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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)**

**SUPPLEMENTAL ANNOUNCEMENT  
IN RELATION TO THE AUDITED ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

Reference is made to (i) the announcement of Carnival Group International Holdings Limited (the “**Company**”) dated 30 March 2020 in relation to the unaudited annual results for the year ended 31 December 2019 (the “**2019 Unaudited Annual Results Announcement**”); (ii) its announcement dated 29 April 2020 in relation to the audited annual results for the year ended 31 December 2019 (the “**2019 Audited Annual Results Announcement**”); (iii) the annual report of the Company for the year ended 31 December 2019 published on 14 May 2020; and (iv) its announcement dated 29 May 2020 in relation to the supplemental information to the audited annual results for the year ended 31 December 2019 (the “**Supplemental Announcement**”, together with the 2019 Unaudited Annual Results Announcement and the 2019 Audited Annual Results Announcement, the “**Announcements**”). Unless otherwise defined, capitalised terms defined in the Announcements shall have the same meanings in this announcement.

In relation to the consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Annual Results**”), the Company would like to supplement the following information:

## **DISCLAIMER OPINION ON THE 2019 ANNUAL RESULTS**

### **The Management’s view**

During the course of audit of 2019 Annual Results, the Company’s auditors (the “**Auditors**”) had raised concern on the Group’s ability to operate as a going concern. In order to address this concern, the Company has agreed to take the following measures to continue in operational existence for the foreseeable future including but not limited to:

- (i) a debt restructure plan was expected to be launched in the second half of 2020;
- (ii) The proposed sale of Yanglin Project in 2020 with an aim to improve the cashflow of the Group; and
- (iii) certain existing creditors will provide financial support to the Group.

Based on the above, and in preparing the 2019 Annual Results, the Directors have reviewed the Group’s financial and liquidity position, and planned to improve the liquidity by the above measures. As such, the Board considered the Group will have sufficient liquidity to finance its operations for the subsequent twelve months and therefore is of the view that the Group would be able to continue as a going concern. Please refer to the annual report of the Company for the year ended 31 December 2020 published on 10 June 2021 for the latest status of the measures taken by the Group for continuing its operational existence.

Despite the effort made by the Company to address the concern, the Auditors issued the Disclaimer Opinion as they cast doubt on the certainty of the Debt Restructuring Plan and financial support by certain existing creditors. The management of the Company (the “**Management**”) has considered the Auditors’ rationale and understood their consideration in arriving their opinion.

### **The Audit Committee's view**

The members of the audit committee of the Company (the “**Audit Committee**”) had critically reviewed the Disclaimer Opinion, the Management’s position concerning the Disclaimer Opinion and measures to be taken by the Company for addressing the Disclaimer Opinion. The Audit Committee agreed with the Management’s position based on the reasons stated above. Moreover, the Audit Committee requested the Management to take all necessary actions to address the effect on the Disclaimer Opinion. The Audit Committee had also discussed with the Auditors regarding the financial position of the Group, measures taken and to be taken by the Company, and considered the Auditors’ rationale and understood their consideration in arriving their opinion.

### **The Company's plan to resolve the Disclaimer Opinion**

With respect to the Debt Restructure Plan, the Company has been working closely with its professional advisors to achieve a consensual restructuring with its creditors. The Company and its professional advisors are currently working on a restructuring term sheet which will be shared with the offshore institutional creditors once being approved by the Board.

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 a 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.

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.

## FINANCE COSTS

### Difference between Unaudited and Audited Finance Costs

Set out below is the breakdown for the both the unaudited and audited finance costs of HK\$448 million and HK\$904 million for the 2019 Annual Results:

	Unaudited <i>HK\$'000</i>	Audited <i>HK\$'000</i>	Variance	<i>Note</i>
<b>Bank borrowings</b>				
HK Bank borrowing	323	323	–	
PRC Bank borrowing	–	313,911	(313,911)	<i>(1)</i>
<b>Other borrowings</b>				
HK Secured borrowings	41,305	41,477	(172)	<i>(2)</i>
HK Secured borrowing – Aircraft loan	7,556	36,409	(28,853)	<i>(3)</i>
PRC secured borrowings	538	108,764	(108,226)	<i>(4)</i>
<b>Interest on bond</b>				
– senior bond	118,903	118,903	–	
– unlisted bond	311,197	301,894	9,303	<i>(5)</i>
<b>Leases interest</b>	659	520	139	<i>(6)</i>
<b>Less: Amount capitalised in Inventory</b>	<u>(32,696)</u>	<u>(18,955)</u>	<u>(13,741)</u>	<i>(7)</i>
	<u><u>447,785</u></u>	<u><u>903,246</u></u>	<u><u>455,461</u></u>	

*Notes:*

- (1) The relevant PRC bank verbally agreed to waive the outstanding interest and propose a new loan agreement. At the time of preparing the 2019 Annual Results, the Company expected to obtain the signed agreement prior to publication of the audited annual results. However, the Company had not yet obtained the signed agreement in relation to the waiver of the interest from the relevant bank prior to publication of the audited annual results. As such, the Company accrued the relevant interest under Hong Kong Accounting Standard (“HKAS”) 37 in the appropriate period which was reflected in the audited annual results.

