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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 ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

Due to restrictions in force in parts of China to combat the Novel Coronavirus Disease (“COVID-19”) coronavirus outbreak, the audit process for the annual results of Carnival Group International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2020 has been delayed and not been fully completed as of the date of this announcement, including but not limited to, the assessment on the impairment losses recognised in respect of properties, plant and equipment, fair value change on investment properties, impairment losses recognised in respect of inventories, impairment losses under expected credit loss model, fair value on equity instruments at fair value through other comprehensive income and valuation of liabilities of certain corporate guarantee. The loss may further be increased by the above factors. While in order to keep the shareholders of the Company (the “Shareholders”) and potential investors informed of the business operation and financial position of the Group, the board (the “Board”) of directors (the “Directors”) of the Company decides to publish the unaudited annual results announcement of the Group for the year ended 31 December 2020 together with the audited comparative figures for the corresponding period in 2019. The Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2020 as agreed by the Company’s auditor following the completion of the auditing process, which is expected to be on or before 30 April 2021.

The Board hereby announces the unaudited annual results of the Group for the year ended 31 December 2020 together with the comparative figures for the corresponding period in 2019. The unaudited annual results have not been audited but have been reviewed by the audit committee of the Company (the “Audit Committee”).

RESULTS HIGHLIGHTS

- Revenue for the years ended 31 December:

	Unaudited	Audited
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property development and investment segment	144,500	239,549
Trading and investment business segment	(98,413)	(794,427)
Hotel operations segment	46,586	53,920
Other segments	11,578	25,257
	<u>104,251</u>	<u>(475,701)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Unaudited	Audited
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	104,251	(475,701)
Cost of sales	(679,459)	(405,451)
Gross loss	(575,208)	(881,152)
Other income	39,454	124,255
Selling and marketing expenses	(37,872)	(63,229)
Administrative expenses	(700,767)	(444,965)
Fair value change on financial assets at fair value through profit or loss	(53,025)	(132,061)
Fair value change on investment properties	(375,041)	(314,875)
Gain on disposal of subsidiaries	–	296,393
Loss on disposal of investment properties	(6,937)	(34,982)
Impairment losses on property, plant and equipment	(67,147)	(593,548)
Impairment losses under expected credit loss model, net of reversal	(634,811)	(555,591)
Finance costs	(1,077,569)	(903,247)
Loss before tax	(3,488,923)	(3,503,002)
Income tax (expense)/credit	(33,254)	73,485
Loss for the year	(3,522,177)	(3,429,517)

	Unaudited	Audited
	2020	2019
	HK\$'000	HK\$'000
Other comprehensive income/(expense)		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value loss on investments in equity instruments at fair value through other comprehensive income	–	(25,000)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
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	<u>366,967</u>	<u>(252,561)</u>
Other comprehensive income/(expense) for the year, net of income tax	<u>366,967</u>	<u>(271,702)</u>
Total comprehensive expense for the year	<u>(3,155,210)</u>	<u>(3,701,219)</u>
Loss for the year attributable to:		
Owners of the Company	<u>(2,604,804)</u>	(2,941,975)
Non-controlling interests	<u>(917,373)</u>	<u>(487,542)</u>
	<u>(3,522,177)</u>	<u>(3,429,517)</u>
Total comprehensive expense attributable to:		
Owners of the Company	<u>(2,269,726)</u>	(3,189,869)
Non-controlling interests	<u>(885,484)</u>	<u>(511,350)</u>
	<u>(3,155,210)</u>	<u>(3,701,219)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Unaudited 2020 <i>HK\$'000</i>	Audited 2019 <i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	5,373,858	5,493,381
Investment properties	5,027,695	5,118,256
Other intangible assets	–	–
Financial assets at fair value through other comprehensive income	71,000	71,000
Note receivables	86,074	82,792
	10,558,627	10,765,429
Current assets		
Inventories	4,007,928	3,843,422
Trade receivables	17,880	12,876
Prepayments, deposits and other receivables	2,704,638	3,441,107
Financial assets at fair value through profit or loss	189,040	341,873
Cash and cash equivalents	59,913	74,628
	6,979,399	7,713,906
Total assets	17,538,026	18,479,335
Current liabilities		
Trade payables	1,905,828	1,357,154
Contract liabilities	241,263	244,133
Deposits from customers	9,700	11,813
Accrued liabilities and other payables	3,575,485	2,089,221
Amounts due to non-controlling interests	56,034	55,223
Amounts due to related companies	192,184	161,584
Lease liabilities	9,794	4,707
Borrowings – current portions	8,488,089	4,106,601
Current tax liabilities	530,729	528,119
	15,009,106	8,558,555

