CARNIVAL GROUP INTERNATIONAL

Carnival Group International Holdings Limited

嘉年華國際控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 00996)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "Board") of directors (the "Directors") of Carnival Group International Holdings Limited (the "Company") announces the consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 together with comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Revenue	*3*	**1,458,321**	2,193,310
Cost of sales		**(1,578,157)**	(1,169,575)
Gross (loss)/profit		**(119,836)**	1,023,735
Other income	*5*	**71,832**	259,287
Selling and marketing expenses		**(105,980)**	(269,567)
Administrative expenses		**(460,364)**	(512,813)
Gain on bargain purchase		**–**	45,713
Fair value change on financial liabilities at fair value through profit or loss		**–**	(6,759)
Fair value change on financial assets at fair value through profit or loss		**(680,589)**	–
Fair value change on investment properties		**(242,629)**	267,946
Gain on disposal of subsidiaries		**–**	313,348
Loss on disposal of investment properties		**(200,140)**	–
Impairment loss on goodwill		**–**	(250,000)
Impairment losses on other intangible assets		**(16,376)**	–
Impairment losses on property, plant and equipment		**(544,472)**	(43,166)
Impairment losses on deposits and other receivables		**(1,462,990)**	(41,092)
Finance costs	*6*	**(42,668)**	(40,661)

	Notes	2018 HK$'000	2017 HK$'000
(Loss)/profit before tax		**(3,804,212)**	745,971
Income tax credit/(expense)	*7*	**105,156**	(220,478)
(Loss)/profit for the year	*8*	**(3,699,056)**	525,493
Other comprehensive (expense)/income			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(3,000)**	–
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on debt instruments measured at fair value through other comprehensive income		**(5,859)**	–
Reclassification adjustment for exchange reserve release upon disposal of subsidiaries		**–**	(24,755)
Exchange differences arising on translation of foreign operations		**(429,544)**	528,483
Fair value gain on available-for-sale investments		**–**	31,715
Other comprehensive (expense)/income for the year, net of income tax		**(438,403)**	535,443
Total comprehensive (expense)/income for the year		**(4,137,459)**	1,060,936
(Loss)/profit for the year attributable to:			
Owners of the Company		**(3,504,039)**	394,700
Non-controlling interests		**(195,017)**	130,793
		(3,699,056)	525,493
Total comprehensive (expense)/income attributable to:			
Owners of the Company		**(3,848,708)**	797,205
Non-controlling interests		**(288,751)**	263,731
		(4,137,459)	1,060,936
(Loss)/earnings per share	*10*		
– Basic *(HK dollar per share)*		**(0.15)**	0.02
– Diluted *(HK dollar per share)*		**(0.15)**	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**6,326,423**	7,707,935
Investment properties		**5,613,333**	6,353,156
Other intangible assets		**–**	16,518
Financial assets at fair value through other comprehensive income		**184,318**	–
Available-for-sale investments		**–**	362,666
Note receivables		**89,039**	89,039
		12,213,113	14,529,314
Current assets			
Inventories		**5,743,440**	5,980,577
Trade receivables	*11*	**11,357**	20,259
Prepayments, deposits and other receivables		**3,685,646**	4,649,269
Financial assets at fair value through profit or loss		**1,818,219**	1,971,852
Available-for-sale investments		**–**	707,650
Pledged bank deposits		**635,766**	1,337,248
Cash and cash equivalents		**148,538**	322,252
		12,042,966	14,989,107
Total assets		**24,256,079**	29,518,421
Current liabilities			
Trade payables	*12*	**1,222,205**	1,084,126
Contract liabilities		**412,509**	–
Deposits from customers		**9,064**	1,625,776
Accrued liabilities and other payables		**1,454,907**	800,993
Amounts due to related companies		**8,469**	37,418
Obligation under finance lease		**700**	667
Borrowings – current portions	*13*	**7,621,439**	6,072,580
Convertible bonds		**–**	2,378,379
Current tax liabilities		**508,365**	377,108
		11,237,658	12,377,047
Net current assets		**805,308**	2,612,060
Total assets less current liabilities		**13,018,421**	17,141,374

	Notes	**2018** **HK$'000**	2017 HK$'000
Capital and reserves			
Share capital	*14*	**4,754,956**	4,294,432
Share premium and reserves		**1,838,834**	5,487,872
Equity attributable to owners of the Company		**6,593,790**	9,782,304
Non-controlling interests		**1,677,051**	1,967,232
Total equity		**8,270,841**	11,749,536
Non-current liabilities			
Borrowings	*13*	**3,563,315**	3,850,111
Obligation under finance lease		**1,503**	2,200
Deferred tax liabilities		**1,182,762**	1,539,527
		4,747,580	5,391,838
		13,018,421	17,141,374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Carnival Group International Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's registered office is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's principal place of business in Hong Kong is situated at Suites 1804-1810, 18th Floor, Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in theme based leisure and consumption business, focusing on the design, development and operation of integrated large-scale tourist complex projects in key cities in and outside the People's Republic of China (the "PRC") that comprise of theme parks, hotels, shopping and leisure facilities as well as other theme based consumption.

Going concern

The Group incurred a net loss of approximately HK$3,699 million during the year ended 31 December 2018 and as at 31 December 2018, the Group had borrowings of approximately HK$7,621 million which fall due within one year. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Nevertheless, the directors of the Company have adopted the going concern basis in the preparation of the consolidated financial statements of the Group based on the following:

1. Cash flows from disposals of the Group's assets. For instance, the Group has entered into a conditional sale and purchase agreement to sell its entire issued share capital of Joyous Investment Holdings Limited at a consideration of HK$1,860 million, as disclosed in the Company's announcement dated 30 December 2018.

2. Negotiations with providers of finance to extend or restructure the Group's borrowings. For instance, the maturity date of the bonds (with carrying amount of approximately HK$2,231 million which were classified as current liabilities at 31 December 2018) will be extended to 16 January 2021, as disclosed in the Company's announcement dated 16 January 2019. In addition, the maturity date of the senior bonds (with carrying amount of approximately HK$1,299 million which were classified as current liabilities at 31 December 2018) will be extended to 22 March 2021, as disclosed in the Company's announcements dated 21 November 2018, 6 December 2018, 21 December 2018, 14 January 2019 and 13 February 2019 respectively. Furthermore, as disclosed in the Company's circular dated 4 February 2019, the Group planned to raise funds by issuing convertible bonds in an aggregate principal amount of up to US$350,000,000. The Company intends to apply the net proceeds for repaying or refinancing the existing indebtedness of the Group and for development of the existing property development and investment segment of the Group and for general working capital.

