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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)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "Board") of directors (the "Directors") of Carnival Group International Holdings Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred as the "Group") for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019.

RESULTS HIGHLIGHTS

- Revenue for the six months ended:

	2020	2019
	HK$'000	*HK$'000*
Property development and investment segment	**90,558**	159,858
Trading and investment business segment	**(22,581)**	(743,016)
Hotel operations segment	**25,170**	24,570
Others segment	**3,909**	12,353
	97,056	(546,235)

- Loss for the six months ended **(283,484)** (671,145)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Unaudited	
		Six months ended 30 June	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**97,056**	(546,235)
Cost of sales		**(26,823)**	(125,676)
Gross profit/(loss)		**70,233**	(671,911)
Other income	*5*	**22,801**	9,625
Selling and marketing expenses		**(15,256)**	(39,068)
Administrative expenses		**(87,626)**	(105,490)
Fair value change on financial assets at fair value through profit or loss		**(53,061)**	–
Gain on disposal of subsidiaries		**–**	296,393
Loss on disposal of investment properties		**–**	(16,068)
Finance costs	*6*	**(218,968)**	(147,137)
Loss before tax		**(281,877)**	(673,656)
Income tax (expense)/credit	*7*	**(1,607)**	2,511
Loss for the period	*8*	**(283,484)**	(671,145)

		Unaudited	
		Six months ended 30 June	
		2020	2019
	Note	***HK$'000***	*HK$'000*
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(117,194)**	(46,093)
Other comprehensive expense for the period, net of income tax		**(117,194)**	(46,093)
Total comprehensive expense for the period		**(400,678)**	(717,238)
(Loss)/profit for the period attributable to:			
Owners of the Company		**(289,667)**	(663,958)
Non-controlling interests		**6,183**	(7,187)
		(283,484)	(671,145)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(393,284)**	(708,883)
Non-controlling interests		**(7,394)**	(8,355)
		(400,678)	(717,238)
Loss per share			
– Basic and diluted *(HK dollar per share)*	*10*	**(0.012)**	(0.028)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 HK$'000 (Unaudited)	31 December 2019 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**5,371,857**	5,493,381
Investment properties		**5,038,831**	5,118,256
Other intangible assets		**–**	–
Financial assets at fair value through other comprehensive income		**71,000**	71,000
Note receivables		**77,974**	82,792
		10,559,662	10,765,429
Current assets			
Inventories		**3,816,733**	3,843,422
Trade receivables	*11*	**15,557**	12,876
Prepayments, deposits and other receivables		**3,385,431**	3,441,107
Financial assets at fair value through profit or loss	*12*	**264,786**	341,873
Cash and cash equivalents		**67,866**	74,628
		7,550,373	7,713,906
Total assets		**18,110,035**	18,479,335

	Notes	**30 June 2020** ***HK$'000*** **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Current liabilities			
Trade payables	*13*	**1,315,815**	1,357,154
Contract liabilities		**232,055**	244,133
Deposits from customers		**11,573**	11,813
Accrued liabilities and other payables		**2,227,142**	2,089,221
Amounts due to non-controlling interests		**86,844**	55,223
Amounts due to related companies		**135,170**	161,584
Lease liabilities		**2,026**	4,707
Borrowings – current portions		**8,394,241**	4,106,601
Current tax liabilities		**521,578**	528,119
		12,926,444	8,558,555
Net current liabilities		**(5,376,071)**	(844,649)
Total assets less current liabilities		**5,183,591**	9,920,780
Capital and reserves			
Share capital	*14*	**236,952**	236,952
Share premium and reserves		**2,763,700**	3,156,984
Equity attributable to owners of the company		**3,000,652**	3,393,936
Non-controlling interests		**1,158,307**	1,165,701
Total equity		**4,158,959**	4,559,637
Non-current liabilities			
Deferred tax liabilities		**1,024,632**	1,044,463
Borrowings		**–**	4,316,680
		1,024,632	5,361,143
		5,183,591	9,920,780

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

Application of new and amendments to HKFRSs

In current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the new and amendments to HKFRSs effective for annual accounting periods beginning on 1 January 2020 has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

Going concern

The Group's real estate business is mainly located in Mainland China and has been affected by the tightening government policy in the real estate industry in Mainland China over the past years and the recent outbreak of COVID-19, leading to a strained liquidity position of the Group. The Group incurred a net loss of approximately HK$283,484,000 during the six months ended 30 June 2020 and, as at that date, the Group had net current liabilities of approximately HK$5,376,071,000. As disclosed in the Company's announcement dated 27 March 2020, the Directors are undertaking a debt restructuring plan (the "Debt Restructure Plan") which includes various plans and measures to resolve the Group's liquidity issues. The unaudited condensed 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.

