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 2019

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 2019 together with comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	3	**(475,701)**	1,458,321
Cost of sales		**(405,451)**	(1,578,157)
Gross loss		**(881,152)**	(119,836)
Other income	5	**124,255**	71,832
Selling and marketing expenses		**(63,229)**	(105,980)
Administrative expenses		**(444,965)**	(460,364)
Fair value change on financial assets at fair value through profit or loss		**(132,061)**	(680,589)
Fair value change on investment properties		**(314,875)**	(242,629)
Gain on disposal of subsidiaries		**296,393**	–
Loss on disposal of investment properties		**(34,982)**	(200,140)
Impairment losses on other intangible assets		**–**	(16,376)
Impairment losses on property, plant and equipment		**(593,548)**	(544,472)
Impairment losses on deposits and other receivables		**–**	(1,433,524)
Impairment losses under expected credit loss model, net of reversal		**(555,591)**	(29,466)
Finance costs	6	**(903,247)**	(42,668)

	Notes	2019 HK$'000	2018 HK$'000
Loss before tax		**(3,503,002)**	(3,804,212)
Income tax credit	*7*	**73,485**	105,156
Loss for the year	*8*	**(3,429,517)**	(3,699,056)
Other comprehensive expense			
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		**(25,000)**	(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)
Release of investments revaluation reserve upon disposal of debt instruments measured at fair value through other comprehensive income		**5,859**	–
Exchange differences arising on translation of foreign operations		**(252,561)**	(429,544)
Other comprehensive expense for the year, net of income tax		**(271,702)**	(438,403)
Total comprehensive expense for the year		**(3,701,219)**	(4,137,459)
Loss for the year attributable to:			
Owners of the Company		**(2,941,975)**	(3,504,039)
Non-controlling interests		**(487,542)**	(195,017)
		(3,429,517)	(3,699,056)
Total comprehensive expense attributable to:			
Owners of the Company		**(3,189,869)**	(3,848,708)
Non-controlling interests		**(511,350)**	(288,751)
		(3,701,219)	(4,137,459)
Loss per share	*10*		
– Basic *(HK dollar per share)*		**(0.12)**	(0.15)
– Diluted *(HK dollar per share)*		**(0.12)**	(0.15)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**5,493,381**	6,326,423
Investment properties		**5,118,256**	5,613,333
Other intangible assets		**–**	–
Financial assets at fair value through other comprehensive income		**71,000**	184,318
Note receivables		**82,792**	89,039
		10,765,429	12,213,113
Current assets			
Inventories		**3,843,422**	5,743,440
Trade receivables	*11*	**12,876**	11,357
Prepayments, deposits and other receivables		**3,441,107**	3,685,646
Financial assets at fair value through profit or loss		**341,873**	1,818,219
Pledged bank deposits		**–**	635,766
Cash and cash equivalents		**74,628**	148,538
		7,713,906	12,042,966
Total assets		**18,479,335**	24,256,079
Current liabilities			
Trade payables	*12*	**1,357,154**	1,222,205
Contract liabilities		**244,133**	412,509
Deposits from customers		**11,813**	9,064
Accrued liabilities and other payables		**2,089,221**	1,454,907
Amounts due to non-controlling interests		**55,223**	–
Amounts due to related companies		**161,584**	8,469
Obligation under finance lease		**–**	700
Lease liabilities		**4,707**	–
Borrowings – current portions	*13*	**4,106,601**	7,621,439
Current tax liabilities		**528,119**	508,365
		8,558,555	11,237,658
Net current (liabilities)/assets		**(844,649)**	805,308
Total assets less current liabilities		**9,920,780**	13,018,421

	Notes	**2019** **HK$'000**	2018 *HK$'000*
Capital and reserves			
Share capital	*14*	**236,952**	4,754,956
Share premium and reserves		**3,156,984**	1,838,834
Equity attributable to owners of the Company		**3,393,936**	6,593,790
Non-controlling interests		**1,165,701**	1,677,051
Total equity		**4,559,637**	8,270,841
Non-current liabilities			
Deferred tax liabilities		**1,044,463**	1,182,762
Borrowings	*13*	**4,316,680**	3,563,315
Obligation under finance lease		**–**	1,503
		5,361,143	4,747,580
		9,920,780	13,018,421

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 1106-08, 11th Floor, The Chinese Bank Building, 61-65 Des Voeux Road Central, 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 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.

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

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 consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 16 *Leases*

The Group has applied HKFRS 16 *Leases* ("HKFRS 16") for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

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

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts, and elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application.

	As at 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	13,896
Lease liabilities discounted at relevant incremental borrowings rates	13,588
Less: leases with lease term ending within 12 months from the date of initial application	(4,395)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	9,193
Add: Obligations under finance leases recognised at 31 December 2018	2,203
Lease liabilities as at 1 January 2019	11,396
Analysed as	
Current	6,728
Non-current	4,668
	11,396

The carrying amount of right-of-use asset for own use as at 1 January 2019 comprises the following:

	Right-of-use asset *HK$'000*
Right-of-use asset relating to operating leases recognised upon application of HKFRS 16	8,937
Classified under property, plant and equipment	1,384,854
Amounts included in property, plant and equipment under HKAS 17	
– Assets previously under finance leases	2,933
	1,396,724
By class:	
Land and buildings	1,393,791
Vehicles	2,933
	1,396,724

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. However, no adjustment has been made to adjust the refundable rental deposits received and advance lease payments since the amounts involved are insignificant.