- (2) Adjustment of accrual of one of the secured borrowing's interest expenses prior to the publication of the unaudited annual results. The Company accrued the interest in the appropriate period under HKAS 37 which was reflected in the audited annual results.
- (3) The Company only managed to receive the latest interest statement as at 31 December 2019 from the relevant bank in April, which is after the publication of the unaudited annual results. As such, the interest expense in the unaudited annual results does not include additional late payment interest and the additional late payment interest was accrued under HKAS 37 which was reflected in the audited annual results.
- (4) The Company remains in discussion with a PRC creditor on the principal terms of the restructuring plan, including capitalising the outstanding interest to exchange for a new loan. Therefore, the Company did not accrue the interest expenses in the unaudited annual results. As the Company has not yet obtained the signed agreement for the new loan prior to publication of the audited annual results and therefore, the Company accrued the interest under HKAS 37 in the appropriate period which was reflected in the audited annual results.
- (5) Adjustment of interests of unlisted bonds.
- (6) The Company revised the calculation of the lease liabilities in 2019 under the new accounting standard HKFRS 16 lease in 2019.
- (7) The Company reclassified part of the capitalised borrowing cost to income statement in audited annual results as the capitalisation criteria under HKAS 23 were not met due to the suspension of construction project in Qingdao in the 4th quarter in 2019.

### **Company's Assessment on the Finance Costs**

In determination of finance costs during preparation of 2019 Annual Results, the Company accrued the interest expenses under HKAS 37 in appropriate period based on the interest rate stated in loan contracts and latest bank statements obtained, except for the following circumstances:

- (i) The Company were in the process of negotiating the restructuring proposal with a PRC bank in Qingdao, during which the relevant PRC bank verbally agreed to waive the outstanding interest and propose a new loan agreement. The Company expected to obtain the signed agreement prior to publication of the audited annual results. In view of this, the Company decided not to accrue the interest prior to publication of the unaudited annual results.

- (ii) The Company remains in discussion with PRC secured borrowing's creditor on the principal terms of the restructuring plan, including capitalising the outstanding interest to exchange for a new loan. In view of this, the Company's directors did not accrue the interest expenses in the unaudited annual results.
- (iii) Prior to the publication of the unaudited annual results, the Company capitalized the borrowing costs which were directly attributable to the construction or production of qualifying assets under HKAS 23. Therefore, the Company capitalised part of the interest expenses for the construction-in-progress.

### **Audit Procedures**

The Auditors had not obtained the signed agreement on the waiver of the interest for the bank loan in PRC and therefore, after discussion with the Company, the Company accrued the interest of HK\$408 million under HKAS 37 in the appropriate period.

The Auditors had not yet obtained the construction progression report on the projects in Qingdao due to suspension of construction progress and therefore, after discussion with the management, the Company decided not to capitalize the interest and reclassify the amount of HK\$13,741,528 to the income statement in audited annual results.

The Auditors obtained the bank loan statement for the aircraft loan after the publication of the unaudited annual results and therefore, after discussion with the Management, the Company accrued the additional interest of HK\$28,852,708 including the penalty according to the latest interest statement.

## IMPAIRMENT LOSSES

### Impairment losses on property, plant and equipment – Qingdao project

The assessment on the impairment losses on property, plant and equipment – Qingdao project was performed by an independent professional valuer. Relating to the impairment losses on the property, plant and equipment in the Qingdao project, the Company wishes to provide further information as follows:

#### 1. *Hotel portion*

The Hotel portion was not yet completed as at 31 December 2018 but has been completed as at 31 December 2019. The valuation method adopted to assess the value as at completed as at 31 December 2018 is mainly direct comparison approach and counter checked by discount cash flow method while the method adopted for the valuation date as at 31 December 2019 is discount cash flow method. Major parameters in the forecast and discount cash flow method for Year 2020 and Year 2021 of the two valuation dates are listed below:

Year	Valuation as at 31 December 2019		Valuation as at 31 December 2018	
	2020	2021	2020	2021
Average room tariff ( <i>RMB</i> )	400	410	600	650
Occupancy rate	45%	85%	77%	81%
Total annual revenue ( <i>RMB Million</i> )	67	120	129	147
Discount rate	8.75%		7.5%	



## 2. Theme Park and Convention Center

Theme Park and Convention Center was not yet completed as at 31 December 2018 but portion of the Theme Park has been completed as at 31 December 2019. The valuation method adopted to assess the value as at completed as at 31 December 2018 and as at 31 December 2019 is discount cash flow method. Major parameters in the forecast and discount cash flow method for Year 2020 and Year 2021 of the two valuation dates are listed below:

Year	Valuation as at 31 December 2019		Valuation as at 31 December 2018	
	2020	2021	2020	2021
Theme Park				
No. of guests	0.8M	1.5M	1.23M	1.7M
Ticket price (RMB)	120	160	180	190
Total annual revenue (RMB Million)	171	572	380	705
Convention Center				
Total annual revenue (RMB Million)	37	151	143	143
Discount rate	14%		15%	

### Expected Credit Loss Assessment of Other Receivables

The assessment on the impairment losses under ECL model was performed by an independent professional valuer. The expected credit loss of other receivables as of 31 December 2018 and as of 31 December 2019 was assessed using the general approach under Hong Kong Financial Reporting Standard 9. The other receivables incorporated intercompany balances, loans, and deposits arising from business operations of the company. The outstanding balances and the applied ECL amounts of other receivables by credit stages (under the 3-stage model) as of 31 December 2018 and 31 December 2019 are summarized as follows:

Stage	As of 31 December 2018			As of 31 December 2019		
	Balance	ECL	ECL (%)	Balance	ECL	ECL (%)
1:	659,559,643	77,814,250	11.8%	1,195,445,512	177,259,295	14.8%
2:	712,091,361	99,758,500	14.0%	420,375	75,755	18.0%
3:	1,816,569,126	1,445,882,000	79.6%	778,877,787	630,496,783	80.9%
Total:	3,188,220,130	1,623,454,750	50.9%	1,974,743,674	807,831,833	40.91%

As shown above, the applied ECL rates (%) for 31 December 2018 and 31 December 2019 were broadly comparable. After the Company wrote-off the ECL provisions from 2018 ending balances, it should be noted that a large portion of stage 2 (underperforming) receivables in 2018 became stage 3 (non-performing) receivables in 2019. This led to an increase in the ECL provisions despite the relatively unchanged ECL rates.

The loss given default (“**LGD**”, which is essentially 1 – recovery rate), and probability of default (“**PD**”, a.k.a. default rate) are two key inputs under the general approach of ECL assessment. These input parameters adopted in the calculation of ECL as of 31 December 2018 and 31 December 2019 are incorporated in the below table:

<b>Stage</b>	<b>As of 31 December 2018</b>		<b>As of 31 December 2019</b>	
	<b>LGD</b>	<b>PD</b>	<b>LGD</b>	<b>PD</b>
1:	61.9%	26.5%	61.9%	26.9%
2:	61.6%	36.0%	61.6%	36.3%
3:	90.9%	84.8%	99.0%	100.0%

The LGD is determined based on the availability of collateral and expected recovery of secured and unsecured portions of the receivables. Reference would also be made to general corporate recovery data as provided by Moody’s Investors Service to estimate appropriate LGDs. Receivables with long overdue periods (i.e. Stage 3) may be assigned higher LGDs as per management’s assessment of collectability of outstanding cash flows on the basis of prudence.

The PD is determined based on the applicable credit ratings (provided by management) of the counterparties and with reference to corporate default data provided by S&P Global Fixed Income Research. Receivables with long overdue periods (i.e. Stage 3) may be assigned higher PDs as per management’s assessment of likelihood of repayment on the basis of prudence.

## Non-performing Receivables

The amount of non-performing receivables was HK\$770 million as per the 2019 Annual Results. The non-performing receivables of HK\$770 million were overdue for over 2 years or 1 to 2 years. All the employees who were involved in performing risk assessment of the receivables have resigned from and left the Group before the date of this announcement. The Company had exerted its best efforts to liaise with those former employees on various occasions in order to obtain further relevant information, record and/or document relating to the relevant assessments but none of those former employees is able to produce any additional information, record and/or document as we requested.

In addition, the Company are not able to locate in its servers and existing document files any other documents explaining the risk assessment performed for each of the non-performing receivables at the time of granting the loans. The Company had exerted its best efforts and instructed its information technology specialized staff to conduct thorough search of its servers and document files, including making the best efforts to recover the relevant email records, but no relevant documents could be located.

A wide range of measures have been considered by the Company to strengthen the internal control procedures in order to prevent future occurrence of internal control incidents including setting up of the receivable policy and procedure, keeping proper record and sufficient documentation of the evaluation work performed for other receivables.