3. Formulation and implementation of cost saving measures to improve the Group's financial performance and cash flows.

Provided that these measures can successfully improve the liquidity of the Group, the directors of the Company are satisfied that the Group will be able to meet its financial obligations as and when they fall due for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements, to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

HKFRS 15 applies to the contracts with customers for the sale of properties

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed as at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue,* HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following sources which arise from contracts with customers:

- Property development – sales of properties; and

- Others business including providing retail-related consultancy and management services.

Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 has no material impact on the Group's accumulated losses as at 1 January 2018. The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2017	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018**
	HK$'000	*HK$'000* *(Note)*	*HK$'000*
Current liabilities			
Deposits from customers	1,625,776	(1,612,900)	12,876
Contract liabilities	–	1,612,900	1,612,900
	1,625,776	–	1,625,776

Note: As at 1 January 2018, receipts-in-advance from properties pre-sold of approximately HK$1,612,900,000 previously included in deposits from customers were reclassified to contract liabilities.

The application of HKFRS 15 has no material impact on the Group's consolidated statement of profit or loss and other comprehensive income for the current year.

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	**Adjustments**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Deposits from customers	9,064	412,509	421,573
Contract liabilities	412,509	(412,509)	–
	421,573	–	421,573

2.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the same requirements to instruments that have already been derecognised as at 1 January 2018. The differences between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement.*

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale investments	Financial assets designated at FVTPL	Financial assets at FVTPL required by HKAS 39/ HKFRS 9	Financial assets at FVTOCI	Financial assets at amortised cost (previously classified as loans and receivables)	Financial liabilities at amortised cost	Investments revaluation reserve	Accumulated losses	Non-controlling interests
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Closing balance at 31 December 2017 – HKAS 39		1,070,316	369,425	1,602,427	–	3,668,074	14,144,754	31,715	(1,770,200)	1,967,232
Effects arising from initial application of HKFRS 9:										
Reclassification										
From available-for-sale investments	*(a)*	(1,070,316)	–	971,316	99,000	–	–	(27,715)	27,715	–
From financial assets designated at FVTPL	*(b)*	–	(369,425)	369,425	–	–	–	–	–	–
Remeasurement										
Impairment under ECL model	*(c)*	–	–	–	–	(178,706)	–	–	(177,276)	(1,430)
Opening balance at 1 January 2018		–	–	2,943,168	99,000	3,489,368	14,144,754	4,000	(1,919,761)	1,965,802

Notes:

(a) Available-for-sale ("AFS") investments

From AFS investments to fair value through other comprehensive income ("FVTOCI")

The Group elected to present in other comprehensive income ("OCI") for the fair value changes of all its equity investments previously classified as AFS. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, approximately HK$99,000,000 were reclassified from AFS investments to financial assets at FVTOCI. The fair value gains of approximately HK$4,000,000 relating to those investments previously carried at fair value continued to accumulate in investments revaluation reserve.

From AFS investments to fair value through profit or loss ("FVTPL")

At the date of initial application of HKFRS 9, the Group's investments of approximately HK$971,316,000 were reclassified from AFS investments to financial assets at FVTPL. The fair value gains of approximately HK$27,715,000 relating to those investments previously carried at fair value were transferred from investments revaluation reserve to accumulated losses.

(b) Financial assets at FVTPL and/or designated at FVTPL

The Group has reassessed its investments of the investment funds classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, approximately HK$369,425,000 of the Group's investments were held for trading and continued to be measured at FVTPL.

There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers.

The directors considered that the measurement of ECL of trade receivables has no material impact to the Group's accumulated losses at 1 January 2018.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including note receivables, deposits and other receivables, pledged bank deposits and bank balances, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risks since initial recognition, except for other receivables which are assessed and measured on lifetime ECL basis as those credit risks had increased significantly since initial recognition.

The Group's debt instruments at FVTOCI including listed bonds that are graded in the top credit rating among rating agencies. Therefore, these investments are considered to be low credit risk investments and the loss allowance is assessed on 12m ECL basis.

As at 1 January 2018, additional credit loss allowance of approximately HK$177,276,000 and approximately HK$1,430,000 has been recognised against accumulated losses and non-controlling interest respectively. The additional loss allowance is charged against the respective asset.

All loss allowances, including deposits and other receivables as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	Deposits and other receivables
	HK$'000
At 31 December 2017 – HKAS 39	1,988,315
Reclassification	
Amounts remeasured through opening accumulated losses	(178,706)
At 1 January 2018	1,809,609

Except the above, no impairment loss allowance provision was recognised for trade receivables, other financial assets at amortised cost, pledged bank deposits and bank balances as at 31 December 2017.

Impacts on opening consolidated statement of financial position arising from the application of HKFRS 15 and HKFRS 9

	At 31 December 2017	Impact of HKFRS 15	Impact of HKFRS 9	At 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Available-for-sale investments	362,666	–	(362,666)	–
Financial assets at fair value through other comprehensive income	–	–	99,000	99,000
Current assets				
Deposits and other receivables	1,988,315	–	(178,706)	1,809,609
Available-for-sale investments	707,650	–	(707,650)	–
Financial assets at fair value through profit or loss	1,971,852	–	971,316	2,943,168
Current liabilities				
Deposits from customers	1,625,776	(1,612,900)	–	12,876
Contract liabilities	–	1,612,900	–	1,612,900
Capital and reserves				
Accumulated losses	(1,770,200)	–	(149,561)	(1,919,761)
Investments revaluation reserve	31,715	–	(27,715)	4,000
Non-controlling interest	1,967,232	–	(1,430)	1,965,802

Amendments to HKAS 40 *Transfers of Investment Property*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date, there is no impact to the classification at 1 January 2018.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 & HKAS 8	Definition of Material[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2015–2017 Cycle[1]

1 *Effective for annual periods beginning on or after 1 January 2019.*

2 *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.*

3 *Effective for annual periods beginning on or after 1 January 2020.*

4 *Effective for annual periods beginning on or after 1 January 2021.*

5 *Effective for annual periods beginning on or after a date to be determined.*

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and financing/operating cash flows respectively by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which have already existed prior to the date of initial application.