(c) Effective on 1 January 2019, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

The following table summarises the impact of transition to HKFRS 16 on accumulated losses at 1 January 2019:

	Accumulated losses *HK$'000*
At 31 December 2018	(5,236,409)
Impact of adopting HKFRS 16	(256)
At 1 January 2019	(5,236,665)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustment	Carrying amounts under HKFRS 16 at 1 January 2019
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	6,326,423	8,937	6,335,360
Capital and Reserves			
Share premium and reserves	3,515,885	256	3,516,141
Current liabilities			
Lease liabilities	–	6,728	6,728
Obligation under finance leases	700	(700)	–
Non-current liabilities			
Lease liabilities	–	4,668	4,668
Obligation under finance leases	1,503	(1,503)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

2.2 Impacts and changes in accounting policies of application of other new and amendments to HKFRSs

HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*

HK(IFRIC)-Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Amendments to HKFRSs *Annual Improvements to HKFRSs 2015-2017 Cycle*

The annual improvement packages amended the following four standards.

HKAS 12 Income Taxes

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

HKAS 23 Borrowing Costs

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

HKFRS 3 Business Combinations

The amendments clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest in the joint operation at fair value. The previously held interest to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

HKFRS 11 Joint Arrangements

The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its previously held interest in the joint operation.

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 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

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 a date to be determined.

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

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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.

Amendments to HKFRS 3 *Definition of a Business*

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the consolidated financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 *Interest Rate Benchmark Reform*

The amendments deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in HKFRS 9 and HKAS 39 *Financial Instruments: Recognition and Measurement*, which require forward-looking analysis. The amendments modify specific hedge accounting requirements so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The amendments also require specific disclosures about the extent to which the entities' hedging relationships are affected by the amendments. There are also amendments to HKFRS 7 *Financial Instruments*: *Disclosures* regarding additional disclosures around uncertainty arising from the interest rate benchmark reform.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. REVENUE

An analysis of the Group's revenue for the years ended 31 December 2019 and 2018 are as follows:

	2019	2018
	HK$'000	*HK$'000*
Sale of properties	**152,091**	1,492,146
Operating lease income from leasing of investment properties	**87,458**	111,065
Restaurant operations of catering business	**976**	6,263
Realised and unrealised losses on financial assets at fair value through profit or loss	**(794,487)**	(250,328)
Dividend income from listed investments	**60**	24,520
Revenue from admission tickets	**16,719**	13,803
Hotel operation	**53,920**	52,623
Others	**7,562**	8,229
	(475,701)	1,458,321

Represented by:

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Recognised at a point in time:		
– Development and sales of properties	**152,091**	1,492,146
– Hotel food and beverage revenue	**27,871**	25,613
– Restaurant operations	**976**	6,263
	180,938	1,524,022
Recognised over time:		
– Property management services	**7,562**	5,852
– Sales of admission tickets	**16,719**	13,803
– Hotel room income	**26,049**	27,010
	50,330	46,665
Revenue from other sources:		
– Operating lease income from leasing of investment properties	**87,458**	111,065
– Realised and unrealised losses on financial assets at fair value through profit or loss	**(794,487)**	(250,328)
– Dividend income from listed investments	**60**	24,520
– Others	**–**	2,377
	(706,969)	(112,366)
	(475,701)	1,458,321

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;
(iii)	Hotel operation	– Hotel accommodation, food and banquet operations; and
(iv)	Others	– Providing retail-related consultancy, management services, operating kids edutainment centre, touring carnival and operating restaurants in Hong Kong.

Following the changes of reporting segment from three to four during the year, the comparative segment information have been reclassified.

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 2019

	Property development and investment segment *HK$'000*	**Trading and investment business segment** *HK$'000*	**Hotel operation segment** *HK$'000*	**Other segments** *HK$'000*	**Inter-segment elimination** *HK$'000*	**Total** *HK$'000*
REVENUE						
External sales	**239,549**	**(794,427)**	**53,920**	**25,257**	**–**	**(475,701)**
Inter-segment sales	**10,368**	**–**	**–**	**5,773**	**(16,141)**	**–**
	249,917	**(794,427)**	**53,920**	**31,030**	**(16,141)**	**(475,701)**
RESULTS						
Segment results	**(1,289,947)**	**(800,781)**	**(14,699)**	**(50,662)**	**–**	**(2,156,089)**
Finance costs						**(903,247)**
Unallocated income						**37,473**
Unallocated expenses						**(481,139)**
Loss before tax						**(3,503,002)**

For the year ended 31 December 2018

	Property development and investment segment *HK$'000*	Trading and investment business segment *HK$'000*	Hotel operation segment *HK$'000*	Other segments *HK$'000* (Restated)	Inter-segment elimination *HK$'000*	Total *HK$'000*
REVENUE						
External sales	1,603,211	(225,808)	52,623	28,295	–	1,458,321
Inter-segment sales	1,623	–	–	4,998	(6,621)	–
	1,604,834	(225,808)	52,623	33,293	(6,621)	1,458,321
RESULTS						
Segment results	(1,123,019)	(1,663,348)	(23,220)	(6,735)	–	(2,816,322)
Finance costs						(42,668)
Unallocated income						60,535
Unallocated expenses						(1,005,757)
Loss before tax						(3,804,212)

Segment revenue reported above represents revenue generated from external customers. Inter-segment sales charged at prevailing market rates during the years ended 31 December 2019 and 2018.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the 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

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Property development and investment segment	**16,233,477**	19,971,833
Trading and investment business segment	**626,435**	1,953,401
Hotel operation segment	**789,834**	1,314,242
Other segments	**21,739**	73,267
Total segment assets	**17,671,485**	23,312,743
Unallocated corporate assets	**807,850**	943,336
Consolidated assets	**18,479,335**	24,256,079

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

Segment liabilities

	2019	2018
	HK$'000	*HK$'000*
		(Restated)
Property development and investment segment	**7,104,363**	8,846,511
Trading and investment business segment	**60,438**	540,570
Hotel operation segment	**35,942**	31,036
Other segments	**44,645**	51,135
Total segment liabilities	**7,245,388**	9,469,252
Unallocated corporate liabilities	**6,674,310**	6,515,986
Consolidated liabilities	**13,919,698**	15,985,238