Set out below is the list of each receivable balance of over HK\$5 million under the non-performing receivables of HK\$770 million as at 31 December 2019:

	Name of counterparty	Type of receivable	Current Outstanding Amount (HK\$) (approximate)	Date of recognition
(i)	Nice Race Management Limited	Current account of subsidiary	6,126,975.24	31/12/2016
(ii)	Basic Astute Limited	Consideration for conversion of shares	51,997,899.60	22/12/2017
(iii)	Ultra Famous Limited	Long outstanding receivable	9,516,057.05	Before FY2014

	<b>Name of counterparty</b>	<b>Type of receivable</b>	<b>Current Outstanding Amount (HK\$) (approximate)</b>	<b>Date of recognition</b>
(iv)	China Create Capital Limited	Interest income from the loan receivable	10,912,356.16	31/12/2017
(v)	Sino Esteem Investments Limited	Consideration for conversion of shares	66,400,000.00	12/12/2016
(vi)	Shanghai Golden Jaguar Catering Management Company Limited* (上海金錢豹宴會餐飲管理有限公司) ("Shanghai Golden Jaguar")	Current account of ex-subsidiary	9,248,342.31	5/7/2017
(vii)	Beijing Zhongjeisheng Technology Company Limited (北京中杰盛科技有限公司, "Beijing Zhongjeisheng")	Current account movement	6,686,160.00	29/11/2018
(viii)	Qingdao Yuyuan Advertising Company Limited* (青島余元廣告有限公司, "Qingdao Yuyaun")	current account movement	7,020,468.00	31/3/2017
(ix)	Beijing Angzhan Technology Development Company Limited* (北京昂展科技發展有限公司, "Beijing Angzhan")	payment on behalf of the construction cost	12,815,140.00	31/12/2017
(x)	Sichuan Jiguang Trading Company Limited* (四川吉光貿易有限公司, "Sichuan Jiguang")	current account movement	47,248,864.00	30/6/2017
(xi)	Nantong Yinghua Corporate Refinancing Service Partnership Corp. (Limited Partnership)* (南通盈華企業轉貸服務合夥企業(有限合夥), "Nantong Yinghua")	current account movement	222,872,000.00	4/7/2018
(xii)	Qingdao Jinshui Culture & Media Company Limited* (青島金水文化傳媒有限公司, "Qingdao Jinshui")	Advertising income	7,896,036.18	31/12/2018
(xiii)	Yantai Hengtai Solar Technology Company Limited* (煙台恒太光電技術有限公司, "Yantai Hengtai")	Current account movement	13,372,320.00	31/5/2018
(xiv)	Qingdao Xinzhanrui Electronic Technology Company Limited* (青島鑫展睿電子科技有限公司, "Qingdao Xinzhanrui")	Current account movement	45,283,349.39	14/12/2018
(xv)	Yantai Hengtai	Current account movement	33,088,678.11	30/7/2018

	<b>Name of counterparty</b>	<b>Type of receivable</b>	<b>Current Outstanding Amount (HK\$) (approximate)</b>	<b>Date of recognition</b>
(xvi)	Qingdao Jiasheng Investment Company Limited* (青島捷晟投資有限公司, “Qingdao Jiasheng”)	Current account movement	13,278,601.20	30/6/2018
(xvii)	Qingdao Pinde Trading Company Limited* (青島品德商貿有限公司, “Qingdao Pinde”)	Current account movement	89,199,559.10	31/12/2017
(xviii)	Chengdu Rongchuang Zhidi Company Limited* (成都融創置地有限公司, “Chengdu Rongchuang”)	Construction costs	12,280,907.35	31/10/2017

**(i) Nice Race Management Limited (“Nice Race”)**

Nice Race, a company incorporated in the British Virgin Islands, previously was a wholly-owned subsidiary of the Company before 22 December 2017. The receivable was the finance charge income of a shareholder’s loan due from Nice Race to the Company. The relevant finance charge income were RMB3,661,158.63 and RMB1,442,059.74 for FY2016 and FY2017 respectively.

The Company had completed the disposal of Nice Race on 22 December 2017. However, the receivable had not been collected upon completion of such disposal and afterwards.

As Nice Race has no presence in Hong Kong and it is unable for the Company to reach any personnel in Nice Race, the Company considers that there is no realistic prospect of recovery against Nice Race. Therefore the Company has written off the receivable during the financial year ended 31 December 2020 (“FY2020”).

*(ii) and (vi) Conversion money due from Basic Astute Limited as a result of the issuance of shares in Nice Race and current account due from Shanghai Golden Jaguar*

On 22 December 2017, the Company, Nice Race (being a then wholly-owned subsidiary of the Company), and Basic Astute Limited (“**Basic Astute**”) (a limited liability company incorporated in the British Virgin Islands and a third party independent from the Company and its connected persons) entered into a shares subscription agreement, pursuant to which, (a) Basic Astute agreed to subscribe for new shares in Nice Race at the consideration of USD100; and (b) the Company has agreed to convert all then existing shares in Nice Race into 1 non-voting deferred share at the consideration of HK\$280,000,000. At the material time, Nice Race wholly owned Golden Jaguar International Co., Ltd. and its subsidiaries (“**Golden Jaguar Group**”), and the principal business of which was operation of restaurants providing buffet, banquet, exquisite dining and related service under the brand of “Golden Jaguar”. For details, please refer to the announcement of the Company dated 22 December 2017.