	Unaudited	Audited
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net current liabilities	<u>(8,029,707)</u>	<u>(844,649)</u>
Total assets less current liabilities	<u>2,528,920</u>	<u>9,920,780</u>
Capital and reserves		
Share capital	9,478	236,952
Share premium and reserves	<u>1,114,732</u>	<u>3,156,984</u>
Equity attributable to owners of the Company	1,124,210	3,393,936
Non-controlling interests	<u>280,217</u>	<u>1,165,701</u>
Total equity	<u>1,404,427</u>	<u>4,559,637</u>
Non-current liabilities		
Deferred tax liabilities	1,106,353	1,044,463
Lease liabilities	18,140	–
Borrowings	<u>–</u>	<u>4,316,680</u>
	<u>1,124,493</u>	<u>5,361,143</u>
	<u>2,528,920</u>	<u>9,920,780</u>

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.

2020 REVIEW

MARKET REVIEW

In 2020, the global outbreak of the COVID-19 pandemic battered global economic growth, and the world's major developed economies experienced severe negative growth as a result of the continuing recurring outbreak of the COVID-19 pandemic and a rapid economic recession. Economic growth in emerging markets and developing countries also plunged. China's economy was also wrecked by the COVID-19 pandemic, with its gross domestic product (GDP) showing a negative growth of 6.8% in the first quarter and major economic indicators fell sharply. However, with rapid response and effective controls of COVID-19 pandemic since the second quarter, the resumption in work and production to normal accelerated, and the declines in consumption and investment continued to narrow. The economy's recovery continued. The governments at all levels bolstered their support for both fiscal and monetary policies, and the stimulus effect of macroeconomic policies was remarkable. During the pandemic, rapid development in the digital economy, smart economy, online network economy, and other new economic forms supported recovery in macroeconomic growth. Since the second quarter, China's economic growth has shifted from negative to positive, with positive growth of 2.3% for the full year, making it the only major economy in the world to achieve positive economic growth.

In 2020, the government insisted on the regulatory objectives of “houses are built to be inhabited, not for speculation” and “stabilising land prices, housing prices and expectations” for the real estate industry, and introduced the long-term regulatory mechanism of new management and control regulations featured by “Three Red Lines and Four Camps” (the “New Management and Control Regulations”). We believe that the New Management and Control Regulations will help guide the long-term, stable and healthy development of the real estate industry.

The domestic property market in the first quarter was basically frozen due to the impact from COVID-19 pandemic. Since the second quarter, with significant relief measures and effective controls of the domestic pandemic, the property markets in different regions have recovered gradually. In the second half of the year, with full economic recovery in the PRC, the general keynote of the austerity measures adopted for the real estate market remained unchanged. For the land market in the PRC, the amount of land transactions hit a record high, with more intensified divergence in market performance across cities. Market performed substantially well in first and second tier cities area. With the introduction of the “Three Red Lines” policy in the fourth quarter of the year 2020, which requires property developers to impose strict control over their debt ratios, land transactions became less overheated in general, despite the fact that competition for highquality land parcels remained fierce. Generally speaking, property transactions on the market remained flat as compared to year 2019, with stable transaction prices. Along with stable market environment and tightened financial regulations, property developers took a proactive role in responding to the changes in market conditions, securing the stable and healthy development of the real estate market.

