equity investments designated at fair value through other comprehensive income	**(4,169)**	(6,948)
Gain on disposal of subsidiaries	**(1,095)**	(133)
Unwinding of discount on receivables	**(13,373)**	(8,752)

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	**287**	417
Current – Mainland China		
Charge for the period	**29,718**	23,774
Deferred	**12,291**	13,363
Total tax charge for the period	**42,296**	37,554

8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2020 (2019: 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 1,257,087,536 (2019: 1,257,087,536) in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 2020 in respect of a dilution as the share options of the Company outstanding during the period had no dilutive effect on the basic earnings per share amount presented.

The calculation of the diluted earnings per share amounts for the six months ended 30 September 2019 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 for the six months ended 30 September 2019 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 effect of dilution from share options for the six months ended 30 September 2020 is shown below.

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

	For the six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**87,374**	48,600

	Number of shares For the six months ended 30 September	
	2020	2019
	(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**	1,257,087,536
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	507,143
	1,257,087,536	1,257,594,679

10. TRADE RECEIVABLES

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

	30 September 2020 *HK$'000* **(Unaudited)**	31 March 2020 *HK$'000* (Audited)
Within 30 days	**76,964**	36,956
31 to 60 days	**873**	7,174
61 to 90 days	**4,997**	4,502
Over 90 days	**4,234**	3,613
	87,068	52,245

For restaurant, bakery and hotel operations, the Group's trading terms with its customers are mainly on demand or settlements by major credit/debit cards or electronic/mobile payment methods are normally required. 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 receivables balances. Overdue balances are reviewed regularly by senior management.

Trade receivables are non-interest-bearing.

11. TRADE PAYABLES

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

	30 September 2020 *HK$'000* **(Unaudited)**	31 March 2020 *HK$'000* (Audited)
Within 30 days	**68,450**	29,734
31 to 60 days	**16,394**	4,217
61 to 90 days	**4,904**	8,861
Over 90 days	**9,418**	9,175
	99,166	51,987

Trade payables 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 2020, the Group's turnover was HK$475,968,000 (2019: HK$572,958,000), decreased by 17% from the same period last year. The Group's profit attributable to shareholders was HK$87,374,000 (2019: HK$48,600,000), increased by 80% from the same period last year. Excluding the property revaluation gain and related tax effect of HK$36,379,000 and the exchange gain of the receivable from the disposal of Carrianna (Hunan) Enterprise Co., Ltd. of HK$6,957,000, operating profit attributable to shareholders was HK$44,038,000 (2019: HK$8,563,000), increased by 414% from the same period last year. The decrease in turnover was mainly attributable to the decrease in the restaurant and hotel business turnover and rental income due to the COVID-19 pandemic ("COVID-19") during the period. The increase in operating profit attributable to shareholders was due to the improvement in the results of the restaurant, food and hotel businesses, as well as the property sector during the period.

PROPERTY

Turnover of property segment for the period ended 30 September 2020 was HK$42,511,000 (2019: HK$53,197,000), a decrease of 20% from the same period last year. The decrease was mainly attributable to the sale of a Hong Kong property last year and decrease in rental income during the period when there were rental concessions due to the outbreak of COVID-19. Segment profit for the period was HK$55,694,000 (2019: HK$48,688,000), an increase of 14% from the same period last year. Excluding the property revaluation gain of HK$48,670,000 and the exchange gain of the receivable from the disposal of Carrianna (Hunan) Enterprise Co., Ltd. of HK$6,957,000, the Group recorded a segment operating profit of HK$67,000 (2019: loss of HK$4,712,000). The increase in segment operating profit was mainly due to the improvement in the operating results of the Shenzhen investment properties as a result of stringent cost controls.