Notwithstanding the above, multiple material uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. If the Group fails to achieve all of the abovementioned 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 unaudited condensed consolidated financial statements do not include any of these adjustments.

3. REVENUE

An analysis of the Group's revenue for the six months ended 30 June 2020 and 2019 are as follows:

	Unaudited Six months ended 30 June 2020 *HK$'000*	2019 *HK$'000* (Restated)
Sale of properties	**29,656**	118,076
Operating lease income from leasing of investment properties	**27,765**	41,782
Restaurant operations of catering business	**–**	1,105
Realised and unrealised losses on financial assets at fair value through profit or loss	**(22,581)**	(743,016)
Revenue from admission tickets	**1,565**	7,184
Hotel operations	**25,170**	24,570
Property management services	**2,344**	3,861
Advertising income	**33,137**	–
Others	**–**	203
	97,056	(546,235)

Disaggregation of revenue from contracts with customers

Represented by:

	Unaudited Six months ended 30 June 2020 *HK$'000*	2019 *HK$'000* (Restated)
Revenue from contracts with customers:		
Recognised at a point in time:		
– Development and sales of properties	**29,656**	118,076
– Hotel food and beverage revenue	**5,273**	13,992
– Restaurant operations	**–**	1,105
– Sales of admission tickets	**1,565**	7,184
	36,494	140,357
Recognised over time:		
– Advertising income	**33,137**	–
– Property management services	**2,344**	3,861
– Hotel room income	**19,897**	10,578
	55,378	14,439
Revenue from other sources:		
– Operating lease income from leasing of investment properties	**27,765**	41,782
– Realised and unrealised losses on financial assets at fair value through profit or loss	**(22,581)**	(743,016)
– Others	**–**	203
	5,184	(701,031)
	97,056	(546,235)

4. SEGMENT INFORMATION

The management has determined the operating segments based on the reports reviewed by the Directors, 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 People's Republic of China ("PRC") and Hong Kong for sales, leasing and other incidental uses;

(ii) Trading and investment business – Investing on securities and financial instruments;

(iii) Hotel operations – Hotel accommodation, food and banquet operation; and

(iv) Others – Providing retail-related consultancy and management services.

Following the changes of reporting segment from three to four due to the opening of hotel in the PRC in 2019, the comparative segment information have been restated to reflect the changes in composition of reportable segments in the current period.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments for the interim period under review:

For the six months ended 30 June 2020 (Unaudited)

	Property development and investment segment *HK$'000*	Trading and investment business segment *HK$'000*	Hotel operations segment *HK$'000*	Others segment *HK$'000*	Inter-segment elimination *HK$'000*	Total *HK$'000*
REVENUE						
External sales	90,558	(22,581)	25,170	3,909	–	97,056
Inter-segment sales	11,405	–	–	4,714	(16,119)	–
	101,963	(22,581)	25,170	8,623	(16,119)	97,056
RESULTS						
Segment results	13,741	(21,331)	2,728	(6,549)	–	(11,411)
Finance costs						(218,968)
Unallocated income						23,954
Unallocated expenses						(75,452)
Loss before tax						(281,877)

For the six months ended 30 June 2019 (Unaudited)

	Property development and investment segment *HK$'000*	Trading and investment business segment *HK$'000*	Hotel operations segment *HK$'000*	Others segment *HK$'000* (Restated)	Inter-segment elimination *HK$'000*	Total *HK$'000*
REVENUE						
External sales	159,858	(743,016)	24,570	12,353	–	(546,235)
Inter-segment sales	5,038	–	–	–	(5,038)	–
	164,896	(743,016)	24,570	12,353	(5,038)	(546,235)
RESULTS						
Segment results	282,941	(738,940)	(8,759)	(15,984)	–	(480,742)
Finance costs						(147,137)
Unallocated income						6,212
Unallocated expenses						(51,989)
Loss before tax						(673,656)

Segment revenue reported above represents revenue generated from external customers. Inter-segment sales charged at prevailing market rates during the six months ended 30 June 2020 and 2019.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the profit earned by/(loss incurred 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.