3. REVENUE

An analysis of the Group's revenue for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
	HK$'000	*HK$'000*
Sale of properties	**1,492,146**	1,627,162
Rental income from investment properties	**111,065**	72,749
Restaurant operations of catering business	**6,263**	134,349
Realised and unrealised (losses)/gains on financial assets at fair value through profit or loss	**(250,328)**	279,863
Dividend income from listed investments	**24,520**	29,423
Revenue from admission tickets	**13,803**	9,153
Others	**60,852**	40,611
	1,458,321	2,193,310

Represented by:

	2018	2017
	HK$'000	*HK$'000*
Development and sales of properties:		
– Recognised at a point in time	**1,492,146**	1,627,162
Other business providing retail related consultancy and management services:		
– Recognised over time	**58,475**	37,088
Revenue from other sources:		
– Rental income from investment properties	**111,065**	72,749
– Restaurant operations of catering business	**6,263**	134,349
– Realised and unrealised (losses)/gains on financial assets at fair value through profit or loss	**(250,328)**	279,863
– Dividend income from listed investments	**24,520**	29,423
– Revenue from admission tickets	**13,803**	9,153
– Others	**2,377**	3,523
	(92,300)	529,060
	1,458,321	2,193,310

4. SEGMENT INFORMATION

The management has determined the operating segments based on the reports reviewed by the directors of the Company, being the chief operating decision maker (the "CODM") that are used to assess performance and allocate resources. The management assesses the performance of the following operating segments as below:

(i)	Property development and investment	–	Developing residential and commercial properties in the PRC and Hong Kong for sales and leasing;
(ii)	Trading and investment business	–	Investing on securities and financial instruments; and
(iii)	Others	–	Providing retail-related consultancy, management services, operating kids edutainment centre, touring carnival and operating restaurants in Hong Kong.

Following the changes of reporting structure, the number of operating segments in the Group was reduced from five to four during the year ended 31 December 2017 due to suspension of the touring carnival operations. During the year ended 31 December 2018, the management decided to have a further change on the reporting structure, and the number of operating segments of the Group was reduced from four to three due to disposal of the catering business in the PRC. Segment information presented as comparative information in these condensed consolidated financial statements have been restated to reflect the current reporting structure of the Group.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2018

	Property development and investment segment *HK$'000*	Trading and investment business segment *HK$'000*	Other segments *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
REVENUE					
External sales	**1,603,211**	**(225,808)**	**80,918**	**–**	**1,458,321**
Inter-segment sales	**1,623**	**–**	**4,998**	**(6,621)**	**–**
	1,604,834	**(225,808)**	**85,916**	**(6,621)**	**1,458,321**
RESULTS					
Segment results	**(1,123,019)**	**(1,663,348)**	**(29,955)**	**–**	**(2,816,322)**
Finance costs					**(42,668)**
Unallocated income					**60,535**
Unallocated expenses					**(1,005,757)**
Loss before tax					**(3,804,212)**

For the year ended 31 December 2017

	Property development and investment segment *HK$'000*	Trading and investment business segment *HK$'000*	Other segments *HK$'000* (Restated)	Inter-segment elimination *HK$'000*	Total *HK$'000*
REVENUE					
External sales	1,699,911	309,286	184,113	–	2,193,310
Inter-segment sales	–	–	5,991	(5,991)	–
	1,699,911	309,286	190,104	(5,991)	2,193,310
RESULTS					
Segment results	757,510	290,989	(482,905)	–	565,594
Finance costs					(40,661)
Unallocated income					522,874
Unallocated expenses					(301,836)
Profit before tax					745,971

Segment revenue reported above represents revenue generated from external customers. Inter-segment sales charged at prevailing market rates during the years ended 31 December 2018 and 2017.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the profit earned by/(loss from) each segment without allocation of central administration costs including directors' emoluments and finance costs. This is the measure reported to the CODM for the purposes of performance assessment and resources allocation.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Property development and investment segment	**21,286,075**	23,699,214
Trading and investment business segment	**1,953,401**	3,116,585
Other segments	**73,267**	136,129
Total segment assets	**23,312,743**	26,951,928
Unallocated corporate assets	**943,336**	2,566,493
Consolidated assets	**24,256,079**	29,518,421

Note: All assets are allocated to operating segments other than certain bank balances and deposits and other unallocated assets.

Segment liabilities

	2018	2017
	HK$'000	*HK$'000*
		(Restated)
Property development and investment segment	**8,877,547**	11,056,844
Trading and investment business segment	**540,570**	559,799
Other segments	**51,135**	154,365
Total segment liabilities	**9,469,252**	11,771,008
Unallocated corporate liabilities	**6,515,986**	5,997,877
Consolidated liabilities	**15,985,238**	17,768,885

Note: All liabilities are allocated to operating segments other than certain borrowings, deferred tax liabilities, obligation under finance lease, convertible bonds and other unallocated liabilities.

Geographic information

No geographic information has been presented as the Group's operating activities are mostly carried out in the PRC.

Information about major customers

During the years ended 31 December 2018 and 2017, there was no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue.

5. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Interest income on bank and other deposits	**43,928**	28,719
Gain on disposal of property, plant and equipment	**–**	28,793
Gain in respect of convertible bonds cancelled during the year	**18,617**	170,835
Reversal of deferred income	**–**	11,535
Others	**9,287**	19,405
	71,832	259,287

6. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank and other borrowings:		
– wholly repayable within five years	**613,911**	545,375
Interest on obligation under finance lease	**124**	164
Effective interest expense on		
– senior bonds	**145,488**	140,145
– bonds	**207,331**	45,987
– convertible bonds	**109,298**	220,823
Total finance costs	**1,076,152**	952,494
Less: amounts capitalised *(Note)*	**(1,033,484)**	(911,833)
	42,668	40,661

The weighted average capitalisation rate on funds borrowed generally is 8.5% (2017: 6.63%) per annum.

Note: Certain finance costs had been capitalised to property development projects in the PRC and Hong Kong included in construction-in-progress of property, plant and equipment, investment properties and properties under development for sale.

