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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 2022

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 2022. 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 2022

	Notes	For the six months ended	
		2022	2021
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	4	379,115	516,446
Cost of sales		(149,014)	(199,126)
Gross profit		230,101	317,320
Other income and gains, net		46,438	55,756
Selling and distribution expenses		(116,457)	(116,377)
General and administrative expenses		(93,200)	(100,391)
Other expenses, net		(188,314)	(1,402)
Finance costs	5	(30,003)	(19,746)
Share of losses of associates		(30,274)	(24,225)

		For the six months ended	
		30 September	
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
(LOSS)/PROFIT BEFORE TAX	6	(181,709)	110,935
Income tax credit/(expense)	7	<u>32,340</u>	<u>(27,966)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(149,369)</u>	<u>82,969</u>
ATTRIBUTABLE TO:			
Owners of the parent		(157,586)	58,609
Non-controlling interests		<u>8,217</u>	<u>24,360</u>
		<u>(149,369)</u>	<u>82,969</u>
		<i>HK cents</i>	<i>HK cents</i>
(LOSS)/EARNINGS PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT	9		
Basic		<u>(10.03)</u>	<u>3.90</u>
Diluted		<u>(10.03)</u>	<u>3.90</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period	<u>(149,369)</u>	<u>82,969</u>
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(271,516)	45,272
Share of other comprehensive income of associates	<u>16,037</u>	<u>6,285</u>
	<u>(255,479)</u>	<u>51,557</u>
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	<u>(39,605)</u>	<u>(27,793)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(295,084)</u>	<u>23,764</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u><u>(444,453)</u></u>	<u><u>106,733</u></u>
ATTRIBUTABLE TO:		
Owners of the parent	(449,275)	81,954
Non-controlling interests	<u>4,822</u>	<u>24,779</u>
	<u><u>(444,453)</u></u>	<u><u>106,733</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

	30 September 2022	31 March 2022
	<i>Notes</i> HK\$'000	HK\$'000
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	862,404	899,700
Investment properties	2,253,372	2,522,690
Right-of-use assets	89,565	120,777
Goodwill	64,470	64,470
Interests in associates	1,063,203	1,083,728
Equity investments designated at fair value through other comprehensive income	79,887	119,492
Properties under development	304,999	337,320
Deferred tax assets	12,265	18,999
Other receivables, deposits and prepayments	39,831	46,405
	4,769,996	5,213,581
Total non-current assets		
CURRENT ASSETS		
Properties held for sale	438,328	487,200
Inventories	25,333	39,107
Tax recoverable	47	78
Trade receivables	44,003	29,442
Other receivables, deposits and prepayments	481,931	472,201
Due from directors	6,246	5,109
Due from non-controlling shareholders	10,511	15,253
Due from an associate	275,736	300,974
Financial assets at fair value through profit or loss	117,355	159,941
Equity investment designated at fair value through other comprehensive income	32,211	35,553
Restricted cash	82	92
Pledged time deposits	43,478	43,473
Cash and cash equivalents	219,448	279,616
	1,694,709	1,868,039
Total current assets		

		30 September 2022	31 March 2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
CURRENT LIABILITIES			
Trade payables	11	(49,869)	(44,597)
Other payables, accruals and deposits received		(338,412)	(367,618)
Provisions		(670)	(670)
Due to directors		(3,783)	(4,349)
Due to non-controlling shareholders		(35,067)	(39,756)
Convertible bonds		(58,171)	–
Interest-bearing bank borrowings		(789,892)	(943,028)
Lease liabilities		(50,242)	(40,754)
Deferred income		(30,647)	(34,491)
Tax payable		(298,985)	(325,397)
Total current liabilities		<u>(1,655,738)</u>	<u>(1,800,660)</u>
NET CURRENT ASSETS		<u>38,971</u>	<u>67,379</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,808,967</u>	<u>5,280,960</u>
NON-CURRENT LIABILITIES			
Accruals and deposits received		(6,399)	(7,073)
Convertible bonds		–	(58,171)
Interest-bearing bank borrowings		(834,389)	(686,158)
Lease liabilities		(15,882)	(56,767)
Deferred income		(82,778)	(92,247)
Deferred tax liabilities		(246,532)	(297,255)
Provisions		(4,729)	(4,884)
Total non-current liabilities		<u>(1,190,709)</u>	<u>(1,202,555)</u>
Net assets		<u><u>3,618,258</u></u>	<u><u>4,078,405</u></u>
EQUITY			
<i>Equity attributable to owners of the parent</i>			
Issued capital		157,136	157,136
Reserves		3,464,568	3,929,537
Non-controlling interests		<u>3,621,704</u> <u>(3,446)</u>	<u>4,086,673</u> <u>(8,268)</u>
Total equity		<u><u>3,618,258</u></u>	<u><u>4,078,405</u></u>