The conversion into non-voting deferred share was completed on 28 December 2017. By 31 December 2018, the Company had only received HK\$228,002,880.40 and the current outstanding amount due from Basic Astute is HK\$51,997,899.60.

Basic Astute Limited is a company incorporated in the British Virgin Islands and the only address of it available for the Company to reach is at Shanghai. As Basic Astute Limited has no presence in Hong Kong and it is unable for the Company to reach any personnel in Basic Astute Limited. The Company will issue a demand letter to Basic Astute in order to recover the outstanding receivable from it.

Shanghai Golden Jaguar, a company incorporated in the PRC, previously was a wholly-owned subsidiary of the Company held through Nice Race before December 2017. The relevant receivable was the shareholder’s loan due from it to the Company. The Company will consider taking necessary legal to recover the relevant receivable.

**(iii) Ultra Famous Limited**

Ultra Famous Limited is a Hong Kong private company limited by shares who, to the best of the Directors' knowledge, is an independent third party of the Company and its connected persons. The relevant receivable existed before 1 January 2014. The Company is unable to retrieve any supporting documents in relation to this receivable despite its effort to request from its auditors since the documents archive period for auditors is 5 years.

In view of the long period of outstanding and the lack of supporting documents, the Company considers that there is no realistic prospect of recovery against Ultra Famous Limited.

**(iv) China Create Capital Limited**

On 31 July 2017, China Create Capital Limited ("**China Create**") as the borrower who, to the best of the Directors' knowledge, is an independent third party of the Company and its connected persons, and Swift Fortune Investments Limited ("**Swift Fortune**"), a direct wholly-owned subsidiary of the Company, as the lender entered into a loan agreement pursuant to which Swift Fortune agreed to provide a loan in the principal amount of HK\$200,000,000 to China Create. As at date of this announcement, there is an interest amount of HK\$10,912,356.16 remained outstanding.

The Group noticed from media reports that Mr. Zhang Wei (張偉) ("**Mr. Zhang**"), the then controlling shareholder of the parent group of China Create, was arrested by the PRC authorities and investigation is in progress.

The Company had issued a demand letter to China Create in February 2020 but there has been no response. The principal amount has been written-off in 2019. Given China Create is a company incorporated in British Virgin Islands with no presence in Hong Kong, the Company considers that the prospect of recovery of the remaining receivable (i.e. the interest amount) is remote and the Company will consider to write off the relevant receivable.

**(v) Sino Esteem Investments Limited**

On 23 December 2016, Leading Express Holdings Group Limited, a wholly-owned subsidiary of the Company, (“**Leading Express**”) and Netspac Investments Limited (“**Netspac**”), each of them being a wholly-owned subsidiary of the Company, entered into a shares subscription agreement (“**SSA**”) with Sino Esteem Investments Limited (“**Sino Esteem**”), who, to the best of the Directors’ knowledge, is a third party independent from the Company, for (a) the subscription by Sino Esteem of ordinary shares in Netspac; and (b) the conversion by Leading Express of all existing ordinary shares held by it in Netspac into non-voting deferred shares (the “**Proposed Transaction**”).

The consideration for the conversion by Leading Express of all existing ordinary shares held by it in Netspac into non-voting deferred shares was HK\$350,000,000, to be paid by Sino Esteem to Leading Express. As at the date of this announcement, the Company had received HK\$283,600,000 from Sino Esteem and the outstanding amount is HK\$66,400,000.

As Sino Esteem Investments Limited has no presence in Hong Kong and it is unable for the Company to reach any personnel in Sino Esteem Investments Limited, the Company considers that the prospect of recovery is remote.

**(vii) Beijing Zhongjeisheng**

Beijing Zhongjeisheng is a company incorporated in the PRC who, to the best of the Directors’ knowledge, is an independent third party of the Company and its connected persons. As 31 December 2019, BZTCL was indebted to, on an interest-free basis, Rio Carnival (Qingdao) Property Co., Ltd (海上嘉年華(青島)置業有限公司, “**Rio Carnival (Qingdao)**”), an indirect wholly-owned subsidiary of the Company in the principal amount of RMB6,000,000, pursuant to a payment made on 29 November 2018. The Company is in discussion with BZTCL for the date of repayment.



**(viii) Qingdao Yuyaun**

Qingdao Yuyaun is a company incorporated in the PRC who, to the best of the Directors' knowledge, is an independent third party of the Company and its connected persons. The relevant receivable relates to the service fee charged by the Group due to advertising service rendered by the Group in 2018. The Group has approached such debtor and was advised that it was in financial difficulties due to economic downturn this year. The Company will consider taking necessary action to recover the relevant receivable and preparing to issue a demand letter to it for recovering the receivable.