7. INCOME TAX (CREDIT)/EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
PRC Land Appreciation Tax ("LAT")	**12,003**	17,248
Enterprise Income Tax ("EIT")	**170,759**	245,094
Deferred tax	**(287,918)**	(41,864)
Income tax (credit)/expense	**(105,156)**	220,478

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Group considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

8. LOSS/PROFIT FOR THE YEAR

Loss/profit for the year has been arrived at after charging/(crediting):

	2018	2017
	HK$'000	*HK$'000*
Net foreign exchange differences	**11,920**	57,109
Auditors' remuneration		
– audit services	**2,700**	3,000
– non-audit services	**300**	710
	3,000	3,710
Gross rental income from investment properties *(Note (i))*	**(111,064)**	(72,749)
Less:		
direct operating expenses incurred for investment properties that generated rental income during the year	**12,083**	14,381
direct operating expenses incurred for investment properties that did not generate rental income during the year	**3,071**	1,832
	(95,910)	(56,536)
Cost of inventories recognised as an expense	**1,516,368**	1,169,575
Write-down of properties held for sale	**61,789**	–
Rental expenses in respect of rented premises under operating leases	**11,309**	72,550
Employee benefits expense (including directors' emoluments)		
– salaries and other benefits	**173,007**	227,395
– contributions to retirement benefits schemes	**8,000**	4,755
– equity settled share-based payment *(Note (ii))*	**–**	(845)
	181,007	231,305
Less: amounts capitalised *(Note (iii))*	**(15,970)**	(16,474)
Total employee benefits expenses	**165,037**	214,831

	2018	2017
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**–**	5,521
Depreciation of property, plant and equipment	**42,985**	59,519
Less: amounts capitalised *(Note (iii))*	**(4)**	(147)
	42,981	59,372
Loss/(gain) on disposal of property, plant and equipment	**48**	(28,793)
Written-off on property, plant and equipment	**228**	6,806
Impairment losses on property, plant and equipment	**544,472**	43,166
Impairment losses on deposits and other receivables	**1,462,990**	41,092
Loss on early redemption of bonds/senior bonds	**8,758**	637
(Gain)/loss on cancellation of convertible bonds	**(18,617)**	10,311
Fair value loss on financial liabilities at fair value through profit or loss	**–**	6,759
Fair value loss on financial assets at fair value through profit or loss	**680,589**	–
Fair value loss/(gain) on investment properties	**242,629**	(267,946)
Loss on disposal of investment properties	**200,140**	–
Impairment losses on other intangible assets	**16,376**	–

Notes:

(i) Contingent rent of approximately HK$99,060,000 (2017: approximately HK$58,164,000) is included for the year ended 31 December 2018. The contingent rent is determined based on percentages of sales when incurred.

(ii) On 10 May 2016, 50,000,000 share options were granted to a former executive director of the Company under the Company's share option scheme adopted on 31 May 2013. Each option gives the holder the right to subscribe for one ordinary share of the Company at the exercise price of HK$1.022. These share options will vest on 10 May 2018, and then be exercisable until 9 May 2021. The above share options had been lapsed upon the resignation of the executive director during the year ended 31 December 2017.

(iii) Certain employee benefits expenses, contributions to retirement benefits schemes and depreciation of property, plant and equipment had been capitalised to property development projects in the PRC.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	2018	2017
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/earnings for the purpose of basic earnings per share:		
(Loss)/profit for the year attributable to owners of the Company	**(3,504,039)**	394,700
Effect of dilutive potential ordinary shares:		
Fair value change on financial liabilities at fair value through profit or loss	**–**	6,759
(Loss)/earnings for the purpose of diluted earnings per share	**(3,504,039)**	401,459
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**23,624,102,941**	19,069,954,544
Effect of dilutive potential ordinary shares:		
Issuance of shares for conversion of convertible bonds	**–**	3,172,863,904
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**23,624,102,941**	22,242,818,448

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

In arriving at earnings for the purpose of diluted earnings per share, no adjustment is made for effective interest expenses recognised on convertible bonds as all such interest expense were capitalised during the year ended 31 December 2017.

11. TRADE RECEIVABLES

Trade receivables arising from sale of properties are due for settlement in accordance with the terms of the related sale and purchase agreement. Rental receivables from tenants are payable on presentation of invoices.

The following is an aged analysis of trade receivables (net of allowance for credit losses), presented based on agreement terms and invoice date, at the end of the reporting period:

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**11,357**	11,231
31 – 60 days	**–**	–
61 – 90 days	**–**	–
91 – 180 days	**–**	–
Over 180 days	**–**	9,028
	11,357	20,259

12. TRADE PAYABLES

Trade payables comprise amounts outstanding for construction costs, suppliers and on-going costs.

The following is an aged analysis of trade payables at the end of the reporting period.

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**185,259**	277,301
31 – 60 days	**–**	3
61 – 90 days	**–**	3,419
Over 90 days	**1,036,946**	803,403
	1,222,205	1,084,126

13. BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Bank borrowings, secured	**2,071,984**	2,988,275
Other borrowings, secured	**4,492,377**	4,692,142
Senior bonds	**1,615,148**	1,587,256
Bonds	**3,005,245**	655,018
	11,184,754	9,922,691
Carrying amounts repayable:		
On demand or within one year	**7,621,439**	6,072,580
More than one year but not exceeding two years	**1,735,062**	1,931,930
More than two years but not exceeding five years	**1,612,334**	1,533,431
More than five years	**215,919**	384,750
	11,184,754	9,922,691

The Group's bank and other borrowings were secured by certain assets of the Group.

A personal guarantee was given by the chairman of the Company for the Group's certain borrowings.

Certain shares of non-controlling interests of the Group have been pledged to secure the borrowings.

14. SHARE CAPITAL

	Notes	Ordinary shares of HK$0.2 each *'000*	Amount *HK$'000*
Authorised:			
At 1 January 2017		25,000,000	5,000,000
Increase on 10 July 2017		25,000,000	5,000,000
At 31 December 2017 and 2018		50,000,000	10,000,000
Issued and fully paid:			
At 1 January 2017		16,877,728,468	3,375,546
Issue of shares by way of placing	*(i)*	300,000,000	60,000
Issue of shares upon rights issue	*(ii)*	4,294,432,117	858,886
At 31 December 2017 and 1 January 2018		21,472,160,585	4,294,432
Shares issued upon conversion of convertible bonds	*(iii)*	181,250,000	36,250
Issue of shares by way of placing	*(iv)*	2,200,000,000	440,000
Repurchase of ordinary shares and cancelled	*(v)*	(78,630,000)	(15,726)
At 31 December 2018		23,774,780,585	4,754,956

Notes:

(i) Issue of shares by way of placing

On 17 May 2017, the Company allotted and issued 300,000,000 ordinary shares of HK$0.2 each in the capital of the Company by way of placing at a placing price of HK$0.80 per share. The Company raised approximately HK$237,600,000 (net of expenses).