NOTES:

1. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements for the six months ended 30 September 2022 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 2022, 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 2022, except for the adoption of the following revised HKFRSs for the first time for the current period’s financial statements:

Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Annual Improvements to HKFRSs 2018-2020:	
Amendments to HKFRS 9	<i>Financial Instruments: Fees in the “10 per cent” Test for Derecognition of Financial Liabilities</i>
Amendments to Illustrative Examples accompanying HKFRS 16	<i>Leases: Lease Incentives</i>

The adoption of the above revised HKFRSs has had no significant financial effect on the unaudited interim condensed consolidated financial statements.

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					
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Segment revenue:						
Revenue from external customers	323,606	460,744	55,509	55,702	379,115	516,446
Intersegment revenue	1,166	828	4,064	4,433	5,230	5,261
	324,772	461,572	59,573	60,135	384,345	521,707
<i>Reconciliation:</i>						
Elimination of intersegment revenue					(5,230)	(5,261)
Total revenue					379,115	516,446
Segment results	22,635	93,734	(136,212)	39,657	(113,577)	133,391
<i>Reconciliation:</i>						
Bank interest income					477	1,522
Unallocated other income and gains, net					6,751	14,376
Corporate and unallocated expenses					(45,357)	(18,608)
Finance costs					(30,003)	(19,746)
(Loss)/Profit before tax					(181,709)	110,935

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>		
Income from restaurant, food and hotel businesses	323,606	460,744
Proceeds from sale of properties, property management service income and commission income	3,724	4,254
	<u>327,330</u>	<u>464,998</u>
<i>Revenue from other sources</i>		
Gross rental income	51,785	51,448
	<u>379,115</u>	<u>516,446</u>

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 September 2022

Segments	Restaurant, food and hotel HK\$'000 (Unaudited)	Property investment and development HK\$'000 (Unaudited)
Types of goods or services		
Restaurant and bakery operations	190,394	–
Sale of food products	122,126	–
Hotel operations	11,086	–
Sale of properties	–	3,130
Property management services	–	594
	<u>323,606</u>	<u>3,724</u>
Total revenue from contracts with customers	<u>323,606</u>	<u>3,724</u>

Segments	Restaurant, food and hotel HK\$'000 (Unaudited)	Property investment and development HK\$'000 (Unaudited)
Geographical markets		
Hong Kong	108,602	–
Mainland China	215,004	3,724
	<u>323,606</u>	<u>3,724</u>
Total revenue from contracts with customers	<u><u>323,606</u></u>	<u><u>3,724</u></u>
Timing of revenue recognition		
At a point in time	312,520	3,130
Over time	11,086	594
	<u>323,606</u>	<u>3,724</u>
Total revenue from contracts with customers	<u><u>323,606</u></u>	<u><u>3,724</u></u>

For the six months ended 30 September 2021

Segments	Restaurant, food and hotel HK\$'000 (Unaudited)	Property investment and development HK\$'000 (Unaudited)
Types of goods or services		
Restaurant and bakery operations	218,053	–
Sale of food products	232,252	–
Hotel operations	10,439	–
Sale of properties	–	3,654
Property management services	–	600
	<u>460,744</u>	<u>4,254</u>
Total revenue from contracts with customers	<u><u>460,744</u></u>	<u><u>4,254</u></u>

Segments	Restaurant, food and hotel <i>HK\$'000</i> (Unaudited)	Property investment and development <i>HK\$'000</i> (Unaudited)
Geographical markets		
Hong Kong	134,842	–
Mainland China	325,902	4,254
	<u>460,744</u>	<u>4,254</u>
Total revenue from contracts with customers	<u>460,744</u>	<u>4,254</u>
Timing of revenue recognition		
At a point in time	450,305	3,654
Over time	10,439	600
	<u>460,744</u>	<u>4,254</u>
Total revenue from contracts with customers	<u>460,744</u>	<u>4,254</u>