The outbreak of the COVID-19 had brought unprecedented challenges and added uncertainties to the economy. The hotel in Qingdao was designated by the government as one of the quarantine hotels. The theme park in Qingdao was not allowed to operate from February 2020 to July 2020 due to the COVID-19 prevention and control imposed by the government, which affect the revenue of theme park. COVID-19 may also 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 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) 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 (Qingdao) 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 (Qingdao) to become one of the premier tourist destinations in China.

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

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.. 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 has been started.

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.

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

Property Development and Investment

Revenue from the Group's property development and investment segments was approximately HK\$144.5 million for the year ended 31 December 2020, compared to approximately HK\$239.5 million for the year ended 31 December 2019. For the year ended 31 December 2020, 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. 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.

For the year ended 31 December 2020, 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\$98.4 million, compared to a net loss of approximately HK\$794.5 million for the year ended 31 December 2019.

As at 31 December 2020, the total value of the Group's securities investments was approximately HK\$0.1 million, compared to HK\$15.2 million as at 31 December 2019, of which each investment is less than 0.08% of the total assets of the Group for both years.

Hotel operations

The Group operates hotel business in the PRC. It includes hotel accommodation, food and banquet operations. For the year ended 31 December 2020, revenue from hotel operations segment was approximately HK\$46.6 million, compared to HK\$53.9 million for the year ended 31 December 2019.

FINANCIAL REVIEW

Financial Results

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	Change in percentage
Revenue	104,251	(475,701)	(121.9)%
Gross loss	(575,208)	(881,152)	(34.7)%
Loss attributable to owners of the Company	<u>(2,604,804)</u>	<u>(2,941,975)</u>	<u>(11.5)%</u>

For the year ended 31 December 2020, the Group recorded a consolidated net loss of approximately HK\$3,522.2 million as compared to the net loss of approximately HK\$3,429.5 million for the year ended 31 December 2019. The loss is mainly due to (i) impairment losses on the properties of approximately HK\$67.1 million; (ii) the loss arising from changes in the fair value of the Group's investment properties of approximately HK\$375.0 million; (iii) impairment losses under expected credit loss model of approximately HK\$634.8 million; (iv) the loss arising from securities investment of approximately HK\$98.4 million; (v) the fair value change on financial assets at fair value through profit or loss of approximately HK\$53.0 million; (vi) the loss on written-off of deposits and other receivables of HK\$292.0 million; and (vii) finance cost of approximately HK\$1,077.6 million.

Capital Structure, Liquidity and Financial Resources

As at 31 December 2020, 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\$9,478,000 million divided into 947,808,823 shares of HK\$0.01 each.

On 17 September 2020, the Board proposed to implement the capital reorganisation (the “Capital Reorganisation”) which comprises the following: (i) the share consolidation by which every twenty five (25) existing shares of HK\$0.01 each in the capital of the Company issued and unissued will be consolidated into one (1) consolidated share of HK\$0.25 (“Consolidated Share(s)”) (the “Share Consolidation”); (ii) the capital reduction by which: (a) any fractional Consolidated Share in the issued share capital of the Company arising from the Share Consolidation shall be cancelled; and (b) the par value of all the then issued Consolidated Shares be reduced from HK\$0.25 each to HK\$0.01 each by cancelling the paid-up capital of the Company to the extent of HK\$0.24 on each of the then Consolidated Shares in issue (the “Capital Reduction”); (iii) the share subdivision of every unissued Consolidated Share of HK\$0.25 each in the authorised share capital of the Company into twenty five (25) adjusted shares of HK\$0.01 each; (iv) the reduction of share premium account, being the reduction of the entire amount standing to the credit of the share premium account of the Company (the “Reduction of Share Premium Account”); and (v) the credit arising from the Capital Reduction and the Reduction of Share Premium Account being credited to the contributed surplus account of the Company for use by the Directors in any manner permitted by the laws of Bermuda and the bye-laws of the Company including but not limited to offsetting against the balance of the accumulated losses of the Company up to the date on which the Capital Reorganisation becomes effective. As all of the conditions of the Capital Reorganisation have been fulfilled following the passing of the special resolution at the special general meeting of the Company held on 30 October 2020, the Capital Reorganisation became effective on 3 November 2020.

