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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 2021**

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 2021 together with the comparative figures for the corresponding period in 2020.

**RESULTS HIGHLIGHTS**

- Revenue for the six months ended:

	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Property development and investment segment	<b>52,327</b>	90,558
Trading and investment business segment	<b>(3,287)</b>	(22,581)
Hotel operations segment	<b>28,309</b>	25,170
Others segment	<b>5,553</b>	3,909
	<b>82,902</b>	97,056
	<b>(329,110)</b>	(283,484)

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2021*

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>82,902</b>	97,056
Cost of sales		<u><b>(19,954)</b></u>	<u>(26,823)</u>
Gross profit		<b>62,948</b>	70,233
Other income	5	<b>3,130</b>	22,801
Selling and marketing expenses		<b>(19,842)</b>	(15,256)
Administrative expenses		<b>(121,133)</b>	(87,626)
Fair value change on financial assets at fair value through profit or loss		–	(53,061)
Finance costs	6	<u><b>(254,069)</b></u>	<u>(218,968)</u>
Loss before tax		<b>(328,966)</b>	(281,877)
Income tax expense	7	<u><b>(144)</b></u>	<u>(1,607)</u>
Loss for the period	8	<u><b>(329,110)</b></u>	<u>(283,484)</u>

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Other comprehensive income/(expense)</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>58,162</u>	<u>(117,194)</u>
Other comprehensive income/(expense) for the period, net of income tax	<u>58,162</u>	<u>(117,194)</u>
<b>Total comprehensive expense for the period</b>	<b><u>(270,948)</u></b>	<b><u>(400,678)</u></b>
<b>(Loss)/profit for the period attributable to:</b>		
Owners of the Company	(300,009)	(289,667)
Non-controlling interests	<u>(29,101)</u>	<u>6,183</u>
	<b><u>(329,110)</u></b>	<b><u>(283,484)</u></b>
<b>Total comprehensive expense for the period attributable to:</b>		
Owners of the Company	(244,248)	(393,284)
Non-controlling interests	<u>(26,700)</u>	<u>(7,394)</u>
	<b><u>(270,948)</u></b>	<b><u>(400,678)</u></b>
		(Restated)
<b>Loss per share</b>		
– Basic and diluted ( <i>HK dollar per share</i> )	<i>10</i>	
	<b><u>(0.32)</u></b>	<b><u>(0.31)</u></b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>5,354,045</b>	5,373,858
Investment properties		<b>5,081,640</b>	5,027,695
Financial assets at fair value through other comprehensive income		<b>68,000</b>	68,000
Note receivables		<b>89,613</b>	82,697
		<b><u>10,593,298</u></b>	<u>10,552,250</u>
<b>Current assets</b>			
Inventories		<b>4,135,202</b>	4,067,974
Trade receivables	<i>11</i>	<b>16,551</b>	17,880
Prepayments, deposits and other receivables		<b>2,603,252</b>	2,633,988
Financial assets at fair value through profit or loss	<i>12</i>	<b>185,963</b>	188,993
Restricted cash		<b>42,046</b>	51,444
Cash and cash equivalents		<b>65,357</b>	57,782
		<b><u>7,048,371</u></b>	<u>7,018,061</u>
<b>Total assets</b>		<b><u>17,641,669</u></b>	<u>17,570,311</u>

		<b>30 June 2021</b>	31 December 2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Current liabilities</b>			
Trade payables	13	1,911,773	1,906,172
Contract liabilities		269,037	241,263
Deposits from customers		8,930	9,700
Accrued liabilities and other payables		4,265,589	3,960,810
Amounts due to non-controlling interests		56,721	56,034
Amounts due to related companies		211,842	201,810
Lease liabilities		9,763	9,794
Borrowings – current portions		8,469,084	8,488,089
Current tax liabilities		536,673	530,729
		<u>15,739,412</u>	<u>15,404,401</u>
<b>Net current liabilities</b>		<u>(8,691,041)</u>	<u>(8,386,340)</u>
<b>Total assets less current liabilities</b>		<u>1,902,257</u>	<u>2,165,910</u>
<b>Capital and reserves</b>			
Share capital	14	9,478	9,478
Share premium and reserves		608,537	852,785
Equity attributable to owners of the Company		618,015	862,263
Non-controlling interests		142,790	169,490
<b>Total equity</b>		<u>760,805</u>	<u>1,031,753</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		1,128,290	1,116,017
Lease liabilities		13,162	18,140
		<u>1,141,452</u>	<u>1,134,157</u>
		<u>1,902,257</u>	<u>2,165,910</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 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 2021 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