5. FINANCE COSTS

	For the six months ended	
	30 September	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest in respect of:		
Bank loans and bank overdrafts	26,679	17,623
Convertible bonds	1,134	455
Lease liabilities	2,190	1,668
	<u>30,003</u>	<u>19,746</u>
	<u>30,003</u>	<u>19,746</u>

6. (LOSS)/PROFIT BEFORE TAX

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

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold and services provided	149,014	199,126
Depreciation of property, plant and equipment	32,204	38,000
Lease payments not included in the measurement of lease liabilities	–	162
Depreciation of right-of-use assets	22,192	27,283
Changes in fair value of financial assets at fair value through profit or loss, net	30,337	4,545
Equity-settled share option expense	20	91
Foreign exchange differences, net	268	142
Bank interest income	(477)	(1,522)
Changes in fair value of investment properties, net	158,314	(31,105)
Dividend income from equity investments designated at fair value through other comprehensive income	–	(4,169)
	<u>–</u>	<u>(4,169)</u>

7. INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	(952)	–
Current – Mainland China		
Charge for the period	(7,132)	(20,426)
Deferred	40,424	(7,540)
	<u>32,340</u>	<u>(27,966)</u>

8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2022 (2021: Nil).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic (loss)/earnings per share amount is based on the unaudited (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,571,359,420 (2021: 1,501,292,246) in issue during the period.

No adjustment has been made to the basic (loss)/earnings per share amount presented for the six months ended 30 September 2022 (2021: Nil) in respect of a dilution as the share options and convertible bonds of the Company outstanding during the period had no dilutive effect on the basic (loss)/earnings per share amount presented.

The effect of dilution from share options and convertible bonds for the six months ended 30 September 2022 is shown below.

The calculations of basic and diluted (loss)/earnings per share are based on:

	For the six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/Earnings		
(Loss)/Profit attributable to ordinary equity holders of the parent, used in the basic (loss)/earnings per share calculation	(157,586)	58,609

	Number of shares	
	For the six months ended	
	30 September	
	2022	2021
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	1,571,359,420	1,501,292,246
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	–
Convertible bonds	–	–
	<u>1,571,359,420</u>	<u>1,501,292,246</u>

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	31 March
	2022	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 30 days	23,865	9,212
31 to 60 days	9,237	4,310
61 to 90 days	2,075	5,525
Over 90 days	8,826	10,395
	<u>44,003</u>	<u>29,442</u>

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	31 March
	2022	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 30 days	24,853	17,815
31 to 60 days	7,376	3,309
61 to 90 days	1,128	7,451
Over 90 days	16,512	16,022
	49,869	44,597

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 2022, the Group's turnover was HK\$379,115,000 (2021: HK\$516,446,000), decreased by 27% from the same period last year. The Group's loss attributable to shareholders was HK\$157,586,000 as compared to a profit attributable to shareholders of HK\$58,609,000 from the same period last year. The decrease in turnover was mainly attributable to the decrease in the restaurant and food business turnover during the period. The operating loss attributable to shareholders was mainly due to (i) the disruptions to the restaurant and food businesses due to the outbreak of the COVID-19 pandemic in Hong Kong and the Mainland; and (ii) the impact of exchange loss on property valuation of approximately HK\$110 million due to devaluation of Renminbi against Hong Kong dollars during the period.

PROPERTY

Turnover of property segment for the period ended 30 September 2022 was HK\$55,509,000 (2021: HK\$55,702,000), a decrease of 0.3% from the same period last year. The Group's rental income from investment properties for the period was HK\$51,785,000 (2021: HK\$51,448,000), an increase of 0.7% from the same period last year. There was no major change in the investment property portfolio of the Group for the period. Segment loss for the period was HK\$136,212,000 as compared to a profit of HK\$39,657,000 from the same period last year. The segment loss was mainly attributable to the impact of exchange loss before tax on property valuation of approximately HK\$147 million due to devaluation of Renminbi against Hong Kong dollars during the period.

The Group's 50% owned Dongguan Home Town project is 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 and shopping mall with a total area of 164,000 sq.m.. With the subcontracting out of the business operation and property management of Dongguan Home Town project to a third party since September 2021, new tenancy contracts were signed and new brand name shops were introduced to the shopping centre, which has increased the occupancy and value of the project.