(ii) Issue of shares upon rights issue

On 27 September 2017, the Company allotted and issued 4,294,432,117 ordinary shares of HK$0.2 each in the capital of the Company by way of rights issue at a subscription price of HK$0.40 per share. The Company raised approximately HK$1,678,852,000 (net of expenses).

(iii) Shares issued upon conversion of convertible bonds

On 25 January 2018, the Company issued 181,250,000 ordinary shares of HK$0.20 each in the capital of the Company upon the conversion of the convertible bond with principal amount of HK$72,500,000 at a price of HK$0.40 per share.

(iv) Issue of shares by way of placing

On 2 February 2018, the Company allotted and issued 2,200,000,000 ordinary shares of HK$0.20 each in the capital of the Company by way of placing at a placing price of HK$0.355 per share. The Company raised approximately HK$779,000,000 (net of expenses).

(v) During the year ended 31 December 2018, the Company repurchased certain of its own shares on the Stock Exchange.

Month of repurchase	Number of ordinary shares	Price per share Highest	Lowest	Aggregate consideration paid
		HK$	*HK$*	*HK$'000*
September 2018	78,630,000	0.305	0.280	23,250

The above ordinary shares were cancelled upon repurchase.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE OVERVIEW

The Group is principally engaged in the theme-based leisure and consumption business, focusing on the design, development and operation of integrated large-scale tourist complex projects in key cities in and outside the PRC that comprise of theme parks, hotels, shopping and leisure facilities, as well as other theme based consumption.

2018 REVIEW

The financial year ended 31 December 2018 was a challenging year in terms of macroeconomic stability and overall financing conditions, under the policy of "Houses are for living but not for speculation" promulgated at The National People's Congress and The Chinese Political Consultative Conference (the "Two Sessions") in first half 2018. On the other hand, local governments were determined to adhere to the regulatory policies without any intention of relaxing the policies introduced, including the continuous implementation of the "4 Main Measures" (namely restrictions on purchasing, pricing, re-selling and mortgaging in the PRC). The macro environment and the local policies indirectly added extra burden to the Group's sales cycle and the gross profit margin of the property development segment of the Group was adversely affected. Meanwhile, the backdrop of overall credit environments added extra difficulties to the Group's financing and refinancing activities.

After two years of steady growth, 2018 proved to be more of a challenge for investments. Equity and bond markets were globally under pressure as China-US trade negotiations continued to stay in focus and fresh concerns arose that economic growth may slow down amidst tighter monetary and fiscal policy eventually took their toll on investors confidence. As a result, the Group inevitably recorded significant loss on securities trading investments segment due to the severe fluctuations in global capital market within the reporting period.

BUSINESS REVIEW

The Group's flagship project, Rio Carnival (Qingdao) is located in the Phoenix Island Tourist Resort Zone in Huangdao District, Qingdao city, Shandong province in the PRC and occupies an aggregate site area of approximately 350,000 square metres ("sq.m.") with a total GFA of approximately 800,000 sq.m.. Thanks to the rapid development of Qingdao City's West Coast New Area, the Group believes that Rio Carnival (Qingdao) will benefit from the geo-advantage in the long run and be one of the first large-scale integrated commercial, residential and tourism complexes of its kind in China. It includes indoor and outdoor underwater ocean exploration theme parks, an upscale star-rated hotel "Renaissance" and a luxury service apartment "Marriott Executive Apartment", an international premium brand outlet shopping mall, themed-street restaurant dining, a conference centre, a performance square for performances, concerts, sports matches and parades, and a world-class entertainment complex featuring the largest Lego education experience centre in China, one of the newest and largest DMAX cinema complexes in China (Jackie Chan Cinema), an indoor ice skating centre and a large sea-view Ferris wheel（琴島之眼）. It is our aim for Rio Carnival (Qingdao) to become one of the premier tourist destinations in China.

The hotel and outlet have commenced operations and other facilities will be opened in phases. As part of its business model, the Group also develops and sells high-end coastal residential properties and luxurious villas adjacent to its theme park, outlet mall and hotels in Rio Carnival (Qingdao). The residential properties occupy an aggregate site area of approximately 126,000 sq.m. with a total GFA of approximately 350,000 sq.m..

In late 2018, the Group entered into a sale and purchase agreement to dispose of the entire interest in Joyous Investment Holdings Limited, which held a property in Hong Kong's Southern District (Nos. 16A-16D Shouson Hill Road) with site area of approximately 50,000 square feet, at the aggregate consideration of HK$1,860 million (subject to deduction of the relevant bank loan amount and other adjustments under the terms of the sale and purchase agreement). The gain on disposal of the interest in Joyous Investment Holdings Limited will be recorded in financial year 2019.

During the year, the Directors have reviewed the business strategy of the Group, and decided that the Group shall keep focusing on the integrated large-scale tourist complex project and property development. The Group will invest more resources in this segment when there is considerable opportunities.

After prudent considerations, the Group made one-off provisions on the long-outstanding receivables, and the low recoverability items specifically reviewed by the Group, which caused a comparatively large net loss for the financial year ended 31 December 2018 to ensure the Group's long term development solid.

During the year, the Group derived most of its revenue from the following segments:

Property Development and Investment

Revenue from the Group's property development and investment segments was approximately HK$1,603.2 million for the year ended 31 December 2018, compared to HK$1,699.9 million for the year ended 31 December 2017. For the year ended 31 December 2018, the revenue was mostly derived from the sale of residential units of the remaining completed properties in Qingdao and Chengdu in the PRC. However, the discount rebates provided to customers on selling these remaining units lowered the gross profit margin. Within the reporting period, the PRC property market was facing downward pressure, the Group's property valuation suffered unavoidable impact and recorded a large impairment loss. Whereas, aggregate consideration of the disposal of a subsidiary company, Joyous Investment Holdings Limited was HK$1,860 million, will be recorded in the financial year of 2019.

Trading and Investment business

The Group invested in Hong Kong's listed securities and financial instruments as short-term and medium-term investments.

For the year ended 31 December 2018, due to the severe global market fluctuations, the Group's short-term investment portfolio and mid-term financial instruments stayed in significant loss-making situation and recorded net loss on investments of approximately HK$250.3 million, compared to a positive performance of HK$279.9 million for the year ended 31 December 2017, and the Group received dividend income from listed investments of approximately HK$24.5 million for the year ended 31 December 2018, compared to HK$29.4 million for the year ended 31 December 2017.