**(ix) Beijing Angzhan**

Beijing Angzhan is a company incorporated in the PRC. The Group had paid the construction cost to The Fourth Construction Company Limited of China Construction Eighth Engineering Division (中建八局第四建设有限公司) on behalf of the related company, Beijing Angzhan. At the time of entering into of the transaction, BATDCL held approximately 36% of the entire equity interests in Rio Carnival (Qingdao) and therefore it was a connected person of the Company at its subsidiary level. The Group is currently retrieving relevant information/documents in order to find out on the reasons of the payment of the relevant construction cost.

It was expected that Beijing Angzhan will repay the said amount but the Group was advised that it currently has financial difficulties due to economic downturn this year. The Company is in discussion with Beijing Angzhan for the date of repayment.

**(x) Sichuan Jiguang**

Sichuan Jiguang is a company incorporated in the PRC which, to the best of the Directors' knowledge, is an independent third party of the Company and its connected persons. As at 31 December 2019, SJTCL was indebted, on an interest-free basis, to Rio Carnival (Qingdao), an indirect wholly-owned subsidiary of the Company in the principal amount of RMB42,400,000, pursuant to a payment relating to a fund transfer made on 30 July 2017. The Company is in discussion with SJTCL for the date of repayment.

**(xi) Nantong Yinghua**

Nantong Yinghua is an entity incorporated in the PRC who, to the best of the Directors' knowledge, is an independent third party of the Company and its connected persons. As at 31 December 2019, Nantong Yinghua was indebted, on an interest-free basis, to Rio Carnival (Qingdao), an indirect wholly-owned subsidiary of the Company, for an amount of RMB200,000,000, pursuant to a payment relating to a fund transfer made on 4 July 2017. The Group has made several payment requests upon the said debtor but up to the date of this announcement, the Group has not received any response from it.

It was later noted that Nantong Yinghua has been deregistered on 29 July 2020. The Company considers that there is no realistic prospect of recovery against it. The Company has written off the relevant receivable during FY2020.

**(xii) Qingdao Jinshui**

Qingdao Jinshui is a company incorporated in the PRC who, to the best of the Directors' knowledge, is an independent third party of the Company and its connected persons. The relevant receivable relates to the service fee charged by the Group due to advertising service rendered by the Group in 2018. The Group has approached such debtor and was advised that it was in financial difficulties due to economic downturn this year.

It was later noted that Qingdao Jinshui has been deregistered on 12 August 2020. The Company considers that there is no realistic prospect of recovery against it. The Company has written off the relevant receivable during FY2020.

**(xiii) and (xiv) Yantai Hengtai**

Yantai Hengtai is a company incorporated in the PRC who, to the best of the Directors' knowledge, is an independent third party of the Company and its connected persons. As at 31 December 2019, Yantai Hengtai was indebted, on an interest-free basis, to Qingdao Rio Carnival Business Management Company Limited (青島海上嘉年華商業管理有限公司) and Jiaxintai (Qingdao) Business Management Company Limited (嘉信泰(青島)商業管理有限公司, "**Jiaxintai (Qingdao)**"), both are indirect wholly-owned subsidiaries of the Company, in the principal amount of RMB12,000,000 and RMB29,692,988 respectively, pursuant to the payments relating to a fund transfer made on 31 May 2018 and 30 July 2018.

The Company is in discussion with Yantai Hengtai for the date of repayment.

***(xv) Qingdao Xinzhanrui***

Qingdao Xinzhanrui is a company incorporated in the PRC who, to the best of the Directors' knowledge, is an independent third party of the Company and its connected persons.

As at 31 December 2019, Qingdao Xinzhanrui was indebted, on an interest-free basis, to Jiaxintai (Qingdao), an indirect wholly-owned subsidiary of the Company, in the principal amount of RMB40,636,194, pursuant to a payment relating to a fund transfer made on 14 December 2018. The Group has approached such debtor and was advised that it was in financial difficulties due to economic downturn this year.

It was later noted that Qingdao Xinzhanrui has been deregistered on 5 December 2020. The Company considers that there is no realistic prospect of recovery against it. The Company has written off the relevant receivable during FY2020.

***(xvi) Qingdao Jiesheng***

Qingdao Jiesheng is a company incorporated in the PRC who, to the best of the Directors' knowledge, is an independent third party of the Company and its connected persons.

As at 31 December 2019, Qingdao Jiesheng was indebted, on an interest-free basis, to Jiaxintai (Qingdao), an indirect wholly-owned subsidiary of the Company, in the principal amount of RMB11,915,899, pursuant to a payment relating to a fund transfer made on 31 December 2017. The Group has approached such debtor and was advised that it was in financial difficulties due to economic downturn this year.

The Company is in discussion with Qingdao Jiesheng for the date of repayment.

*(xvii) Qingdao Pinde*

Qingdao Pinde is a company incorporated in the PRC who, to the best of the Directors' knowledge, is an independent third party of the Company and its connected persons. As at 31 December 2019, Qingdao Pinde was indebted, on an interest-free basis, to Jiaxintai (Qingdao), an indirect wholly-owned subsidiary of the Company, in the principal amount of RMB80,045,550, pursuant to a payment relating to a fund transfer made on 31 December 2017.