The Guangzhou South Station Property, 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 with a total gross floor area of the office units is 9,203 sq.m., continued to contribute to the Group in rental income for the period. The office building has a 91% occupancy to date. The property has a guaranteed 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 has entered its construction stage 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.. The residential building comprises 115 residential units and 2 floors of commercial shops. The pre-sale of the residential units has commenced in July 2022 and more than 30 units have been sold. The project is expected to complete by mid-2023.

The Group's another 50% owned Castle Peak Road redevelopment project, which is situated at 300-306 Castle Peak Road, Sham Shui Po, Hong Kong is progressing well on 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.. The associate has successfully acquired approximately 90% of the property ownerships of the Phase 1 development. It has also reached a preliminary agreement with the owners on sale of the remaining units and it is expected to complete the acquisition by end of 2022. Site investigation and demolition works are estimated to commence in the first quarter of 2023. The project is expected to complete by end of 2024.

RESTAURANT, FOOD AND HOTEL

Turnover of restaurant, food and hotel segment for the period ended 30 September 2022 was HK\$323,606,000 (2021: HK\$460,744,000), a decrease of 30% from the same period last year. The decrease was mainly attributable to the disruptions to the restaurant and food businesses due to the outbreak of the COVID-19 pandemic in Hong Kong and the Mainland, in particular the lockdown of Hainan City in the last 2 weeks before the Mid-Autumn Festival, which affected significantly on the moon cake sales this year. Segment profit for the period was HK\$22,635,000 (2021: HK\$93,734,000), a decrease of 76% from the same period last year. The decrease was mainly due to reduction of moon cake sales and restaurant business for the period.

Restaurant turnover for the period was HK\$126,446,000 (2021: HK\$158,652,000), a decrease of 20% from the same period last year. The decrease was mainly attributable to the decrease in the turnover of Delicious group restaurants due to close of some loss making shops during the period. Restaurant business has recorded an operating loss of HK\$7,408,000 as compared to that of HK\$3,604,000 for the same period last year. While there was gradual relaxation of government restrictions on social distancing and restaurant business in Hong Kong, there were occasional outbreaks of Covid-19 and tight government restrictions in the Mainland which had affected the Group's restaurant operating results during the period.

Food business turnover for the period was HK\$186,074,000 (2021: HK\$291,653,000), a decrease of 36% from the same period last year. The decrease in food business turnover mainly came from the decrease in moon cake sales this year due to the outbreak of Covid-19 and lockdown of Hainan City in the last 2 weeks before the Mid-Autumn. The advanced Hainan food factory has a site area of 29,968 sq.m. and a total floor area of 58,114 sq.m. The advanced automatic moon cake production line is in full operation and will significantly increase the production capacity of moon cakes. The bread production line is also in operation. Besides, the factory is expected to produce packaged Hainan style food and Chinese-style dry meat products. Management believes that the food business will continue to contribute to the Group's profitability and growth.

The Group's bakery business in Hong Kong recorded an increase of 8% in sales to HK\$63,948,000 from the same period last year. Profit Smart group has recorded a profit of HK\$6,047,000 (2021: HK\$2,546,000) during the period, an increase of 137% from the same period last year. The increase was due to the improvement in operating results of factory and retail businesses as well as government subsidies received during the period. Management will continue to strengthen product development and introduce more new products with the aim to boost sales. Profit Smart group is undergoing renovation of the production areas and acquisition of additional equipment to increase its production capacity.

Hotel business has recorded a turnover of HK\$11,086,000 (2021: HK\$10,439,000), an increase of 6% from the same period last year. The operating loss of the two hotels for the period was HK\$8,766,000 (2021: HK\$9,871,000), decreased by 11% from the same period last year. The operating results have been affected by the occasional outbreak of COVID-19 and the government restriction on the opening for business during the period. Both hotels have achieved positive operating cash flows during the period. The room rent and occupancy are expected to increase as government restrictions of COVID-19 are relaxed.

OUTLOOK

Although the pandemic gradually stabilized in Hong Kong and the Mainland, the occasional outbreak of COVID-19 in the Mainland had caused disruptions to the business intermittently. The city lockdowns and government dine-in restrictions led to significant loss of operating days and business in the restaurant and hotel business in the Mainland.

As a result of increased vaccinations, the COVID-19 is easing down and market is gradually recovering. However, there are still economic uncertainties– inflation, rise of interest rate and Ukraine-Russia War situation. Management remains positive and cautious about the prospects of the Group’s business.