Note: All liabilities are allocated to operating segments other than certain borrowings, deferred tax liabilities, lease liabilities 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 2019 and 2018, 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

	2019	2018
	HK$'000	*HK$'000*
Interest income on bank and other deposits	**497**	43,928
Gain in respect of convertible bonds extinguished during the year	**–**	18,617
Gain on modification of bonds	**86,688**	–
Net foreign exchange gains	**29,382**	–
Others	**7,688**	9,287
	124,255	71,832

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank and other borrowings:		
– wholly repayable within five years	**500,884**	613,911
Interest on lease liabilities/obligation under finance lease	**520**	124
Effective interest expense on		
– senior bonds	**118,903**	145,488
– bonds	**301,895**	207,331
– convertible bonds	**–**	109,298
Total finance costs	**922,202**	1,076,152
Less: amounts capitalised *(Note)*	**(18,955)**	(1,033,484)
	903,247	42,668

The weighted average capitalisation rate on funds borrowed generally is 8.5% (2018: 8.5%) per annum.

Note: Certain finance costs had been capitalised to property development projects in the PRC included in properties under development for sale.

7. INCOME TAX CREDIT

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
PRC Land Appreciation Tax ("LAT")	**24,103**	12,003
Enterprise Income Tax ("EIT")	**17,897**	170,759
Deferred tax	**(115,485)**	(287,918)
Income tax credit	**(73,485)**	(105,156)

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% for both years.

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 FOR THE YEAR

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

	2019	2018
	HK$'000	*HK$'000*
Net foreign exchange differences	**–**	11,920
Auditors' remuneration		
– audit services		
– current	**2,700**	2,700
– under-stated of prior year	**1,000**	–
– non-audit services	**700**	300
	4,400	3,000
Gross rental income from investment properties *(Note (i))*	**(87,458)**	(111,065)
Less:		
direct operating expenses incurred for investment properties that generated rental income during the year	**4,140**	12,083
direct operating expenses incurred for investment properties that did not generate rental income during the year	**3,976**	3,072
	(79,342)	(95,910)
Cost of inventories recognised as an expense	**164,039**	1,516,368
Write-down of inventories	**10,616**	–
Write-down of properties held for sale	**230,796**	61,789
Rental expenses in respect of rented premises under operating leases	**2,270**	11,309

	2019	2018
	HK$'000	*HK$'000*
Employee benefits expense (including directors' emoluments)		
– salaries and other benefits	**125,973**	173,007
– contributions to retirement benefits schemes	**5,616**	8,000
	131,589	181,007
Less: amounts capitalised *(Note (ii))*	**(23,216)**	(15,970)
Total employee benefits expenses	**108,373**	165,037
Depreciation of property, plant and equipment	**130,869**	42,985
Less: amounts capitalised *(Note (ii))*	**(62,925)**	(4)
	67,944	42,981
Loss on disposal of property, plant and equipment	**11,935**	48
Written-off on property, plant and equipment	**8,722**	228
Impairment losses on property, plant and equipment	**593,548**	544,472
Fair value loss on investment properties	**314,875**	242,629
Loss on disposal of investment properties	**34,982**	200,140
Impairment losses on other intangible assets	**–**	16,376
Impairment losses under expected credit loss model, net of reversal	**555,591**	29,466
Impairment losses on deposits and other receivables	**–**	1,433,524
Loss on early redemption of bonds	**36,323**	8,758
Fair value loss on financial assets at fair value through profit or loss	**132,061**	680,589

Notes:

(i) Contingent rent of approximately HK$58,088,000 (2018: approximately HK$99,060,000) is included for the year ended 31 December 2019. The contingent rent is determined based on percentages of sales when incurred.

(ii) 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 (2018: Nil).

10. LOSS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Loss		
Loss for the purpose of basic and diluted loss per share:		
Loss for the year attributable to owners of the Company	**(2,941,975)**	(3,504,039)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**23,732,057,955**	23,624,102,941

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

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has no dilutive potential ordinary shares during the years ended 31 December 2019 and 2018.

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. Revenue from admission tickets are mainly in form of settlement in cash and credit card. 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:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**12,876**	11,357

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.

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**173,661**	185,259
31 – 60 days	**–**	–
61 – 90 days	**–**	–
Over 90 days	**1,183,493**	1,036,946
	1,357,154	1,222,205

13. BORROWINGS

	2019	2018
	HK$'000	*HK$'000*
Bank borrowings, secured	**970,737**	2,071,984
Other borrowings, secured	**3,053,699**	4,492,377
Senior bonds	**1,590,266**	1,615,148
Bonds	**2,808,579**	3,005,245
	8,423,281	11,184,754
Carrying amounts repayable:		
On demand or within one year	**4,106,601**	7,621,439
More than one year but not exceeding two years	**4,316,680**	1,735,062
More than two years but not exceeding five years	**–**	1,612,334
More than five years	**–**	215,919
	8,423,281	11,184,754

14. SHARE CAPITAL

	Notes	Ordinary shares of HK$0.2 each '000	Ordinary shares of HK$0.01 each '000	Amount HK$'000
Authorised:				
At 1 January 2018, 31 December 2018 and 1 January 2019		50,000,000	–	10,000,000
Share subdivision	*(iv)*	(50,000,000)	1,000,000,000	–
At 31 December 2019		**–**	**1,000,000,000**	**10,000,000**
Issued and fully paid:				
At 1 January 2018		21,472,160,585	–	4,294,432
Share issued upon conversion of convertible bonds	*(i)*	181,250,000	–	36,250
Issue of shares by way of placing	*(ii)*	2,200,000,000	–	440,000
Repurchase of ordinary shares and cancelled	*(iii)*	(78,630,000)	–	(15,726)
At 31 December 2018 and 1 January 2019		23,774,780,585	–	4,754,956
Capital reduction	*(iv)*	(23,774,780,585)	23,774,780,585	(4,517,208)
Repurchase of ordinary shares and cancelled	*(iii)*	–	(79,560,000)	(796)
At 31 December 2019		**–**	**23,695,220,585**	**236,952**

Notes:

(i) 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.