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

Segment assets	**30 June 2020**	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Property development and investment segment	**16,056,455**	16,233,477
Trading and investment business segment	**547,948**	626,435
Hotel operations segment	**740,317**	789,834
Others segment	**20,279**	21,739
Total segment assets	**17,364,999**	17,671,485
Unallocated corporate assets	**745,036**	807,850
Consolidated total assets	**18,110,035**	18,479,335

Note:

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

Segment liabilities	**30 June 2020**	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Property development and investment segment	**6,981,586**	7,104,363
Trading and investment business segment	**64,747**	60,438
Hotel operations segment	**34,886**	35,942
Others segment	**40,657**	44,645
Total segment liabilities	**7,121,876**	7,245,388
Unallocated corporate liabilities	**6,829,200**	6,674,310
Consolidated total liabilities	**13,951,076**	13,919,698

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.

5. OTHER INCOME

	Unaudited Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Interest on bank and other deposits	**184**	256
Gain on disposal of property, plant and equipment	**610**	827
Gain on deregistration of subsidiaries	**5,844**	–
Net foreign exchange gains	**15,307**	4,734
Reversal of loss allowances on other receivables	**–**	974
Others	**856**	2,834
	22,801	9,625

6. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Interest on bank and other borrowings:		
– wholly repayable within five years	**57,472**	260,004
Interest on lease liabilities/obligation under finance lease	**114**	423
Effective interest expenses on		
– senior bonds	**51,035**	64,021
– bonds	**131,829**	119,501
Total finance costs	**240,450**	443,949
Less: amounts capitalised *(Note)*	**(21,482)**	(296,812)
	218,968	147,137

Note:

Certain finance costs had been capitalised to property development projects in the PRC (30 June 2019: the PRC and Hong Kong) which are included in construction-in-progress of property, plant and equipment, investment properties and properties under development for sale. The Group ceased the capitalisation of finance cost since late 2019 due to the suspension of active development of certain projects. These projects had not yet been resumed up to the reporting date.

7. INCOME TAX EXPENSE/(CREDIT)

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Current tax:		
PRC Land Appreciation Tax ("LAT")	**–**	5,803
Enterprise Income tax	**2,892**	12,905
Deferred tax:	**(1,285)**	(21,219)
Income tax expense/(credit)	**1,607**	(2,511)

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 Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both interim periods. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for both interim periods.

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.

8. LOSS FOR THE PERIOD

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

	Unaudited	
	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Gross rental income from investment properties	**(27,765)**	(41,781)
Less:		
direct operating expenses incurred for investment properties that generated rental income during the period	**2,239**	4,552
direct operating expenses incurred for investment properties that did not generate rental income during the period	**240**	1,929
	(25,286)	(35,300)
Cost of properties and other inventories sold recognised as an expense	**26,823**	115,060
Write-down of inventories (Note (ii))	**–**	10,616
Expenses related to short-term leases	**77**	–

	Unaudited Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Employee benefits expenses (including Directors' emoluments)		
– salaries and other benefits	**33,475**	67,855
– contributions to retirement benefit schemes	**1,070**	4,673
	34,545	72,528
Less: amounts capitalised *(Note (i))*	**(8,160)**	(10,685)
Total employee benefits expenses	**26,385**	61,843
Depreciation of property, plant and equipment	**44,553**	23,030
Written-off on property, plant and equipment	**–**	5,355
Impairment losses under expected credit loss model, net of reversal	**1,723**	2,655

Notes:

(i) 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.

The Group has ceased the capitalisation since late 2019 due to the suspension of active development of certain projects. These projects had not yet been resumed up to the reporting date.

(ii) The amount has been recognised as cost of sales and included in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

9. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period (six months ended 30 June 2019: Nil). The Directors have resolved that no dividend will be declared in respect of the current interim period (six months ended 30 June 2019: Nil).

10. LOSS PER SHARE

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

	Unaudited Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic and diluted loss per share: Loss for the period attributable to owners of the Company	**289,667**	663,958
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**23,695,220,585**	23,769,505,889

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 six months ended 30 June 2020 and 2019.