Management will continue to focus its business development in the Greater Bay Area. Management is of the view that consumer spending will remain strong in the area. The Group will leverage on the branding and reputation of the “Carrianna” Chao Zhou and “Shun Yi” Shunde cuisine and will continue to expand its restaurant business in a steady pace in the region. A new “Carrianna” Chao Zhou and “Shun Yi” Shunde cuisine restaurant was opened in Kunmin during the period and 3 new “Shun Yi” Shunde cuisine restaurants will be opened in the last quarter of 2022 in Shenzhen.

On the property development side, while the investment property portfolio in the Mainland continues to provide steady income flow to the Group, there are stringent government policies in place on the property industry. In Hong Kong, Management believes that the limited land supply and strong end-user demand will continue to provide support to the residential property market. The Group remains cautiously optimistic about the property business. The new Guangzhou South Station Property and the two Shum Shui Po property re-development projects will provide additional income return to the Group in the short and medium term. The Group will continue to look out for new commercial/residential projects with investment value in the Greater Bay Area, in particular in Hong Kong.

Building on the solid foundation of the Group’s food business and capacity of the production facilities, the Group will continue to expand its food business in the Mainland market. Besides the Carrianna moon cake, the bread production line of the advanced Hainan food factory is also in operation. The factory is also expected to produce packaged Hainan style food and Chinese style dry meat products. The Group will introduce more new products and elements in the sector. Management believes that food business will become the Group’s another key driver of profitability and growth in the next few years.

The Group will continue to implement effective cost control measures and adjust its business strategies in response to market changes to increase its competitiveness. It is hoped that COVID-19 will soon stabilize and business restrictions reduce, and the new government regime and the Mainland government will soon reach the arrangement of reopening the border between the Mainland and Hong Kong, so that the economy can recover as a result.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2022, the Group's consolidated net assets after deduction of non-controlling interests was HK\$3,621,704,000 (31 March 2022: HK\$4,086,673,000) and consolidated net assets after deduction of non-controlling interests per share was HK\$2.30 (31 March 2022: HK\$2.60).

As at 30 September 2022, the Group's free cash and bank balances amounted to HK\$219,448,000 (31 March 2022: HK\$279,616,000), which were denominated in Hong Kong dollars, Renminbi and United States dollars of HK\$60,368,000, HK\$157,014,000 and HK\$2,066,000 respectively.

As at 30 September 2022, the Group's bank borrowings and convertible bonds amounted to HK\$1,624,281,000 (31 March 2022: HK\$1,629,186,000) and HK\$58,171,000 (31 March 2022: HK\$58,171,000) respectively. All interest-bearing bank borrowings bear interest at floating rates. The convertible bonds bear interest at 3% per annum. Netting off cash deposits pledged for borrowings, the Group's net borrowings were HK\$1,638,974,000 (31 March 2022: HK\$1,643,884,000). Net borrowings less free cash and bank balances were HK\$1,419,526,000 (31 March 2022: HK\$1,364,268,000).

The Group's gearing ratio, which was defined as the Group's interest-bearing bank borrowings and convertible bonds, net of cash and bank balances and pledged time deposits as a percentage of the Group's total equity, was approximately 39.2% (31 March 2022: 33.5%). The increase in Group's gearing ratio was mainly due to the decrease in total equity on translation of China operations as Renminbi substantially devaluated during the period.

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, 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

At the end of the reporting period, the Group's obligation relating to guarantees given to bank for mortgage loan facilities granted to purchasers of properties had expired (31 March 2022: HK\$143,000).

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\$2,273,781,000 (31 March 2022: HK\$2,604,743,000) 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 2022, the Group's staff consisted of approximately 400 employees in Hong Kong and approximately 1,000 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. Wong See King and Mr. Cheung Wah Fung, Christopher.

The Audit Committee is accountable to the Board and the principal duties of the Audit Committee include the review and supervision of the Group's financial reporting process, internal controls and review of the Group's financial statements.

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 2022.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the 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 2022.

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 2022 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 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 bye-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 2022.

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 2022/2023 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, 25 November 2022

As at the date of this announcement, the Board comprises Mr. Ma Kai Cheung (Honorary Chairman), Mr. Ma Kai Yum (Chairman), Mr. Ma Hung Ming, John (Vice-chairman), Mr. Liang Rui, Mr. Chan Francis Ping Kuen and Mr. Ma Hung Man as executive Directors; and Mr. Lo Ming Chi, Charles, Mr. Wong See King and Mr. Cheung Wah Fung Christopher as independent non-executive Directors.