The Group's rental income from investment properties for the period was HK$41,946,000 (2019: HK$47,428,000), a decrease of 12% from the same period last year. While there was a small growth in rental income in Hong Kong due to new additions to the investment properties portfolio, the investment properties of Shenzhen Carrianna Friendship Square and Shenzhen Imperial Palace in the Mainland have recorded a decrease in rental income due to the offer of rental concessions to the tenants during the period when there was an outbreak of the COVID-19.

The Group's 50% owned Dongguan Home Town project was in full operation, comprising the east tower of home furniture and building materials centre with a total floor area of 109,000 sq.m. and the west and north towers of community, dining and shopping mall with a total area of 164,000 sq.m.. The associate is operating at a loss due to insufficient rental income to cover the operating expenses. Management is in a continuous effort to increase the attractiveness and competitiveness of the shopping centres and improve the shop tenants' quality, by organizing promotional events to increase people flow and attract more shop tenants in order to increase the occupancy and value of the shopping centres.

As to the business development in the Greater Bay Area, construction of the 13 storeys commercial building situated at the vibrant central district of the Guangzhou South high speed train station in Panyu, Guangzhou ("Guangzhou South Station Property") was completed and the property was delivered by Vanke Group in October 2020. The Guangzhou South Station Property is a high grade commercial tower comprising the ground floor lobby, all office units from 3rd to 13th floors and 75 car parking spaces at the basement level. The total gross floor area of the office units is 9,203 sq.m. The addition of the property to the investment properties portfolio in the Mainland will bring additional leasing income to the Group. The leasing of the office premises has been progressing well at around 27% occupancy to date. The property has a guarantee of 4% investment return for 3 years.

The Group's 50% owned Haitan Street re-development project, which is situated at 223-225A Haitan Street, Sham Shui Po, Hong Kong is still under its progress of development. The project comprises 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, the associate company, Grand Creation Development Limited has successfully acquired approximately 90% of the property ownerships. The acquisition by compulsory auction sale was delayed by the outbreak of the COVID-19 and is expected to complete by the end of 2020. Site investigation and demolition works are estimated to commence in the first quarter of 2021 and construction works will follow thereafter. The project is estimated to complete by mid-2023.

The Group's another 50% owned Castle Peak Road re-development project, which is situated at 300-306 Castle Peak Road, Sham Shui Po, Hong Kong is progressing well in schedule. The project comprises 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, the associate company, Mega Success Limited has successfully acquired approximately 90% of the property ownership of the Phase 1 development, and it is estimated all the remaining units will be acquired by end of first quarter of 2021. Site investigation and demolition works are estimated to commence in the second quarter of 2021 and construction works will follow thereafter. The project is estimated to complete by mid-2024.

RESTAURANT, FOOD AND HOTEL

Due to the outbreak of COVID-19, the lockdowns and disruptions to economic activities in the Mainland and Hong Kong had affected the restaurant, food and hotel segment businesses for the period. Turnover of restaurant, food and hotel segment for the period ended 30 September 2020 was HK$433,457,000 (2019: HK$519,761,000), a decrease of 17% from the same period last year. The decrease was mainly attributable to the decrease in the restaurant and hotel businesses. Segment profit for the period was HK$113,126,000 (2019: HK$83,530,000), an increase of 35% from the same period last year. The increase was a result of the improvement in the operating results of the restaurant, bakery and hotel businesses as well as the support by the government subsidy of "Employment Support Scheme".

Restaurant turnover for the period was HK$141,300,000 (2019: HK$215,475,000), a decrease of 34% from the same period last year. This was mainly due to the government policies to combat COVID-19 on social distancing and restrictions on restaurant business including number of people dining and closing time of restaurants. In addition, management has taken prompt decision to close down the loss-making restaurants which also contributed to the decrease in restaurant turnover. As a result of management's decisive measures to control costs including rental, labour and food costs, restaurant business has managed to record an operating profit of HK$4,220,000 as compared to a loss of HK$14,718,000 for the same period last year.