(ii) 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).

(iii) During the year ended 31 December 2018 and 2019, 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
January 2019*	54,820,000	0.137	0.111	6,781
February 2019*	24,740,000	0.125	0.117	2,948

* The above ordinary shares were cancelled upon repurchase June 2019.

(iv) Capital reduction and share subdivision

Pursuant to a resolution passed in the special general meeting held on 27 February 2019, the Company announced (i) the proposed capital reduction to reduce the par value of each issued share of the Company from HK$0.20 to HK$0.01 by cancelling the capital paid-up thereon to the extent of HK$0.19 on each of its issued shares (the "Capital Reduction") and (ii) to subdivide the authorised but unissued shares of HK$0.20 each into 20 new shares of HK$0.01 each (the "Sub-Division"). The Capital Reduction and Sub-Division became effective on 28 February 2019 and the credit arising from the Capital Reduction of approximately HK$4,517,208,000 has been transferred to the contributed surplus account of the Company within the meaning of the Companies Act.

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 largescale 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.

2019 REVIEW

The financial year ended 31 December 2019 was a challenging year in terms of macroeconomic stability and overall financing conditions. The Chinese economy is facing mounting downward pressure from such factors as ongoing China-US trade war, rapidly growing aging population and lower momentum of domestic spending. The property market, after going through a high-speed growth, has now showed a weaker growth momentum. Meanwhile, the Chinese government repeatedly stressed that "houses are for living, not for speculation" and introduced a number of policies in maintaining strict regulation on the property market. 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.

The year 2019 proved to be more of a challenge for investments. Equity and bond markets were globally under pressure as China-US trade negotiations continued to exert pressure, coupled with concerns surrounding slowdown in economic growth and tighter monetary and fiscal policy had affected investors' confidence. As a result, the Group inevitably recorded significant loss on its securities trading investments segment due to the severe fluctuations in the global capital market during the reporting period.

BUSINESS REVIEW

The Group's flagship project, Rio Carnival (Qingdao) ("Rio Carnival") 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 gross floor area ("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 will benefit from the geoadvantage 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 up-scale 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 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. 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 the entire interest in Joyous Investment Holdings Limited ("Joyous") (the "Disposal"), 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). On 9 January 2019, the Company obtained written approvals for the Disposal from a group of Shareholders collectively owning or controlling approximately 62.16% of the voting rights in the Company on the date of the written approval. The Disposal was completed on 14 January 2019. The gain on Disposal was approximately HK$296.4 million which comprised the net proceeds less the carrying value of the investment in Joyous and its subsidiary (the "Disposal Group") and after deducting the expenses directly related to the Disposal. The gain on Disposal has been recorded for the year ended 31 December 2019. The Group applied the net proceeds to settle certain debts owing by the Group to its creditors and as general working capital. As of the date of this announcement, the Company had fully utilised the net proceeds.

Beijing Airport Fushi International Real Estate Investment Company Limited*（北京空港富視國際房地產投資有限公司）, a 99.4% non wholly-owned subsidiary of the Company, obtained the housing pre-sale permit issued by the Municipal Housing and Urban-Rural Development Committee of Beijing on 13 November 2019, pursuant to which the Company can sell the residences located in the Tianzhu Section of Shunyi Central Villa District in Beijing (the "Yanglin Project"). The Yanglin Project consists of 7 floors, of which one of the floors is for commercial purpose, four floors are for residential purpose and two basements for clubhouse and garages with a total of 111 residential units with total area of 21,984 sq.m., an average record price of RMB68,000 per sq.m. and total price of RMB1.49 billion, 215 saleable car parking spaces and 2 commercial units with total area of 1,026 sq.m., an average record price of RMB138,000 per sq.m. and total price of RMB142 million. Shunyi Central Villa District is one of the main international living areas in Beijing, consisting Continental Plaza, Ole Town, and Shine Hills which forms a distinctive regional business district. The Company is preparing for the sale of the Yanglin Project and is expected to be launched in June 2020.

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 are considerable opportunities.

Property Development and Investment

Revenue from the Group's property development and investment segments was approximately HK$239.5 million for the year ended 31 December 2019, compared to HK$1,603.2 million for the year ended 31 December 2018. For the year ended 31 December 2019, the revenue was mostly derived from the sale of residential and commercial 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.

Trading and Investment business

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

Hotel operation

The Group operates hotel business in the PRC. It includes hotel accommodating food and banquet operations.

For the year ended 31 December 2019, 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$794.5 million, compared to a net loss of approximately HK$250.8 million for the year ended 31 December 2018.

As at 31 December 2019, the total value of the Group's securities investments was approximately HK$15.2 million, compared to HK$1,471.0 million as at 31 December 2018, of which each investment is less than 6% of the total assets of the Group for both years.

FINANCIAL REVIEW

Financial Results

	2019 ***HK$'000***	2018 *HK$'000*	Change in percentage
Revenue	**(475,701)**	1,458,321	–133%
Gross loss	**(881,152)**	(119,836)	635%
Loss attributable to owners of the Company	**(2,941,975)**	(3,504,039)	-16%
Loss per share			
– Basic *(HK dollar per share)*	**(0.12)**	(0.15)	–20%
– Diluted *(HK dollar per share)*	**(0.12)**	(0.15)	–20%

For the year ended 31 December 2019, the Group recorded a consolidated net loss of approximately HK$3,429.5 million as compared to the net loss of approximately HK$3,699.1 million for the year ended 31 December 2018. The loss is mainly due to (i) impairment loss on the properties of approximately HK$492.0 million; (ii) impairment loss on the aircraft of approximately HK$101.5 million; (iii) the loss arising from changes in the fair value of the Group's investment properties of approximately HK$314.9 million; (iv) impairment losses under expected credit loss ("ECL") model of approximately HK$555.6 million; (v) the loss arising from listed securities investment of approximately HK$794.5 million; (vi) the fair value change on financial assets at fair value through profit or loss of approximately HK$132.1 million, and (vii) finance cost of approximately HK$903.2 million.