### **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 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	COVID-19 Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the above new and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the unaudited condensed consolidated financial statements and/or disclosures set out in the unaudited 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, especially a series of proactive fiscal policies and prudent monetary policies adopted by the state and governments of all levels during the interim period of 2021, leading to a strained liquidity position of the Group. The Group incurred a net loss of approximately HK\$329,110,000 during the six months ended 30 June 2021 and, as at that date, the Group had net current liabilities of approximately HK\$8,691,041,000. As disclosed in the Company's announcement dated 27 March 2020 and 10 March 2021, the Directors are undertaking a debt restructuring plans in Hong Kong (the "Debt Restructure Plans") and bankruptcy reorganisation proceedings for an indirect non-wholly owned subsidiary of the Company in the People's Republic of China (the "PRC") (the "Bankruptcy Reorganisation") 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 Plans and the Bankruptcy Reorganisation, 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 successful outcome from these plans and measures included in the Debt Restructuring Plans and the Bankruptcy Reorganisation 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 2021 and 2020 are as follows:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Sale of properties	11,123	29,656
Operating lease income from leasing of investment properties	40,582	27,765
Advertising income	622	33,137
Realised and unrealised losses on financial assets at fair value through profit or loss	(3,287)	(22,581)
Revenue from admission tickets	1,469	1,565
Hotel operations	28,309	25,170
Property management services	4,084	2,344
	<u>82,902</u>	<u>97,056</u>

## Disaggregation of revenue from contracts with customers

### Represented by:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>Revenue from contracts with customers:</b>		
Recognised at a point in time:		
– Development and sales of properties	11,123	29,656
– Hotel food and beverage revenue	9,064	5,273
– Sales of admission tickets	1,469	1,565
	<u>21,656</u>	<u>36,494</u>
Recognised over time:		
– Advertising income	622	33,137
– Property management services	4,084	2,344
– Hotel room income	19,245	19,897
	<u>23,951</u>	<u>55,378</u>
<b>Revenue from other sources:</b>		
– Operating lease income from leasing of investment properties	40,582	27,765
– Realised and unrealised losses on financial assets at fair value through profit or loss	(3,287)	(22,581)
	<u>37,295</u>	<u>5,184</u>
	<u>82,902</u>	<u>97,056</u>



#### 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 PRC and Hong Kong for sales, leasing and other incidental use including advertising services;
- (ii) Trading and investment business – Investing on securities and financial instruments;
- (iii) Hotel operations – Hotel accommodation, food and banquet operations; and
- (iv) Others – Providing retail-related consultancy and management services.

#### 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 2021 (Unaudited)

	Property development and investment segment <i>HK\$'000</i>	Trading and investment business segment <i>HK\$'000</i>	Hotel operations segment <i>HK\$'000</i>	Others segment <i>HK\$'000</i>	Inter-segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>REVENUE</b>						
External sales	52,327	(3,287)	28,309	5,553	-	82,902
Inter-segment sales	8,083	-	-	4,446	(12,529)	-
	<u>60,410</u>	<u>(3,287)</u>	<u>28,309</u>	<u>9,999</u>	<u>(12,529)</u>	<u>82,902</u>
<b>RESULTS</b>						
Segment results	(56,843)	(3,033)	7,939	(3,419)	-	(55,356)
Finance costs						(254,069)
Unallocated income						2,476
Unallocated expenses						<u>(22,017)</u>
Loss before tax						<u><u>(328,966)</u></u>

For the six months ended 30 June 2020 (Unaudited)

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

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 2021 and 2020.

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.

## Segment assets and liabilities

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

<b>Segment assets</b>	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Property development and investment segment	<b>15,798,705</b>	15,713,309
Trading and investment business segment	<b>471,905</b>	468,022
Hotel operations segment	<b>819,803</b>	831,341
Others segment	<b>4,908</b>	4,799
<b>Total segment assets</b>	<b>17,095,321</b>	17,017,471
Unallocated corporate assets	<b>546,348</b>	552,840
<b>Consolidated total assets</b>	<b><u>17,641,669</u></b>	<b><u>17,570,311</u></b>

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

<b>Segment liabilities</b>	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Property development and investment segment	<b>9,935,551</b>	9,805,050
Trading and investment business segment	<b>85,728</b>	80,803
Hotel operations segment	<b>26,534</b>	34,481
Others segment	<b>44,040</b>	44,316
<b>Total segment liabilities</b>	<b>10,091,853</b>	9,964,650
Unallocated corporate liabilities	<b>6,789,011</b>	6,573,908
<b>Consolidated total liabilities</b>	<b><u>16,880,864</u></b>	<b><u>16,538,558</u></b>

*Note:* All liabilities are allocated to operating segments other than certain borrowings, deferred tax liabilities, lease liabilities and other unallocated liabilities.