During 2016 and 2017, the Company had subscribed for a number of funds (the "Funds") managed by a company (the "Fund Company") established under the laws of the PRC principally engaged in asset management. The scope of investments of the Funds include various financial instruments, such as bonds (including government bonds, financial bonds, company bonds and corporate bonds traded through banks or exchanges), reverse re-purchase bonds, bank deposits, sizeable negotiable certificates of deposit, currency market funds and other bank financial products, which have a low risk profile and high liquidity. However, the Fund Company has yet to provide any official reply in respect of the Company sought to enquire about the current status of the Funds, and the future ability of the fund Company to provide full redemption of all the outstanding principal investment amounts of the Funds at maturity or upon exercise of the redemption rights. The Company also noticed that the business office of the Fund Company has not been in operation. The Company has already taken legal action for the redemption of the Funds and will consider other remedial actions to minimise the negative impact arising from the possible non-recovery of all or any portion of such investments. After the Board's judgement regarding this significant issue, the Company made a provision for loss on investment of approximately HK$602 million. In addition, a provision of approximately HK$902 million of other receivables from the related parties of the Fund Company, which is also at low recoverability, had also been made.

As at 31 December 2018, the total value of the Group's securities investments were approximately HK$1,285.5 million, compared to HK$1,602.4 million in 2017, of which each investment is less than 5.4% of the total assets for both years.

FINANCIAL REVIEW

Financial Results

	2018	2017	Change in
	HK$'000	*HK$'000*	percentage
Revenue	**1,458,321**	2,193,310	-33.5%
Gross (loss)/profit	**(119,836)**	1,023,735	-111.7%
(Loss)/profit attributable to owners of the Company	**(3,504,039)**	394,700	-987.8%
(Loss)/earnings per share			
– Basic *(HK dollar per share)*	**(0.15)**	0.02	-850%
– Diluted *(HK dollar per share)*	**(0.15)**	0.02	-850%

For the financial year ended 31 December 2018, the Group recorded a consolidated net loss of approximately HK$3,699.1 million as compared to the net profit of approximately HK$525.5 million for the year ended 31 December 2017. The change on the results is mainly due to (i) impairment loss on the properties of approximately HK$544 million; (ii) the loss arising from changes in the fair value of the Group's investment properties of approximately HK$200 million; (iii) impairment loss on deposits and other receivables of approximately HK$1,463 million; (iv) the loss arising from securities investment of approximately HK$250 million; (v) the provision for loss on investments of approximately HK$602 million, and (vi) decrease in the gross profit margin of the property development segment of the Company.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2018, the authorised share capital of the Company was HK$10,000.0 million divided into 50,000,000,000 shares of HK$0.2 each and the issued share capital of the Company was approximately HK$4,754.96 million divided into 23,774,780,585 shares of HK$0.2 each. As at 31 December 2018, the current assets and current liabilities of the Group were approximately HK$12,043.0 million (2017: approximately HK$14,989.1 million) and approximately HK$11,237.7 million (2017: approximately HK$12,377.0 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was approximately 1.07 times as at 31 December 2018, as compared to that of approximately 1.21 times as at 31 December 2017. The decrease in liquidity ratio was mainly due to the decrease in current asset since there was an increase in provision for other receivables.

The Group's total assets and total liabilities as at 31 December 2018 amounted to approximately HK$24,256.1 million (2017: approximately HK$29,518.4 million) and approximately HK$15,985.2 million (2017: approximately HK$17,768.9 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.66 times as at 31 December 2018, as compared to that of approximately 0.60 times as at 31 December 2017.

The cash and bank deposits (including pledge bank deposits) as at 31 December 2018 were approximately HK$784.3 million (2017: approximately HK$1,659.5 million). The decrease was mainly due to debts settlements during the year ended 31 December 2018.

As at 31 December 2018, the net debt to equity ratio of the Group, expressed as a percentage of borrowings and long-term debts (including obligation under finance lease and convertible bonds) net of cash and bank deposits (including pledge bank deposits) over total equity, was approximately 125.8% (2017: approximately 90.6%). The increase in net debt to equity ratio was mainly due to new borrowings during the year ended 31 December 2018.

On 25 January 2018, the Company issued 181,250,000 ordinary shares of HK$0.20 each in the capital of the Company upon the conversion of the convertible bond with principal amount of HK$72.5 million at price of HK$0.40 per share.

On 22 January 2018, the Company entered into a placing agreement with Yue Xiu Securities Limited as placing agent, pursuant to which the Company agreed to place, through the placing agent, on a best efforts basis, up to 2,200,000,000 new shares to not less than six placees who are professional, institutional or other investors and are independent third parties at the placing price of HK$0.355 per placing share. The closing price on 22 January 2018 was HK$0.36 per share. The Company issued 2,200,000,000 shares on 2 February 2018 and raised net proceeds of approximately HK$779.0 million. The net proceeds raised were used as (i) approximately HK$232.0 million for repayments of principal and interest payments of borrowings; (ii) approximately HK$299.3 million invested in theme parks, residential properties and hotel real estate project in Qingdao; (iii) approximately HK$170.9 million for cost of sales; (iv) approximately HK$60.6 million for administrative expenses; and (v) approximately HK$16.2 million for selling and marketing expenses. The net proceeds were used according to the intentions previously disclosed by the Company in the announcements dated 22 January 2018 and 26 January 2018.

During the year, the Company sought the consent from the holders of the US$285.0 million 8% secured convertible bonds (the "Bonds") to amend the terms of the Bonds with maturity date extended to 16 January 2019.

On 21 November 2018, the Company entered into the placing agreement ("CB Placing Agreement") with Guoyuan Capital (Hong Kong) Limited (the "CB Placing Agent") pursuant to which the Company conditionally agreed to issue, and the Placing Agent conditionally agreed to procure, on a best efforts basis, investor(s) to subscribe for, the 8% unsecured convertible bonds due 2020 (with an option to extend to 2021) of the Company (the "CB") in an aggregate principal amount of up to US$350.0 million in one or more tranches. Subsequently, on 1 February 2019, the Company and the CB Placing Agent entered into the supplemental agreement to amend and supplement certain terms of the CB Placing Agreement, including, among other things (i) revising the reference of the CB to 8% unsecured convertible bonds due 2021 (with an option to extend to 2022) instead, (ii) amending the placing period of the CB to the period commencing on the date of the CB Placing Agreement to the 60th business day after the date of special general meeting of the Company (i.e. 27 February 2019), and (iii) amending the pricing mechanism of setting the initial conversion price of the CB. For details, please refer to the announcements of the Company dated 21 November 2018 and 1 February 2019. The CB Placing Agreement and the special mandate to allot and issue the conversion shares upon conversion of the CB were approved by the shareholders of the Company in the special general meeting of the Company held on 27 February 2019.