(i) Impairment loss on properties

The Group recognised an impairment loss on properties of approximately HK$492,042,000 (2018: HK$544,472,000) in respect of Rio Carnival, a residential/commercial development located in the West of Jianshan Road and South of Binhai Road, Huangdao District, Qingdao, Shandong Province, PRC. The Rio Carnival comprises a theme park, a convention centre, a hotel and ancillary facilities. The impairment loss on the theme park, convention centre and hotel ancillary facilities amounted to approximately HK$46,496,000 (2018: HK$399,625,000) while the impairment loss on the hotel amounted to approximately HK$445,546,000 (2018: HK$144,847,000).

The recoverable amount of Rio Carnival was valued by an independent professional valuer (the "Valuer"). The valuation of the hotel and ancillary facilities, convention centre and theme park of Rio Carnival was arrived at adopting the discounted cash flow approach under the basis of on-going concern with forecast of input values including revenues, taxes, costs of goods sold, operation costs, interest expenses, amortisation of fixed assets and management fees, provided by the Then Management, assuming that the properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. For properties which are under construction, the Valuer has taken into account the costs that will be expended to complete the development.

(ii) Impairment loss on the aircraft

The Group recorded an impairment loss on the aircraft of approximately HK$101,506,000 (2018: Nil).

The impairment loss was determined based on the market prices of the aircraft as at 31 December 2019.

(iii) Fair value change on investment properties

A fair value loss on investment properties of approximately HK$314,875,000 (2018: HK$242,629,000) has been recognised for the year ended 31 December 2019. It comprised of (i) the fair value loss of the Shopping mall in Qingdao of approximately HK$340,084,000 (2018: Nil); (ii) fair value gain of the commercial premises in Chengdu of approximately HK$9,937,000 (2018: HK$48,695,000); and (iii) fair value gain of the commercial premises under construction in Chengdu of approximately HK$15,272,000 (2018: Fair value loss HK$291,324,000).

The fair value of the Group's investment properties at 31 December 2019 and 2018 have been arrived on the basis of a valuation which carried out by the Valuer. The Valuer had appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations conformed to International Valuation Standards.

The valuation of investment properties have been arrived at adopting direct comparison approach with reference to comparable transactions in the locality and also the income approach and assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. For properties which are under construction, the Valuer has taken into account the cost that will be expanded to complete the development.

There has been no change from the valuation technique used in prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

(iv) Impairment losses under ECL model

The Group recorded impairment losses under ECL model of approximately HK$555,591,000 (2018: HK$29,466,000).

Upon the Group's adoption of HKFRS 9 from 1 January 2018, the Group's loans and receivables, except for the specific impairment incurred amounted to approximately HK$1,433,504,000 are subject to HKFRS 9's new ECL model, and the Group was required to revise its impairment methodology under HKFRS 9. The calculation of ECL for loans and receivables involves the assessment of default rate and recovery rate as well as forward-looking information that is reasonable and supportable at reporting date.

(v) Loss from listed securities investment

The Group recorded a loss arising from securities investment of approximately HK$794,487,000 (2018: HK$250,328,000).

The listed securities are traded in an active market and their realised and unrealised gain/(loss) was determined based on the quoted market prices as at 31 December 2019.

(vi) Fair value change on financial assets

The Group recorded an impairment loss on fair value change on financial assets at fair value through profit or loss of approximately HK$132,061,000 (2018: HK$680,589,000). The fair value change on financial assets is related to the investments in MSQ Fund SPC.

MSQ Fund SPC invests in, among others, a luxury residential condominium complex real estate project in West Georgia Street, Vancouver, British Columbia, Canada. The impairment loss was mainly caused by the decrease in market price of the Canadian properties. The fair value of MSQ Fund SPC was determined with reference to the redemption price quoted by the fund administrator.

(vii) Finance cost

The Group recorded a finance cost of approximately HK$903,247,000 (2018: HK$42,668,000) during the year. The increase in finance cost is due to less amounts capitalised during the year.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2019, the authorised share capital of the Company was HK$10,000.0 million divided into 1,000,000,000,000 shares of HK$0.01 each and the issued share capital of the Company was approximately HK$237.0 million divided into 23,695,220,585 shares of HK$0.01 each.

As at 31 December 2019, the current assets and current liabilities of the Group were approximately HK$7,713.9 million (2018: approximately HK$12,043.0 million) and approximately HK$8,558.6 million (2018: approximately HK$11,237.7 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was approximately 0.90 times as at 31 December 2019, as compared to that of approximately 1.07 times as at 31 December 2018. The decrease in liquidity ratio was mainly due to the written down of properties held for sale and impairment losses of deposits and other receivables under expected credit loss model. The Group recognised an allowance for expected credit loss of HK$555.6 million for deposits and other receivables under Hong Kong Financial Reporting Standards 9 – Financial Instruments ("HKFRS 9").

As at 31 December 2019, the Group's total assets and total liabilities amounted to approximately HK$18,479.3 million (2018: approximately HK$24,256.1 million) and approximately HK$13,919.7 million (2018: approximately HK$15,985.2 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.75 times as at 31 December 2019, as compared to that of approximately 0.66 times as at 31 December 2018.

The cash and bank deposits (including pledged bank deposits) as at 31 December 2019 were approximately HK$74.6 million (2018: approximately HK$784.3 million). The decrease was mainly due to debts settlements during the year ended 31 December 2019.