11. TRADE RECEIVABLES

Trade receivables arising from sales 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 loss allowances for credit losses), presented based on agreement terms and invoice date, at the end of the reporting period:

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**15,557**	12,876

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Financial assets		
Equity securities listed in Hong Kong	**11,725**	15,232
Unlisted investment funds in Cayman Islands	**253,061**	326,641
	264,786	341,873

13. 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:

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**163,966**	173,661
31 – 60 days	**–**	–
61 – 90 days	**–**	–
Over 90 days	**1,151,849**	1,183,493
	1,315,815	1,357,154

14. SHARE CAPITAL

	Ordinary shares of HK$0.01 each	Amount *HK$'000*
Authorised:		
At 31 December 2019 (Audited), 1 January 2020 and 30 June 2020 (Unaudited)	**1,000,000,000**	**10,000,000**
Issued and fully paid:		
At 31 December 2019 (Audited), 1 January 2020 and 30 June 2020 (Unaudited)	**23,695,220,585**	**236,952**

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current interim period's presentation.

16. CONTINGENT LIABILITIES AND LITIGATIONS

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. Shen Hou Feng (the "Petition by Mr. Shen HF") in respect of a private immigration bonds issued by the Company. Certain individuals who are alleged creditors of the Company subsequently also served notices of intention to appear on the hearing of the Petition by Mr. Shen HF. On 8 July 2020, the High Court ordered that the Petition by Mr. Shen HF be withdrawn. 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 originally scheduled to be heard on 3 June 2020 has been adjourned to 29 September 2020 due to the outbreak of the COVID-19.

Except the above and the on-going legal cases disclosed in respective notes in the Annual Report 2019 dated 29 April 2020, the Group had no other material contingent liabilities and litigations aware of.

17. EVENTS AFTER THE REPORTING PERIOD

Except for the events disclosed in Note 16, on 27 July 2020, Pearl Generation Limited, an indirect wholly-owned subsidiary of the Company (the "Vendor"), Ms. Chan Suk Yee Deon (the "Purchaser") and Emperor Prestige Credit Limited (the "Mortgagee") entered into the sale and purchase agreement (the "Agreement"), pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase four vessels registered with the Marine Department of the Government of Hong Kong pursuant to Section 10 of Merchant Shipping (Local Vessels) (Certificate and Licensing) Regulation with the Certificate of Ownership Numbers 139419, 702015, 702085 and 707946, together with all gear, machinery, equipment, furnishings and all other articles presently on or affixed to (the "Vessels") at an aggregate consideration of approximately HK$20,000,000, subject to the terms and conditions of the Agreement (the "Disposal").

On 30 July 2020, as certain conditions precedent regarding the completion of the Disposal had not been fulfilled or waived by the agreed date as set out in the Agreement, the Disposal had lapsed and ceased to have any effect automatically. No party to the Agreement should have any claim against any other party and the rights and obligations of the parties thereunder should forthwith cease and terminate, except in respect of rights and obligation accrued prior to the lapse of the Agreement.

On 3 August 2020, the Vendor, Hong Kong Fully Holdings Limited (the "New Purchaser") and the Mortgagee entered into the new sale and purchase agreement relating to the Disposal (the "New Disposal Agreement"), pursuant to which the Vendor agreed to sell and the New Purchaser agreed to purchase the Vessels at an aggregate consideration of approximately HK$20,000,000, subject to the terms and conditions of the New Disposal Agreement. The Disposal was completed on 5 August 2020.

REVIEW AND OUTLOOK

CORPORATE REVIEW

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 People's Republic of China (the "PRC") that comprise of theme parks, hotels, shopping and leisure facilities, as well as other theme-based consumption.

MARKET REVIEW

In the first half of 2020, the novel coronavirus pandemic caused a major impact on China's economic progress and the world's political economy, pulling the country's GDP down by 1.6% year-on-year. In the work reports of the National People's Congress and The National Committee of the Chinese People's Political Consultative Conference, the Central Government made it clear that no efforts should be spared in the 'six stabilities' and 'six guarantees'. Proactive fiscal policies should be even more goal-driven, firm monetary policies should be more flexible and applicable to ensure reasonable and ample fund liquidity. Local authorities must also make stabilizing finance, economy and employment their core policies. Policies for the real estate market are for 'overall stability and local optimization'. The Central Government persevered on 'housing for accommodation not speculation' and city-specific policies. Local authorities, while observing 'restricted purchase' and 'restricted lending' as the bottom line, relaxed land-sale policies accordingly (increased the supply of quality land, allowed payment of land cost to be delayed or by instalment) and adjusted transaction policies of properties (relaxed pre-sale, human resources and provident fund policies) to restore both supply and demand adversely affected by the pandemic.