The Group has made several payment requests upon the said debtor and the Group has received a letter of intent from it indicating that the outstanding amount shall be repaid by 31 December 2021.

*(xviii) Chengdu Rongchuang*

Chengdu Rongchuang is a company incorporated in the PRC. At the time of entering into the relevant transactions, it was a subsidiary of Beijing Angzhan, which is a connected person of the Company at the subsidiary level.

Chengdu Jiajin Property Company Limited (成都市嘉錦置業有限公司, “**Chengdu Jiajin**”) is an indirect wholly-owned subsidiary of the Company. During the period from 2015 to 2019, Chengdu Jiajin, Chengdu Rongchuang and certain construction companies entered into a number of agreements pursuant to which Chengdu Jiajin disposes certain of its assets to those construction companies in consideration of discharging Chengdu Rongchuang's liabilities due to those construction companies arising out of the construction costs incurred.

The Group is currently retrieving relevant information/documents in order to find out the reasons of entering into of these agreements. Meanwhile, the Group has made several payment requests upon the said debtor and was advised that it was in financial difficulties due to economic downturn this year. Nevertheless, the Group has received a letter of intent from it indicating that the outstanding amount shall be repaid by 31 December 2021.

## Listing Rules Implications under Chapters 14 and 14A of the Listing Rules

Set out below is the assessment on Listing Rules implications under Chapters 14 and 14A of the Listing Rules for each receivable balance of over HK\$5 million under the non-performing receivables of HK\$770 million disclosed above:

	Name of counterparty	Type of receivable	Listing Rules Implications
(i)	Nice Race Management Limited	Current account of subsidiary	Intra-group transaction. No Chapters 14 and 14A implications.
(ii)	Basic Astute Limited	Consideration for conversion of shares	Discloseable transaction. Please refer to announcement of the Company dated 22 December 2017.
(iii)	Ultra Famous Limited	Long outstanding receivable	The nature of the transaction is not traceable. It is unable to confirm as to whether the transaction was of a revenue nature in ordinary and usual course of business of the Group.
(iv)	China Create Capital Limited	Interest income from the loan receivable	The counterparty is an independent third party of the Company. As highest of the relevant percentage ratios exceeds 25% but all such percentage ratios are less than 100%, the loan transaction constituted a major transaction.
(v)	Sino Esteem Investments Limited	Consideration for conversion of shares	The counterparty is an independent third party of the Company and the relevant percentage ratios were less than 5%.  No Chapters 14 and 14A implications.
(vi)	Shanghai Golden Jaguar	Current account of ex-subsiidiary	Intra-group transaction. No Chapters 14 and 14A implications.
(vii)	Beijing Zhongjeisheng	Current account movement	The counterparty is an independent third party of the Company and the relevant percentage ratios were less than 5%.  No Chapters 14 and 14A implications.

	<b>Name of counterparty</b>	<b>Type of receivable</b>	<b>Listing Rules Implications</b>
(viii)	Qingdao Yuyaun	current account movement	<p>The counterparty is an independent third party of the Company and the service charge incurred was made in the usual and ordinary course of business of the Group.</p> <p>No Chapters 14 and 14A implications.</p>
(ix)	Beijing Angzhan	payment on behalf of the construction cost	<p>The counterparty is a connected person of the Company at its subsidiary level and the relevant percentage ratios were less than 1%.</p>
(x)	Sichuan Jiguang	current account movement	<p>The counterparty is an independent third party of the Company and the relevant percentage ratios were less than 5%.</p> <p>No Chapters 14 and 14A implications.</p>
(xi)	Nantong Yinghua	current account movement	<p>The counterparty is an independent third party of the Company and the relevant percentage ratios were less than 5%.</p> <p>No Chapters 14 and 14A implications.</p>
(xii)	Qingdao Jinshui	Advertising income	<p>The counterparty is an independent third party of the Company and the service charge incurred was made in the usual and ordinary course of business of the Group.</p> <p>No Chapters 14 and 14A implications.</p>
(xiii)	Yantai Hengtai	Current account movement	<p>The counterparty is an independent third party of the Company and the relevant percentage ratios were less than 5%.</p> <p>No Chapters 14 and 14A implications.</p>

	<b>Name of counterparty</b>	<b>Type of receivable</b>	<b>Listing Rules Implications</b>
(xiv)	Qingdao Xinzhanrui	Current account movement	The counterparty is an independent third party of the Company and the relevant percentage ratios were less than 5%.  No Chapters 14 and 14A implications.
(xv)	Yantai Hengtai	Current account movement	The counterparty is an independent third party of the Company and the relevant percentage ratios were less than 5%.  No Chapters 14 and 14A implications.
(xvi)	Qingdao Jiesheng	Current account movement	The counterparty is an independent third party of the Company and the relevant percentage ratios were less than 5%.  No Chapters 14 and 14A implications.
(xvii)	Qingdao Pinde	Current account movement	The counterparty is an independent third party of the Company and the relevant percentage ratios were less than 5%.  No Chapters 14 and 14A implications.
(xviii)	Chengdu Rongchuang	Construction costs	The counterparty is a connected person of the Company at its subsidiary level and the relevant percentage ratios were less than 1%.