As at 31 December 2019, the net debt to equity ratio of the Group, expressed as a percentage of borrowings and long-term debts (including obligation under finance lease) net of cash and bank deposits (including pledged bank deposits) over total equity, was approximately 183.1% (2018: approximately 125.8%). The increase in net debt to equity ratio was mainly due to utilisation of cash and bank deposits for repayment of debts and general working capital.

On 21 November 2018, the Company entered into a 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 CB Placing Agent conditionally agreed to procure, on a best effort 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 in the special general meeting of the Company held on 27 February 2019. On 29 May 2019, being the long stop date of the CB Placing Agreement, the CB Placing Agreement lapsed. No CB were issued under the CB Placing Agreement.

On 16 January 2019, the Company had 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 had been further extended from 16 January 2019 to 16 January 2021.

On 13 February 2019, the Company had 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; (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, had become effective.

On 23 September 2019, the Company and Haitong Global Investment SPC III (acting on behalf of and for the account of Haitong Dynamic Fund) (the "Investor") entered into a legally binding term sheet (the "Term Sheet"), pursuant to which (a) the Investor conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue an aggregate of 4,739,044,117 new shares to be allotted and issued by the Company to the Investor (the "Capitalisation Shares") at a subscription price of HK$0.03 per Capitalisation Share; (b) the consideration payable by the Investor shall be satisfied by capitalising no more than HK$200 million of the total outstanding principal amount of the CB and the interest accrued thereon outstanding to the Investor; and (c) Haitong Dynamic Investment Fund II S.P. will become the second largest Shareholder holding approximately 16.67% of the issued share capital as enlarged by the Capitalisation Shares (the "Proposed Loan Capitalisation"). The parties would enter into an agreement setting out the final terms of the Proposed Loan Capitalisation on or around 15 October 2019 (the "Agreement"). Completion of the Proposed Loan Capitalisation was subject to various conditions. On 16 October 2019, the Company and the Investor entered into a supplemental term sheet (the "Supplemental Term Sheet"), pursuant to which the parties agreed to extend (i) the date for the entering into of the Agreement from on or around 15 October 2019 to on or around 31 October 2019; and (ii) the long stop date to fulfill the conditions precedent under the Term Sheet from 31 October 2019 to 21 November 2019. On 31 October 2019, the Company and the Investor entered into a second supplemental term sheet (the "Second Supplemental Term Sheet"), pursuant to which the parties agreed to extend (i) the date for the entering into of the Agreement from on or around 31 October 2019 to on or around 30 November 2019; and (ii) the long stop date to fulfill the conditions precedent under the Term Sheets from 21 November 2019 to 21 December 2019. Subsequently, as the condition precedent regarding seeking for approval of one of the creditor had not been fulfilled or waived by the agreed date as set out in the Second Supplemental Term Sheet, the Proposed Loan Capitalisation lapsed and ceased to have any effect automatically on 30 November 2019, and no Capitalisation Shares were allotted or issued by the Company under the general mandate.

On 23 September 2019, the Company and Qingdao City Construction Cultural Industry Company Limited*（青島城投文化產業有限公司）entered into a memorandum of understanding, pursuant to which the parties intended to create a cultural, sports and tourism complex that integrates health care for elderly, public health and consumption upgrades throughout China.

On 22 November 2019, the Company noticed that a winding up petition (the "Petition") was filed by Huang Wenhui (the "Petitioner") that the Company might be wound up by the High Court of the Hong Kong Special Administrative Region (the "High Court") on the ground that the Company is insolvent and unable to pay its debt. The winding up petition was scheduled to be heard before the High Court at 9:30 a.m. on 22 January 2020. Subsequently, upon the joint application of the Company and the Petitioner to withdraw the Petition, the High Court ordered on 13 December 2019, inter alia, that the Petition be withdrawn.

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.

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 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 2019, except for the borrowings of principal amount of HK$3,571.3 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 arises.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2019, the Group's certain property, plant and equipment, investment properties, inventories bank deposits and equity securities listed in Hong Kong of approximately HK$13,640.6 million (2018: approximately HK$18,551.4 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 a 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 Disposal Group, which held a property in Hong Kong's Southern District (i.e. the Sale Share); and (b) the Company agreed to assign to the purchaser the loans owing by the Disposal Group to the Company (i.e. the Sale Loan), at an 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.

The Disposal was completed on 14 January 2019. The gain on Disposal was approximately HK$296.4 million which comprised the net proceeds less the carrying value of the investment in the Disposal Group and after deducting the expenses directly related to the Disposal. The gain on Disposal has been recorded for the year ended 31 December 2019. The Group applied the net proceeds to settle certain debts owing by the Group by its creditors and as general working capital.

EMPLOYEE INFORMATION

As at 31 December 2019, the Group had 326 employees (2018: 413 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 2019, the total staff costs of the Group were approximately HK$131.6 million (2018: approximately HK$181.0 million), representing a decrease of approximately 27% over the corresponding period of 2018. The decrease in staff cost was mainly due to the decrease of employees.

DIVIDEND

The Board resolved not to recommend any dividend for the year ended 31 December 2019 (2018: Nil).

EVENT AFTER THE REPORTING PERIOD

On 22 January 2020, a winding up petition was presented against the Company in respect of certain alleged indebtedness of approximately HK$10.6 million owed to Mr. Sheng Hou Feng (the “Petition by Mr. Shen HF”) in respect of a private immigration bonds issued by the Company. The hearing originally scheduled to be heard on 18 March 2020 has been adjourned to a date to be fixed due to the outbreak of the COVID-19. Certain individuals who are alleged creditors of the Company served notices of intention to appear on the hearing of the Petition by Mr. Shen HF. On 10 March 2020, another winding up petition was presented against the Company in respect of certain alleged indebtedness of approximately HK$30.2 million owed to Ms. Zhang Jingchu in respect of a private senior immigration bonds issued by the Company. The hearing is scheduled to be heard on 3 June 2020.