Sales revenue of Carrianna Chinese restaurant group decreased by 18% to HK$73,816,000 from the same period last year. With the opening of one new "Shun Yi"（順意）Shunde cuisine restaurant, the Group operated 7 Carrianna traditional Chao Zhou cuisine restaurants and 4 "Shun Yi" Shunde cuisine restaurants during the period. The operating result of Carrianna Chinese restaurant group has improved significantly by 118% to a profit of HK$1,800,000 as compared to a loss of HK$10,283,000 for the same period last year. Among that, turnover and operating profit of "Shun Yi" Shunde cuisine restaurants surged 122% and 977% to HK$31,477,000 and HK$4,111,000 respectively. "Shun Yi" Shunde cuisine restaurants continued to contribute in sales growth and profit for the Group.

Affected by the outbreak of COVID-19, the Hong Kong Delicious restaurant group recorded a decrease of 44% in turnover to HK$67,484,000 from the same period last year. After the prompt decision to close down four loss-making restaurants and one noodle shop in March and April 2020, Delicious restaurant group operated 14 Hong Kong style "Cha Chaan Teng"（茶餐廳）restaurants under the trade names "Delicious"（味皇）, "Gustation"（嚐味）, "Gusto"（樂天廚房）and "Rasa Pesta"（嚐聚）, and 3 northern China style noodle shops, branded "King Noodle"（麵皇）during the period. The Delicious restaurant group recorded a profit of HK$2,426,000 for the period (2019: loss of HK$2,199,000). The improvement in operating results was mainly attributable to the swift response by management in the implementation of various cost control measures in food, labour and rent to minimize the impact of the virus outbreak on the restaurant operation and financial performance, supported by the government subsidy of the "Employment Support Scheme". The Group has also adjusted its business strategies according to the market conditions to boost sales by increasing promotions, new products, special discounts and takeaway and home delivery. The Group was taking all necessary measures to reduce costs and maintain the existing operations in preparation for the business rebound as the COVID-19 outbreak in Hong Kong is easing down and economy recovering.

Food business turnover for the period was HK$283,686,000 (2019: HK$284,334,000), a slight decrease of 0.2% from the same period last year. The decrease in food business turnover mainly came from the decrease in turnover of the Hong Kong bakery business. Carrianna mooncake sales amount maintained at around the same level as the same period last year. The advanced Hainan food factory was in operation. The new factory has a site area of 29,968 sq.m. and a total floor area of 58,114 sq.m. The advanced automatic mooncake production line is in full operation and will significantly increase the production capacity of mooncakes. The bread production line has also commenced its operation in November 2020. Besides, the factory is expected to produce packaged Hainan-style food and Chinese-style dry meat products in 2021, so that the food business will become more diversified and continue to grow.

Turnover of the subsidiary Profit Smart group's bread business in Hong Kong reduced 13% to HK$50,590,000 from the same period last year. Profit Smart group operated 13 bakery shops throughout Hong Kong under the trade names "Empery Bakery"(馥軒), "Pak Lok Bakery"(百樂麵包) and "V28 Bakery" during the period. Profit Smart group has recorded a profit of HK$7,440,000 as compared to a loss of HK$36,000 for the same period last year. Apart from the support by the government subsidy of the "Employment Support Scheme", the Profit Smart group has managed to improve results of the retail shops by introducing new products and improving sales. At the same time, the factory business performance has continued to improve as a result of better cost controls and operating efficiency. Management will continue to strengthen product development and introduce more new products with the aim to boost sales.

Hotel business was also affected by the outbreak of COVID-19 with a turnover of HK$8,471,000 (2019: HK$19,952,000), a decrease of 58% from the same period last year. The operating loss of the two hotels decreased significantly by 36% to HK$8,085,000 from the same period last year. The improvement in operating results was mainly due to the contracting out of the unsatisfactory restaurant operation and the implementation of tighter cost measures. Both hotels have achieved positive operating cash flows during the period. With the ease of COVID-19, the room rent and occupancy have gradually increased. The refurbishment of hotel rooms of Foshan Carrianna Hotel has completed in November 2020 and is expected to increase the competitiveness and thus the room rental income.