As at 31 December 2020, the current assets and current liabilities of the Group were approximately HK\$6,979.4 million (2019: approximately HK\$7,713.9 million) and approximately HK\$15,009.1 million (2019: approximately HK\$8,558.6 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was approximately 0.47 times as at 31 December 2020, as compared to that of approximately 0.90 times as at 31 December 2019. The decrease in liquidity ratio was mainly due to the written down of properties held for sale, impairment losses of deposits and other receivables under expected credit loss model and the long-term borrowings had been classified as current liabilities. The Group recognised an allowance for expected credit loss of HK\$634.8 million for deposits and other receivables.

As at 31 December 2020, the Group's total assets and total liabilities amounted to approximately HK\$17,538.0 million (2019: approximately HK\$18,479.3 million) and approximately HK\$16,133.6 million (2019: approximately HK\$13,919.7 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.92 times as at 31 December 2020, as compared to that of approximately 0.75 times as at 31 December 2019.

The cash and cash equivalents as at 31 December 2020 were approximately HK\$59.9 million (2019: approximately HK\$74.6 million). The decrease was mainly due to utilisation of cash and cash equivalents for general working capital.

As at 31 December 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 600.1% (2019: approximately 183.1%). The increase in net debt to equity ratio was mainly due to utilisation of cash and bank deposits for general working capital.

Significant events

- (1) 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.

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, 27 March 2020, 6 April 2020, 4 June 2020, 16 June 2020, 29 June 2020, 10 July 2020, 21 July 2020, 22 July 2020, 29 September 2020, 11 December 2020, 8 February 2021 and 19 March 2021.

- (2) 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.

- (3) 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 Company used the net proceeds from the Disposal to repay the outstanding loans of the Group.
- (4) On 24 August 2020, the Company received the (2020) Lu 0211 Poshen No. 5 Civil Ruling from the People’s Court of Huangdao District, Qingdao City, Shandong Province, China (the “People’s Court”) in relation to the application for bankruptcy reorganisation of Rio Carnival (Qingdao) Property Co., Ltd.* (“Rio Carnival (Qingdao)”) by Longxin Construction Group Co., Ltd.* (“Longxin Construction”) to the People’s Court on 17 August 2020 on the grounds that Rio Carnival (Qingdao) was unable to pay off its debt (as defined below) and apparently lack of solvency (the “Application for Bankruptcy Reorganisation”). The Debts (as defined below) arose due to the contract disputes between Longxin Construction and Rio Carnival (Qingdao), and the People’s Court has judged that Rio Carnival (Qingdao) should pay Longxin Construction the construction fee of RMB10,825,424.56 together with interests and other expenses (the “Debts”). However, Rio Carnival (Qingdao) still failed to pay the Debts in full. The People’s Court ruled that Rio Carnival (Qingdao) met the acceptance conditions for bankruptcy reorganisation and accepted the Application for Bankruptcy Reorganisation with effect from 24 August 2020.

On 27 August 2020, the People’s Court issued a decision letter designating that the Shandong Branch of Grant Thornton Certified Public Accountants (Special General Partnership) as the manager of Rio Carnival (Qingdao) (the “Manager”).

On 1 December 2020, Rio Carnival (Qingdao) held its first creditors’ meeting. The resolutions on “The Property Management Plan”, “The Selection Plan Proposed by the Members of the Creditors’ Committee” and “The Report on Proposing the Debtor to Continue Operation” were reviewed and put forward for creditors to vote in the meeting and the results were all passed.

- (5) On 10 September 2020, the Company and a wholly-owned subsidiary of a state-owned enterprise under the State-owned Assets Supervision and Administration Commission of the State Council (the “Investor”) entered into the memorandum of understanding dated 10 September 2020 in relation to the conditional subscription by the Investor of the subscription shares (the “Subscription Shares”), representing no more than 25% of the issued share capital of the Company pursuant to the subscription agreement, pursuant to which the Investor may subscribe for and the Company may allot and issue the Subscription Shares, subject to the completion of due diligence on the Company.

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 2020, except for two borrowings are denominated in United States Dollar, other borrowings 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.