The Company has appointed Houlihan Lokey (China) Limited as financial advisor (the “Financial Adviser”) to assess the financial position of the Company and to identify all options available at this time to regularise the position as soon as practicable. The Company may oppose the Petition by Mr. Shen HF and/or seek an adjournment of the hearing while the Company explores the options for implementing a financial restructuring with the Financial Adviser.

For further details, please refer to the announcements published by the Company on 23 January 2020, 14 February 2020, 6 March 2020 and 11 March 2020.

STATUS OF THE DEBT RESTRUCTURING PLAN

The Company's real estate business is mainly located in China and has been affected by the tightening government policy in the real estate industry in China over the past years and the recent outbreak of COVID-19, leading to a strained liquidity position of the Company. The Company has been actively engaging with its creditors in order to stabilise the current situation and in an effort to achieve a consensual restructuring. The Company has convened six meetings with the institutional creditors to provide updates on its operational and financial status and future business plan, and to discuss about its debt restructuring plan since April 2019. Major creditors have established a clear understanding of the Company's financial status and have indicated their willingness to work constructively with the Company. Certain creditors are considering to provide capital to support the Company in light of its current difficulties.

On 5 December 2019, the Company appointed the Financial Advisor to assist the Company in assessing its financial position and to advise the Company on formulating and implementing a debt restructuring plan for its USD-denominated Bonds. Subsequently, on 3 March 2020, the Company formally extended the Financial Advisor's mandate to include the bond relating to immigration loans constituted with various creditors ("Immigration Bonds").

On 14 January 2020, the Company, together with the Financial Advisor, convened the sixth meeting with its institutional creditors to provide (i) an update on the financial and operational conditions faced by the Company, and (ii) a preliminary restructuring framework for all of its debt obligations. Subsequently on 23 January 2020, a revised debt restructuring proposal was circulated to the institutional creditors based on the feedback received after the meeting.

In addition, both directly and through its Financial Advisor, the Company has made efforts to contact holders of its Immigration Bonds to advise them of the Company's current situation. The Company will consider further feedback from the creditors, and will work with all relevant parties, in an effort to reach a consensual restructuring.

The recent outbreak of the COVID-19 and the outstanding indebtedness affected the financial position and operation of the Group to a certain extent and the Company believes that an expedited and consensual restructuring will best protect its creditors as it will (1) establish a long-term sustainable capital structure; (2) provide adequate runway for the Company's management to implement a turnaround of the business; and (3) unlock the value of its onshore construction projects for the benefit of all creditors. Any enforcement or other remedial actions, however, would significantly impair the value of the Company and recoveries to its creditors.

The restructuring process has been delayed due to the outbreak of COVID-19. The Company will continue working with its professional advisers to put forward the restructuring progress with an aim to achieve a consensual restructuring as early as practicable.

The Company has recently engaged an international law firm with extensive experience in restructuring to address the Petitions presented by Immigration Bondholders and to assist with formulating and implementing a restructuring plan.

PROSPECTS

After the signing of the Phase 1 Economic and Trade Agreement between the government of the United States of America (the "US") and the PRC's government in January 2020, the market seemed to be more stable for the time being though it still remained uncertain in its future development.

In addition, the outbreak of COVID-19 in Wuhan of the PRC, as well as the gradually mounting cases of infection reported in countries worldwide created further threats and anxieties. Although the government of the PRC has continuously implemented various and large-scale contingency measures to mitigate the adverse impact of the COVID-19, it is expected that the business environment in the PRC will remain soft in the near term until the spread of the COVID-19 is effectually contained. Meanwhile, many other countries are posing new challenges for controlling the spread of the virus. Before the COVID-19 outbreak could be fully contained, it will certainly have a significant negative impact on the global economy.

The property market, after going through a high-speed growth, has now showed a weaker growth momentum. Meanwhile, the Chinese government repeatedly stressed that "houses are for living, not for speculation" and introduced a number of policies in maintaining strict regulation on the property market. However, the ongoing COVID-19 might cause a general downturn in the Chinese economy. Up until now, sales offices of property companies in most cities of the PRC have been shuttered and even online signing systems have been closed in certain cities. Furthermore, works in construction sites were generally suspended, land auctions postponed and property agencies all temporarily closed. As the outbreak continues, it is expected that property development, investment, sales, commerce of construction and completion in the first quarter will be significantly affected.

Almost all sectors in the PRC have been affected by the spread of the outbreak as it caused extension of holiday and delay to resumption of work nationwide, suspended production in plants and disruption in logistics services. The property industry is not an exception in this regard. Presently, many cities in the PRC had issued notice of "suspension of operation" on the property market, prohibiting all property agencies and sales offices from opening for business. The China Real Estate Association also called for the industry to suspend bricks-and-mortar sales activities at all properties until the outbreak eases. Such control measures will essentially affect the property transaction market and objectively cause a standstill in transaction. Under the current outbreak in the PRC, the property sales offices in many cities were forced to shutter for avoiding crowds and gatherings, which will inevitably cause disruption to the normal operation of the property market.

The Company will continue to closely monitor the developments of COVID-19, and evaluate and actively respond to the impact of the epidemic on the Group's financial position and operating results. For the coming year, the Group will strengthen its cost control standards with an aim at pursuing sustainability.

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 Tuesday, 23 June 2020, the register of members of the Company will be closed from Wednesday, 17 June 2020 to Tuesday, 23 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 16 June 2020.

EXTRACT OF THE INDEPENDENT AUDITORS' REPORT

The following is an extract of the auditors' report on the Group's financial statements for the year ended 31 December 2019:

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for disclaimer of opinion

Multiple uncertainties relating to going concern

The Group incurred a net loss of approximately HK$3,429,517,000 during the year ended 31 December 2019 and, as at that date, the Group had net current liabilities of approximately HK$844,649,000. The directors of the Company are undertaking a debt restructuring plan (the "Debt Restructure Plan") which includes various plans and measures to resolve the Group's liquidity issues. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of the Debt Restructure Plan, which is subject to multiple uncertainties. All these conditions indicate the existence of multiple material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. If the Group fails to achieve all of the above mentioned plans and measures on a timely basis, it may not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The consolidated financial statements do not include any of these adjustments.