The outbreak of the 2019 Novel Coronavirus ("COVID-19") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental revenue and occupancy rate of investment properties, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

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 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 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..

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 sale of the Yanglin Project was launched in July 2020.

During the six months ended 30 June 2020, 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.

During the six months ended 30 June 2020, 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$90.6 million for the six months ended 30 June 2020, compared to HK$159.9 million for the six months ended 30 June 2019 which was mainly due to the adverse impact caused by the COVID-19 epidemic. For the six months ended 30 June 2020, the revenue from sales of properties 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.

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 six months ended 30 June 2020, the Group recorded an unrealised loss on investments of approximately HK$22.6 million, compared to significant loss of investment of HK$743.0 million for the six months ended 30 June 2019.

As at 30 June 2020, the total value of the Group's securities investments was approximately HK$11.7 million, compared to HK$15.2 million as at 31 December 2019, of which each investment is less than 0.01% of the total assets of the Group at the end of both reporting periods.

Hotel operations

The Group operates hotel business in the PRC. It includes hotel accommodation, food and banquet operations. For the six months ended 30 June 2020, revenue from hotel operations segment was approximately HK$25.2 million, compared to HK$24.6 million for the six months ended 30 June 2019.

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 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 PRC and the rapidly upgrading consumption pattern in PRC and overseas.

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.

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.

In the latter half of the year, macro-economy in China is still under significant pressure due to the pandemic and the complicated, ever-changing international economic situation. Domestic finance is expected to remain relatively relaxed and liquidity reasonably ample. Real estate policies will remain 'stabilisation' overall and local authorities, though not adopting new restrictive measures, will not lift all controls on the market either.

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.

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 the 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.

FINANCIAL REVIEW

Financial Results

For the six months ended 30 June 2020, the Group recorded a consolidated net loss of approximately HK$283.4 million as compared to the net loss of approximately HK$671.1 million for the six months ended 30 June 2019. The change on the results is mainly due to decrease in loss arising from securities investment of approximately HK$720.4 million and decrease in capitalisation of finance cost.

Capital Structure, Liquidity and Financial Resources

As at 30 June 2020, the current assets and current liabilities of the Group were approximately HK$7,550.4 million (31 December 2019: approximately HK$7,713.9 million) and approximately HK$12,926.4 million (31 December 2019: approximately HK$8,558.6 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was approximately 0.58 times as at 30 June 2020, as compared to that of approximately 0.90 times as at 31 December 2019. The decrease in liquidity ratio was mainly due to certain non-current portion of borrowings classified into current portion of borrowings.

As at 30 June 2020, the Group's total assets and total liabilities amounted to approximately HK$18,110.0 million (31 December 2019: approximately HK$18,479.3 million) and approximately HK$13,951.1 million (31 December 2019: approximately HK$13,919.7 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.77 times as at 30 June 2020, as compared to that of approximately 0.75 times as at 31 December 2019.

The cash and bank deposits as at 30 June 2020 were approximately HK$67.9 million (31 December 2019: approximately HK$74.6 million).

As at 30 June 2020, the net debt to equity ratio of the Group, expressed as a percentage of borrowings and long-term debts net of cash and bank deposits over total equity, was approximately 200.2% (31 December 2019: approximately 183.1%). The increase in net debt to equity ratio was mainly due to the decrease in cash and bank deposits during the six months ended 30 June 2020.

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.

STATUS OF THE WINDING UP PETITIONS

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. Upon the joint application of the Company and the Petitioner to withdraw the Petition, the High Court ordered on 13 December 2019, that the Petition be withdrawn.

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. Shen Hou Feng (the "Petition by Mr. Shen HF") in respect of a private immigration bonds issued by the Company. Certain individuals who are alleged creditors of the Company subsequently also served notices of intention to appear on the hearing of the Petition by Mr. Shen HF. On 8 July 2020, the High Court ordered that the Petition by Mr. Shen HF be withdrawn. 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 originally scheduled to be heard on 3 June 2020 has been adjourned to 29 September 2020 due to the outbreak of the COVID-19.

The Company has appointed Houlihan Lokey (China) Limited as financial advisor (the "Financial Adviser") to assess the financial position of the Company and to explore the options for implementing a financial restructuring.