## 5. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest on bank and other deposits	180	184
Gain on disposal of property, plant and equipment	–	610
Gain on deregistration of subsidiaries	–	5,844
Net foreign exchange gains	–	15,307
Others	2,950	856
	<u>3,130</u>	<u>22,801</u>

## 6. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest on bank and other borrowings:		
– wholly repayable within five years	75,431	57,472
Interest on lease liabilities	619	114
Effective interest expenses on		
– senior bonds	56,970	51,035
– bonds	138,958	131,829
Total finance costs	271,978	240,450
Less: amounts capitalised ( <i>Note</i> )	(17,909)	(21,482)
	<u>254,069</u>	<u>218,968</u>

*Note:*

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

## 7. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>Current tax:</b>		
Enterprise Income Tax	472	2,892
<b>Deferred tax</b>	<u>(328)</u>	<u>(1,285)</u>
Income tax expense	<u><b>144</b></u>	<u><b>1,607</b></u>

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 period.

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):

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
Gross rental income from investment properties	(40,582)	(27,765)
Less:		
direct operating expenses incurred for investment properties that generated rental income during the period	3,180	2,239
direct operating expenses incurred for investment properties that did not generate rental income during the period	417	240
	<u>(36,985)</u>	<u>(25,286)</u>
Cost of properties and other inventories sold recognised as an expense ( <i>Note (ii)</i> )	<u>19,954</u>	<u>26,823</u>
Expenses related to short-term leases	<u>468</u>	<u>77</u>
Employee benefits expenses (including directors' emoluments)		
– salaries and other benefits	37,544	33,475
– contributions to retirement benefit schemes	3,355	1,070
	<u>40,899</u>	<u>34,545</u>
Less: amounts capitalised ( <i>Note (i)</i> )	<u>(7,129)</u>	<u>(8,160)</u>
Total employee benefits expenses	<u>33,770</u>	<u>26,385</u>
Depreciation of property, plant and equipment	<u>71,804</u>	<u>44,553</u>
Impairment losses under expected credit loss model on deposits and other receivables, net of reversal	<u>(7,114)</u>	<u>1,723</u>

Notes:

- (i) Certain employee benefits expenses, contributions to retirement benefits schemes and depreciation of property, plant and equipment had been capitalised to certain property development projects in the PRC which are included in properties under development for sale.

The Group has ceased the capitalisation since late 2019 on certain projects due to the suspension of active development of these projects.

- (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 2020: Nil). The Directors have resolved that no dividend will be declared in respect of the current interim period (six months ended 30 June 2020: Nil).

## 10. LOSS PER SHARE

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
<b>Loss</b>		
Loss for the purposes of basic and diluted loss per share:		
Loss for the period attributable to owners of the Company	<u>(300,009)</u>	<u>(289,667)</u>
		(Restated)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>947,808,823</u>	<u>947,808,823</u>

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

The weighed average number of ordinary shares for the purposes of basic and diluted loss per share for the six months ended 30 June 2020 had been restated to retrospectively adjust for the share consolidation, capital reduction and share sub-division completed on 3 November 2020 as set out in Note 14.

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 2021 and 2020.

## 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:

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
0 – 60 days	<b>2,459</b>	3,821
61 – 90 days	<b>142</b>	406
91 – 120 days	<b>13,943</b>	13,631
121 – 180 days	<b>7</b>	22
	<hr/> <b>16,551</b> <hr/>	<hr/> 17,880 <hr/>



## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
<b>Financial assets</b>		
Equity securities listed in Hong Kong	<b>39</b>	51
Unlisted investment funds in Cayman Islands	<b>185,924</b>	188,942
	<b>185,963</b>	188,993

## 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:

	<b>30 June</b>	31 December
	<b>2021</b>	2020
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
0 – 30 days	<b>63,117</b>	70,400
31 – 60 days	–	–
61 – 90 days	–	–
Over 90 days	<b>1,848,656</b>	1,835,772
	<b>1,911,773</b>	1,906,172

## 14. SHARE CAPITAL

	Ordinary shares of HK\$0.01 each	Amount <i>HK\$'000</i>
<b>Authorised:</b>		
At 31 December 2020 (Audited), 1 January 2021 and 30 June 2021 (Unaudited)	<u>1,000,000,000,000</u>	<u>10,000,000</u>
<b>Issued and fully paid:</b>		
At 31 December 2020 (Audited), 1 January 2021 and 30 June 2021 (Unaudited)	<u>947,808,823</u>	<u>9,478</u>