Opening balances and comparatives

Upon the Group's adoption of Hong Kong Financial Reporting Standard 9 ("HKFRS 9") "Financial Instruments" from 1 January 2018, the Group's loans and receivables were 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$1,433,524,000 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 was, or was 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 for the year ended 31 December 2018. In our auditors' report dated 28 March 2019 on the consolidated financial statements of the Group for the year ended 31 December 2018, we qualified our opinion due to a limitation in the scope of our audit relating to this impairment provision. During the year ended 31 December 2019, the Receivables were written off by the Group as irrecoverable. Any adjustments found to be necessary would not be expected to have a significant impact on the net assets of the Group as at 31 December 2019 and its results for the year then ended.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended 31 December 2019, the Company repurchased 79,560,000 shares at prices ranging from HK$0.111 to HK$0.137 per share on the Stock Exchange. Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price per share Highest	Lowest	Aggregate purchase consideration (excluding expenses)
		HK$	*HK$*	*HK$*
January 2019	54,820,000	0.137	0.111	6,781,210
February 2019	24,740,000	0.125	0.117	2,947,410
	79,560,000			9,728,620

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 ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Mr. King Pak Fu ("Mr. King"), the former joint chairman and an executive director and a substantial Shareholder, 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 March 2019, 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. It is noted that Rule A.3(a)(i) of the Model Code with respect to dealing in securities during the period of 60 days immediately preceding the publication date of the annual results of the year ended 31 December 2018, and Rule B.8 of the Model Code with respect to dealing in any securities by first notifying in writing a director designated by the Board and receiving a dated written acknowledgement, were not complied with by Mr. King. Mr. King unintentional non-fully compliance with such required standards in March 2019. Details of the forced sale of the shares of the Company were disclosed under the heading "unusual price movement" in the announcement of the Company dated 25 March 2019.

Save as disclosed above, the Company confirmed that all other Directors have complied with the required standards set out in the Model Code for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Corporate Governance Code (the "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. The Company was partially in compliance with the provision for the year ended 31 December 2019 as both positions were taken up by Mr. King until 4 April 2019. Following the appointment of Mr. Li Wanle, the former executive director and chief executive officer of the Company, who was appointed on 4 April 2019 and resigned on 18 June 2019, the roles of the chairman and the chief executive officer had been separated and performed by different individuals. For the period from 27 June 2019 to 23 September 2019, Mr. King and Mr. Zhang Peng ("Mr. Zhang"), the former executive director, chairman and chief executive officer, who was appointed on 27 June 2019 and resigned on 26 February 2020, were the joint chairmen of the Company. Following the resignation of Mr. King on 23 September 2019, both positions were taken up by Mr. Zhang. However, the Board believed 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 enabled more effective and efficient overall strategic planning for the Group. The Board believed that the balance of power and authority for the arrangement during the year ended 31 December 2019 did not impair and was adequately ensured by the Board's composition which comprised experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors.

Under CG Code provision A.2.7, the Chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. During the year under review, due to other business engagements, neither Mr. King nor Mr. Zhang, the former Chairman of the Board, held any meetings with the independent non-executive Directors without the presence of other Directors.

Under CG Code provision C.1.2, the management should provide all members of the Board with monthly updates giving balanced and understandable assessment of the Company's performance, position and prospects in sufficient details. During the year ended 31 December 2019, the management of the Company provided to the Board interim updates with consolidated financial statement of the Company's performance, position and prospects in sufficient details during regular Board meetings of the Company. In addition, the management has provided all members of the Board updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board.

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 former independent nonexecutive directors of the Company, who resigned on 9 April 2019 and 1 May 2019, respectively. However, they were 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 had 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 complied with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance polices. Nevertheless, all the current Directors have entered into service contracts with the Company and have formal letters of appointment for the year ended 31 December 2019.

Under CG Code provision E.1.2, the chairman of the Board should attend the annual general meeting of the Company. The former chairman of the Board, Mr. King did not attend the annual general meeting of the Company held on 31 May 2019 ("2019 AGM") due to pre-arranged business engagement. However, the chairman of each of the Audit Committee, the nomination committee and the remuneration committee of the Company attended the 2019 AGM. The current chairman of the Board will endeavour to attend all future annual general meetings of the Company unless unexpected or special circumstances prevent the chairman from doing so.

Save as disclosed above, in the opinion of the Directors, the Company was in compliance with all other relevant code provisions set out in the CG Code during the year ended 31 December 2019.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Company established an Audit Committee on 9 November 1999 with written terms of reference, which was revised on 29 December 2015 and 28 March 2019, respectively to be in compliance with the CG Code. The Audit Committee comprises three independent non-executive Directors, Mr. Chau Wai Hing (as chairman), Mr. Ma Hang Kon Louis and Mr. Tso Hon Sai Bosco. The Audit Committee has reviewed the audited consolidated financial statements of the Company for the year ended 31 December 2019.

PUBLICATION OF ANNUAL REPORTS

The annual report of the Company for the year ended 31 December 2019 containing all the information as required by the Listing Rules will be despatched to the Shareholders and made available for review on the Stock Exchanges's website and the Company's website on or before 15 May 2020.

By Order of the Board
Carnival Group International Holdings Limited
Bai Xuefei
Chairman

Hong Kong, 29 April 2020

The Board, as at the date of this announcement, comprises Mr. Bai Xuefei (Chairman) and Mr. Luo Jiaqi as executive Directors, and Mr. Chau Wai Hing, Mr. Ma Hang Kon Louis and Mr. Tso Hon Sai Bosco as independent non-executive Directors.