Certain of the Group's PRC subsidiaries entered into financing agreements including guarantees or security agreements with various PRC banks and financial institutions. These loans have original terms ranging from 12 months to 36 months and secured by pledge bank deposits of the Group.

The principal amounts outstanding under these loans in the PRC generally bear interest at fixed rates calculated by reference to the relevant bank's benchmark interest rate for such loans. Interest payments are payable on either monthly or quarterly basis and must be made on each payment date as provided in the particular loan agreement.

FOREIGN EXCHANGE EXPOSURE

Substantially all of the Group's sales and operating costs are denominated in the functional currency of each individual group entity i.e. Renminbi and Hong Kong dollar. As at 31 December 2018, except for the borrowings of principal amount of US$4,793.1 million by the Company are denominated in United States Dollar, other borrowings or share placements denominated in the functional currency of each individual group entity. Accordingly, the Directors consider that the currency risk is low to moderate. The Group currently does not have a formal currency hedging policy in relation to currency risk. The Directors monitor the Group's exposure on an on-going basis and will consider hedging the currency risk should the need arise.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2018, the Group's certain land-use rights, properties, bank deposits and equity securities listed in Hong Kong of approximately HK$18,551.4 million (2017: approximately HK$18,246.8 million) were pledged to banks and other financial institutions to secure certain loan facilities granted to the Group.

MATERIAL ACQUISITIONS OR DISPOSALS

On 30 December 2018, a direct wholly-owned subsidiary of the Company as seller, and the Company, entered into the Sale and Purchase Agreement with an independent third party as purchaser, pursuant to which (a) the seller agreed to sell to the purchaser the entire issued share capital of the Joyous Investment Holdings Limited (together with its subsidary, the "Target Group") (i.e. the Sale Share); and (b) the Company agreed to assign to the purchaser the loans owing by the Target Group to the Company (i.e. the Sale Loans), at the aggregate consideration of HK$1,860 million (subject to a deduction of the bank loan and other adjustments) subject to the terms of the Sale and Purchase Agreement. Details of which are set out in the announcement of the Company dated 31 December 2018.

EMPLOYEE INFORMATION

As at 31 December 2018, the Group had 413 employees (31 December 2017: 719 employees). The employees of the Group are remunerated in accordance with their work experience, performance and prevailing industry practices. The remuneration policy and package of the Group are periodically reviewed by the management. For the year ended 31 December 2018, the total staff costs of the Group were approximately HK$181.0 million (2017: approximately HK$231.3 million), representing an decrease of approximately 21.7% over the corresponding period of 2017. The decrease in staff cost was mainly due to the decrease of employees in financial year 2018.

	2018	2017
	HK$'000	*HK$'000*
Salaries and other benefits	**173,007**	227,395
Contributions to retirement benefit schemes	**8,000**	4,755
Equity settled share-based payment	**–**	(845)
Total employee benefits expense	**181,007**	231,305

DIVIDEND

The Board resolved not to recommend any dividend for the year ended 31 December 2018 (2017: Nil).

EVENT AFTER THE REPORTING PERIOD

On 30 December 2018, the Company entered into the Sale and Purchase Agreement with the Purchaser. On 9 January 2019, the Company has obtained written approvals for the disposal of the entire interest in Joyous Investment Holdings Limited from a group of Shareholders collectively owning or controlling an approximately 62.16% of the voting rights in the Company on the date of the written approval.

On 16 January 2019, the Company has sought and obtained the approval of the requisite number of the 8% secured bonds holders with an aggregate principal amount of up to US$285.0 million (the "Bonds") by way of extraordinary resolutions in writing in accordance with the Trust Deed to further amend certain terms and conditions of the Bonds of which the maturity date of the Bonds has been further extended from 16 January 2019 to 16 January 2021.

On 13 February 2019, the Company has sought and obtained the required consent of (US$180.0 million aggregate principal amount of senior bonds) a majority of not less than 75% of the bondholders in respect of the proposed amendments to (i) extend the scheduled maturity date of the Bonds to 22 March 2021 (the "Scheduled Maturity Date"), (ii) amend the interest rate from 8.0% per annum to 10.0% per annum during the extended period and (iii) modify the redemption right at the option of the Company to reflect the extended maturity date were passed.

On 28 February 2019, the capital reorganisation of the Company including reduction of the par value of each of the issued shares of the Company from HK$0.20 each to HK$0.01 each and subdivision of every authorised but unissued share of the Company to 20 shares of HK$0.01 each, has became effective.

PROSPECTS

The Directors believe that the Company is the only listed company with a diverse portfolio of theme-based leisure and consumption businesses that include theme parks, hotels, shopping outlet shopping for international premium brands, dining, conference and exhibition centres, leisure, entertainment, education and recreational facilities in China. The Group aims to promote the concept of themed experiential leisure and travel by providing customers with a one-stop experience encompassing different distinctive themes to capture the opportunities brought about by the boosting domestic holiday-economy and spending power unleashed by the fast growing middle class in the People's Republic of China ("PRC") and the rapidly upgrading consumption pattern in PRC and overseas. Meanwhile, the Group has started to discuss on investment frameworks and obtained the support from the People's Government of Jiangbei District to launch the "Chongqing Carnival Cultural Tourism Comprehensive Development and Construction Project" in Jiangbei District of Chongqing Province in China. The Group believes replicating and refining Rio Carnival's successful business model to potential cities in PRC will complement its existing business, further expand our customer base, enhance our brand reputation and diversify its future sources of revenue.

Our business model is to attract and retain customers through different themes for their experiential consumption within our project complexes' consumption ecosystem, including high-end retail outlet malls, international star-rated hotels with wide-ranging amenities and recreational activities, world-class convention centers, stadiums, theaters, innovative theme parks, varieties of fine restaurants, sports and education options. We expect that projects designed, developed and managed by the Group will not merely bring new lifestyle concepts to residents and visitors alike, but will also become the new landmarks in cities where they are located, due to their superior locations and excellent retail, hospitality, dining, leisure, education and entertainment facilities.