For further details, please refer to the announcements published by the Company on 23 January 2020, 14 February 2020, 6 March 2020,11 March 2020, 4 June 2020, 16 June 2020, 29 June 2020, 10 July 2020, 21 July 2020 and 22 July 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 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 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.

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 MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE GOING CONCERN ISSUE

Reference is made to the annual report of the Company for the year ended 31 December 2019, in which the auditors of the Company had raised concern on the Group's ability to operate as a going concern. In order to address this concern, the Company has taken the measures to continue in operational existence for the foreseeable future including but not limited to: (i) The debt restructuring plan is expected to be launched in the second half of 2020; (ii) The sale of Yanglin Project has been launched in July 2020 with an aim to improve the cashflow of the Group; (iii) Certain existing creditors will provide financial support to the Group. Despite the restructuring process has been delayed due to the outbreak of COVID-19, the Company will use its best effect to put forward the restructuring progress with an aim to address the going concern issue.

EVENT AFTER THE REPORTING PERIOD

On 8 July 2020, the High Court ordered that the Petition by Mr. Shen HF be withdrawn.

On 27 July 2020, Pearl Generation Limited, an indirect wholly-owned subsidiary of the Company (the "Vendor"), Ms. Chan Suk Yee Deon (the "Purchaser") and Emperor Prestige Credit Limited (the "Mortgagee") entered into the sale and purchase agreement (the "Agreement"), pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase four vessels registered with the Marine Department of the Government of Hong Kong pursuant to Section 10 of Merchant Shipping (Local Vessels) (Certificate and Licensing) Regulation with the Certificate of Ownership Numbers 139419, 702015, 702085 and 707946, together with all gear, machinery, equipment, furnishings and all other articles presently on or affixed to (the "Vessels") at an aggregate consideration of HK$20,000,000, subject to the terms and conditions of the Agreement (the "Disposal").

On 30 July 2020, as certain conditions precedent regarding the completion of the Disposal had not been fulfilled or waived by the agreed date as set out in the Agreement, the Disposal had lapsed and ceased to have any effect automatically. No party to the Agreement should have any claim against any other party and the rights and obligations of the parties thereunder should forthwith cease and terminate, except in respect of rights and obligation accrued prior to the lapse of the Agreement.

On 3 August 2020, the Vendor, Hong Kong Fully Holdings Limited (the "New Purchaser") and the Mortgagee entered into the new sale and purchase agreement relating to the Disposal (the "New Disposal Agreement"), pursuant to which the Vendor agreed to sell and the New Purchaser agreed to purchase the Vessels at an aggregate consideration of HK$20,000,000, subject to the terms and conditions of the New Disposal Agreement. The Disposal was completed on 5 August 2020. The gain on Disposal was approximately HK$5,774,000, being the difference between the consideration of the Disposal of HK$20,000,000 and the carrying amount of the Vessels. The gain on Disposal will be recorded for the year ending 31 December 2020. The Company used the net proceeds from the Disposal to repay the outstanding loans of the Group.

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 30 June 2020, except for the borrowings of principal amount of HK$3,567.8 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 30 June 2020, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2020, the Group's certain property, plant and equipment, investment properties, inventories, bank deposits and equity securities listed in Hong Kong of approximately HK$14,210.1 million (31 December 2019: approximately HK$14,432.6 million) were pledged to banks and other financial institutions to secure certain loan facilities granted to the Group.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2020.

EMPLOYEE INFORMATION

As at 30 June 2020, the Group had 283 employees (31 December 2019: 326 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 six months ended 30 June 2020, the total staff costs of the Group were approximately HK$34.5 million (six months ended 30 June 2019: approximately HK$72.5 million), representing a decrease of approximately 52.4% over the corresponding period of 2019. The decrease in staff cost was mainly due to decrease in number of staff.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2020.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain good corporate governance practices and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

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 Listing Rules as its own code of corporate governance.

Under CG Code provision A.2.1, the role of chairman and chief executive officer should be separated and should not be performed by the same individual. The Company has not appointed a chief executive officer and the role and functions of chief executive officer have been performed by all executive Directors, including the chairman, collectively.

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 six months ended 30 June 2020.

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. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code during the period for the six months ended 30 June 2020.

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Chau Wai Hing (as chairman), Mr. Ma Hang Kon Louis and Mr. Tso Hon Sai Bosco. 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 unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee.

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

Hong Kong, 31 August 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.