OUTLOOK

2020 had been a difficult year. The global trade disputes and COVID-19 had hindered economic activities and caused instability to the global economy. Economic activities were widely disrupted as lockdowns and travel bans were imposed in various cities. Local demand was weakened and uncertainty surrounding the pandemic lingered. However, the Group responded quickly to address the situation by reducing operating costs and adjusting market strategies to improve market share and profitability.

Mainland China saw a steep 6.8% year-to-year drop in GDP in the first quarter of 2020. However, with its ability to contain the COVID-19, Mainland China's economy clearly bounced back in the second quarter of 2020. It is expected that China will continue to adopt its monetary easing policies and GDP is estimated to rise to over 7% in 2021. Although there are economic uncertainties and challenges ahead, management remains positive and cautiously optimistic about the prospects of the Group's property investment and development business and the restaurant and food business.

Management will continue to focus its business development in the Greater Bay Area where demand for commercial buildings and office towers will remain strong. Also, the land supply shortage, low level of interest rate and strong end-user demand will continue to provide a strong support to the residential property market in Hong Kong. While the existing investment property portfolio provides steady income flow, the new Guangzhou South Station Property and the 2 Shum Shui Po property re-development projects will provide additional income return to the Group in the short and medium term.

Management has seen the picking up again of the Group's restaurant and bakery business from the second quarter of 2020. With the successful testing of the vaccines for COVID-19 and its introduction likely in the first quarter of 2021, there will be gradual easing of lockdowns and travel bans and resuming of business activities. Management will continue to control costs and adjust its business strategies in response to market changes to increase competitiveness. The Group is confident that the restaurant and bakery business performance will continue to improve in the coming year.

In addition, with the advanced Hainan production facility in operation, the Group is optimistic about the expansion of its food business in the Mainland. The new bread production line has commenced its operation in November 2020. Besides, the factory is expected to produce packaged Hainan-style food and Chinese-style dry meat products in 2021, so that the food business will become more diversified and continue to contribute to the growth of the Group's food business in the next few years.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the Group's consolidated net assets after deduction of non-controlling interests was HK$3,714,451,000 (31 March 2020: HK$3,599,359,000) and consolidated net assets after deduction of non-controlling interests per share was HK$2.96 (31 March 2020: HK$2.86).

As at 30 September 2020, the Group's cash and bank balances amounted to HK$374,397,000 (31 March 2020: HK$245,895,000), which were denominated in Hong Kong dollars, Renminbi and United States dollars of HK$93,520,000, HK$275,629,000 and HK$5,248,000 respectively. The Group's free cash and bank balances and structured deposits amounted to HK$495,980,000 (31 March 2020: HK$486,998,000).

As at 30 September 2020, the Group's total bank borrowings amounted to HK$1,672,409,000 (31 March 2020: HK$1,675,212,000). 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$1,628,545,000 (31 March 2020: HK$1,640,516,000). Net bank borrowings less free cash and bank balances and structured deposits were HK$1,132,565,000 (31 March 2020: HK$1,153,518,000).

The Group's gearing ratio, which was defined as the Group's interest-bearing bank borrowings, net of cash and bank balances, structured deposits and pledged time deposits as a percentage of the Group's total equity, was approximately 30% (31 March 2020: 32%).

The Group adopts a 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$2,759,000 (31 March 2020: HK$3,619,000).

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$1,822,724,000 (31 March 2020: HK$1,811,441,000) 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 2020, the Group's staff consisted of approximately 600 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 interim condensed consolidated financial statements for the six months ended 30 September 2020.

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 2020.

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 2020 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 2020.

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 2020/2021 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 2020

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. Chan Francis Ping Kuen as executive directors; and Mr. Lo Ming Chi, Charles, Mr. Lo Man Kit, Sam and Mr. Wong See King as independent non-executive directors.