With the disposal of Joyous Investment Holdings Limited completed in early 2019, the aggregate consideration of HK$1,860.0 million (subject to a deduction of the bank loan and other adjustment) will substantially enhance the Group's financial position, allowing the Group to consistently identify development and acquisition opportunities for our core business as well as other sectors in the PRC and overseas market. Our strategies are open-minded in respect of different types of development and acquisition which bring potential growth and enhance synergy effects among the Group.

Within the reporting period, the Group and one large scale Stated-Owned enterprise ("SOE") have entered into a memorandum of understanding, pursuant to which the SOE intends to become an important shareholder of the Company and make certain equity investments in the Company. The SOE based in the PRC principally engaged in cities operation and development, investment in urban infrastructure, investment and financing and asset management businesses, we believe an investment made by the SOE in the Group will inject sustainable momentum and enhance the competitiveness of the Group.

As the China-US trade negotiation has shown signs of turning positive in the beginning of 2019, the global capital market is regaining strong performance. In view of this, the Company entered into the Convertible Bonds placing agreement of an aggregate principal amount of up to US$350.0 million and 4 large-scale SOE in the PRC may be subscribing for an aggregate principal amount of not less than US$200.0 million will further strengthen the financial position and improve the liquidity level of the group. Moreover, the Group's trading and investment business segment will likely ameliorate and the Group will greatly enhance its risk control system to minimise the impacts brought by market fluctuations in the future.

Looking ahead, the Group's core business, namely its integrated tourism and leisure projects, will continue to benefit from PRC's growing tourism market, expanding middle class and the trend towards a consumption-upgrade economy in the PRC and abroad. The Group will fully leverage the uniqueness of our business model to gain first-mover advantage and seise the opportunities in PRC and overseas markets. Meanwhile, the PRC government indicated the willingness to aid private enterprises and ease financing activities of private enterprises, the Group believes these measures will lower the Group's financing costs and difficulty in obtaining financing in financial year 2019. We will consolidate, and further enhance the Group's leading position in the industry and strive to become a leading integrated tourism, hospitality and retail services project developer in PRC and abroad, thereby generating stable, long-term and abundant investment returns for our shareholders continuously. Meanwhile, we will seek suitable opportunities, to further enhance the Group's leading position in the industry, and strive to optimise the shareholders returns.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 23 May 2019, the register of members of the Company will be closed from Friday, 17 May 2019 to Thursday, 23 May 2019, both days inclusive, during the period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Standard Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 10 May 2019.

EXTRACT OF THE INDEPENDENT AUDITORS' REPORT

Our Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Upon the Group's adoption of HKFRS 9 "Financial Instruments" from 1 January 2018, the Group's loans and receivables are subject to HKFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under HKFRS 9. As at 31 December 2018, the Group had outstanding receivables due from a number of debtors (the "Receivables"). Based on management's impairment assessment, an impairment provision of approximately HK$1,434 million was made against these Receivables for the year ended 31 December 2018. In the absence of an independent professional valuation being made on expected credit loss, we were unable to obtain sufficient appropriate audit evidence to assess or corroborate the appropriateness and reasonableness of the assumptions adopted by management in their impairment assessment of the Receivables. Therefore, we were unable to conclude as to whether the amount of this impairment provision is, or is not, in accordance with the applicable accounting framework. Any adjustments found to be necessary in respect of the above would affect the Group's net assets as at 31 December 2018, its results for the year ended 31 December 2018, its opening reserves as at 1 January 2018 as a result of adoption of HKFRS 9, and the related disclosures in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK$3,699 million during the year ended 31 December 2018 and as at 31 December 2018, the Group's had borrowings of approximately HK$7,621 million which fall due within one year. As stated in Note 1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2018, the Company repurchased 78,630,000 shares of HKD0.20 each in the capital of the Company at prices ranging from HKD0.280 to HKD0.305 per share on the Stock Exchange. Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price per share Highest	Purchase price per share Lowest	Aggregate purchase consideration (excluding expenses)
		HKD	*HKD*	*HKD*
September 2018	78,630,000	0.305	0.280	23,249,750.00

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Mr. King Pak Fu ("Mr. King"), Chairman, Chief Executive Officer and substantial shareholder of the Company, for himself and on behalf of Better Joint Venture Limited ("Better Joint"), a company wholly-owned by Mr. King, Glory Merit International Holdings Limited ("Glory Merit"), a company owned by Mr. King as to 99% of the share equity, and Elite Mile Investments Limited ("Elite Mile"), a company wholly-owned by Mr. King, informed the Company that there were disposal of the Company's shares held by Better Joint, Glory Merit and Elite Mile on the Stock Exchange during the year, arising from part enforcement of share charges and/or margin financings in respect of certain shares held by Better Joint, Glory Merit and Elite Mile by certain securities brokers. Mr. King is unintentionally not fully complied with such required standards.

Save as disclosed above, the Company confirmed that all other Directors have complied with the required standards set out in the Model Code during the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance.

Under CG Code provision A.2.1, the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. Before 17 July 2018, the Company was in compliance with the provision as the chairman and the chief executive officer were segregated by Mr. King Pak Fu and Mr. Wu Yanqi respectively. Following the resignation of Mr. Wu Yanqi on 17 July 2018, the Company is not in compliance with the provision as both positions are taken up by Mr. King Pak Fu. However, the Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

Under CG Code provision D.1.4, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Chan Wai Cheung Admiral and Mr. Lie Chi Wing, the independent non-executive Directors. However, they are subject to retirement by rotation at least once in every three years in accordance with the Bye-Laws of the Company. In addition, the Directors have followed the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance polices.

Save as aforesaid, in the opinion of the Directors, during the year ended 31 December 2018, the Company was in compliance with all code provisions set out in the CG Code.

AUDIT COMMITTEE

The Company established an Audit Committee on 9 November 1999 with written terms of reference, which was revised on 28 March 2019 to be in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting system and to review the risk management and internal control systems of the Group. The Audit Committee comprises three independent non-executive Directors of the Company, Mr. Chan Wai Cheung Admiral (as chairman), Mr. Lie Chi Wing and Ms. Hu Gin Ing. The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2018.

By Order of the Board
Carnival Group International Holdings Limited
King Pak Fu
Chairman and Chief Executive Officer

Hong Kong, 28 March 2019

The Board, as at the date of this announcement, comprises Mr. King Pak Fu (Chairman and Chief Executive Officer), Mr. Bai Xuefei and Ms. Qian Hui as executive Directors, and Mr. Chan Wai Cheung Admiral, Mr. Lie Chi Wing and Ms. Hu Gin Ing as independent non-executive Directors.