None of the existing board members were involved in all the transactions listed in the table set out above. Except the transaction with Sino Esteem Investments Limited (item (v) above), having inspected the minutes book of the Company, there does not exist any other relevant board resolutions approving the transactions listed above. As the existing board members were not involved in the transactions set out above, they are unable to (i) confirm as to whether the then board members were involved in the relevant transactions; and (ii) ascertain the reasons of the absence of approvals.

## IMPAIRED RECEIVABLES

Reference is made to the announcement of the Company dated 30 September 2019 relating to the supplemental information for the annual results for the year ended 31 December 2018 (the “September Announcement”).

Set out below are the actions taken by the Company in respect of the items (i) to (ix) under the September Announcement:

<b>Name of Counterparty</b>	<b>Actions taken since 2019 up to the date of this announcement</b>
(i) Shenzhen China Create City Renewal Group Company Limited (深圳市中創城市更新集團)	The Company will liaise with its PRC legal advisers for proposed recovery actions against the debtor.
(ii) China Create Capital Limited	<ul style="list-style-type: none"><li>– Issued demand letter on 28 February 2020</li><li>– Given China Create Capital Limited is a company incorporated in British Virgin Islands with no presence in Hong Kong, the Company considers that the prospect of recovery of the remaining receivable (i.e. the interest amount) is remote and the Company will consider to write off the relevant receivable.</li></ul>
(iii) Shenzhen Xin Hengfu Zhiye Company Limited (深圳市新恒富置業有限公司)	The Company will liaise with its PRC legal advisers for proposed recovery actions against the debtor.
(iv) Xin HengFu	<ul style="list-style-type: none"><li>– Issued demand letter on 28 February 2020</li><li>– As Xin HengFu has no presence in Hong Kong and it is unable for the Company to reach any personnel in such company, the Company considers that there is no realistic prospect of recovery against it.</li></ul>



<b>Name of Counterparty</b>	<b>Actions taken since 2019 up to the date of this announcement</b>
(v) Baijin Limited	<ul style="list-style-type: none"> <li>– Issued demand letter on 28 February 2020</li> <li>– As Baijin Limited has no presence in Hong Kong and it is unable for the Company to reach any personnel in such company, the Company considers that there is no realistic prospect of recovery against it.</li> </ul>
(vi) Vigo Hong Kong Investment Limited	<p>Vigo Hong Kong Investment Limited has commenced the members’ voluntary winding-up procedure. The Company has issued the proof of debt to Vigo Hong Kong Investment Limited’s liquidator for the recovery.</p>
(vii) Able China Investments Limited	<ul style="list-style-type: none"> <li>– Issued demand letter on 28 February 2020</li> <li>– As Able China Investments Limited has no presence in Hong Kong and it is unable for the Company to reach any personnel in such company, the Company considers that there is no realistic prospect of recovery against it.</li> </ul>
(viii) Clear Option Limited	<ul style="list-style-type: none"> <li>– Issued demand letter on 28 February 2020</li> <li>– As Clear Option Limited has no presence in Hong Kong and it is unable for the Company to reach any personnel in such company, the Company considers that there is no realistic prospect of recovery against it.</li> </ul>
(ix) Others	<p>Issued demand letter on 28 February 2020</p>
(x) Deposit and other receivables	<p>The ECL impairment under this head composes of about 250 transactions of deposits and other receivables as required under the accounting standards, and certain of these deposits and other receivables are not yet due. The ECL impairment was calculated based on the aging of the other receivables. The Company has been continuously monitoring the outstanding deposits and receivables and will consider appropriate recovery actions from time to time.</p>

## **INTERNAL CONTROL REVIEW**

Reference is made to the announcement of the Company dated 5 February 2020 relating to the supplemental information for the annual results for the year ended 31 December 2018 (the “**February Announcement**”).

The Company has fully implemented issues numbered 1 and 9 as stipulated in the February Announcement. The Company will also continue the implementation of APAC Consultancy and Internal Control Services Limited’s recommendations for the subsequent settlements in respect of issue numbered 8 as discussed in the February Announcement.

In respect of issues numbered 2 to 7 as discussed in the February Announcement, the Company will fully implement the recommendations by the internal control consultant in the event that there are investments/loan projects to be conducted by the Company in the future.

By order of the board

**Carnival Group International Holdings Limited**

**Luo Jiaqi**

*Executive Director*

Hong Kong, 8 July 2021

*The Board, as at the date of this announcement, comprises Mr. Luo Jiaqi 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.*