CHARGES ON THE GROUP’S ASSETS

As at 31 December 2020, the Group’s certain land-use rights, properties, bank deposits and equity securities listed in Hong Kong 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 year ended 31 December 2020.

EMPLOYEE INFORMATION

As at 31 December 2020, the Group had 182 employees (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 year ended 31 December 2020, the total staff costs of the Group were approximately HK\$59.1 million (2019: approximately HK\$131.6 million), representing a decrease of approximately 55% over the corresponding period of 2019. 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 2020 (2019: Nil).

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 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 eight 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 its financial adviser, 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.

On 19 May 2020, the Company convened the seventh meeting with its institutional creditors to provide (i) an update on the financial and operational conditions faced by the Company, and (ii) discuss the debt restructuring proposal.

On 3 September 2020, the Company convened the eighth meeting with its institutional creditors to provide (i) an update on the winding up petition received by the Company, (ii) Qingdao bankruptcy reorganisation plan and its impact on offshore debt repayment and (iii) circulate the revised debt restructuring proposal to the institutional creditors.

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 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.

PROSPECTS

The year 2021 will be a year of opportunities as well as challenges for property developers. The full economic recovery after COVID-19 will energize the industry. Under the keynote of “properties being for residential dwellings instead of speculation” and “adoption of city-specific policies”, the pace of market supply and demand in 2021 will gradually become more stable and demand will be more rational. In an increasingly more concentrated industry, property development shall be strategically deployed in a reasonable way and in line with the rotational development opportunities in different cities, and shall also be focused on regions with competitive advantage. Focus shall be drawn to key cities; detailed analysis shall be conducted on the demand from different customer groups; and cooperation shall be fortified, to embrace the greater room for development.

The Group expects the operating environment would continue to be difficult for the coming financial year. The Group will continue to (i) implement solid approach for collections of other receivables and maintain attentive but sensible approach towards new investment opportunities in the real estate industry in order to enhance values to the Shareholders; and (ii) work closely with all creditors, including bondholders, and other stakeholders to take appropriate measures to improve the liquidity and solvency position of the Group as well as to achieve the best possible consensual restructuring for all interested parties.

EVENTS AFTER THE REPORTING PERIOD

On 10 February 2021, a winding up petition was filed in High Court of The Hong Kong Special Administrative Region (the “High Court”) (the “New Petition”) and was presented against the Company in respect of certain alleged indebtedness owed to Reliance Credit Limited (formerly known as Asset Bridge Development Limited) (the “Petitioner”). The New Petition has been listed to be heard before the High Court at 9:30 a.m. on 12 May 2021.

The New Petition was filed against the Company for its failure to settle a sum of HK\$7,105,680.74 being the principal and interests outstanding as of 20 March 2020 under a loan agreement dated 1 November 2017 (as varied by its extension letter dated 19 September 2019) entered into between the Company and the Petitioner.

For further details, please refer to the announcements of the Company dated 17 February 2021 and 23 February 2021.

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 during the year ended 31 December 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 the Company's code of conduct for dealing in securities of the Company by the Directors. In response to the Company's specific enquiry made, all Directors have confirmed that they have complied with the required standard set out in the Model Code for the year ended 31 December 2020.

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 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.

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 2020, 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.

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 2020.

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 unaudited consolidated financial statements of the Company for the year ended 31 December 2020.

FURTHER ANNOUNCEMENT(S)

Upon completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2020 as agreed by the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. The Company expects the auditing process will be completed on or before 30 April 2021.

PUBLICATION OF ANNUAL REPORTS

This unaudited annual results announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2020 containing all the information as required by the Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
Carnival Group International Holdings Limited
Luo Jiaqi
Executive Director

Hong Kong, 31 March 2021

The Board, as at the date of this announcement, comprises Mr. Luo Jiaqi, Mr. Tin Ka Pak and Mr. Tang Runtao as executive Directors, and Mr. Chau Wai Hing, Mr. Ma Hang Kon Louis and Mr. Tso Hon Sai Bosco as independent non-executive Directors.