*Note:*

### Capital reorganisation

Pursuant to a resolution passed in the special general meeting held on 30 October 2020, the Company announced (i) the share consolidation of every twenty five issued and unissued shares into one consolidated share (the “Consolidated Share”) of HK\$0.25 (the “Share Consolidation”); (ii) the reduction of the par value of all issued Consolidated Shares from HK\$0.25 each to HK\$0.01 each (the “Adjusted Shares”) and the reduction of the issued share capital of the Company by HK\$0.24 per Consolidated Share in issue (the “Capital Reduction 2020”); (iii) the subdivision of every unissued Consolidated Share in the share capital of the Company arising from the Share Consolidation into twenty five Adjusted Shares with a par value of HK\$0.01 each (the “Share Subdivision”); (iv) the reduction of the entire amount standing to the credit of the share premium account of the Company as at the date of the resolution (the “Reduction of Share Premium Account”, and together with the Share Consolidation, the Capital Reduction 2020 and the Share Subdivision, the “Capital Reorganisation”) and (v) the transfer of the credit arising from the Capital Reduction 2020 and the Reduction of Share Premium Account to the contributed surplus account of the Company for use by the board of directors of the Company in any manner permitted by the Companies Act 1981 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 effective date of the Capital Reorganisation. The Share Consolidation, Capital Reduction 2020 and Share Subdivision became effective on 3 November 2020.

## 15. COMPARATIVE FIGURES

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

## 16. CONTINGENT LIABILITIES

The Group had no other material contingent liabilities aware of.

## **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**

Looking back at the first half of 2021, as the negative impact of the COVID-19 epidemic gradually faded away, and coupled with a series of proactive fiscal policies and prudent monetary policies adopted by the state and governments at all levels, the post-pandemic real estate market continued to be recovered, and the scale of commodity housing sales increased significantly. In the first half of 2021, the policy keynote of “stabilizing housing price, land premium and expectation” in the real estate market remained unchanged and the principle of “houses are for living instead of speculation” were always adhered to, which emphasized the continuity and stability of real estate regulatory policies. Compared with 2020, the Central People’s Government of the PRC (the “Central Government”) further focused its regulation logic on the supply side and the real estate finance regulation continued to be more stringent. At the same time, it strengthened the regulation efforts on the second-hand housing market to ensure the stable and healthy development of the real estate market.

## **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 the Group's 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..

During the six months ended 30 June 2021, 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 2021, 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\$52.3 million for the six months ended 30 June 2021, compared to HK\$90.6 million for the six months ended 30 June 2020. For the six months ended 30 June 2021, the revenue was mostly derived from the sale of residential units of the remaining completed properties in Qingdao and rental income from leasing of investment properties in Qingdao.

## **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 2021, the Group recorded an unrealised loss on investments of approximately HK\$3.3 million, compared to the loss of investment of HK\$22.6 million for the six months ended 30 June 2020.

As at 30 June 2021, the total value of the Group's securities investments was approximately HK\$39,000, compared to approximately HK\$51,000 as at 31 December 2020.

## **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 2021, revenue from hotel operations segment was approximately HK\$28.3 million, compared to HK\$25.2 million for the six months ended 30 June 2020.

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

Our business model is to attract and retain customers through different themes for 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.

Looking forward to the second half of 2021, the overall macroeconomy will remain stable with monetary policy continues to allow reasonable and sufficient liquidity. The support to the real economy will be continuously strengthened whereas fiscal policies will emphasize on precision and effectiveness.

In the latter half of the year, macro-economy in China is still under significant pressure due to 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. In the current year, the Group will strengthen its cost control standards with an aim at pursuing sustainability and strengthen its cash flow management, lower the gearing ratio and improve management efficiency.

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 2021, the Group recorded a consolidated net loss of approximately HK\$329.1 million as compared to the net loss of approximately HK\$283.5 million for the six months ended 30 June 2020. The loss is mainly due to (i) administrative expenses of approximately HK\$121.1 million as increase in depreciation of property, plant and equipment; and (ii) finance cost of approximately HK\$254.1 million as decrease in capitalisation of finance cost.

### **Capital Structure, Liquidity and Financial Resources**

As at 30 June 2021, the current assets and current liabilities of the Group were approximately HK\$7,048.4 million (31 December 2020: approximately HK\$7,018.1 million) and approximately HK\$15,739.4 million (31 December 2020: approximately HK\$15,404.4 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was approximately 0.45 times as at 30 June 2021, as compared to that of approximately 0.46 times as at 31 December 2020.

As at 30 June 2021, the Group's total assets and total liabilities amounted to approximately HK\$17,641.7 million (31 December 2020: approximately HK\$17,570.3 million) and approximately HK\$16,880.9 million (31 December 2020: approximately HK\$16,538.6 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.96 times as at 30 June 2021, as compared to that of approximately 0.94 times as at 31 December 2020.

The cash and bank deposits as at 30 June 2021 were approximately HK\$65.4 million (31 December 2020: approximately HK\$57.8 million).

As at 30 June 2021, 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 1,104.6% (31 December 2020: approximately 817.1%). The increase in net debt to equity ratio was mainly due to the decrease in share premium and reserves during the six months ended 30 June 2021.

On 13 May 2021, the Company entered into a placing agreement (the “Placing Agreement”) with VC Brokerage Limited (the “Placing Agent”) pursuant to which the Placing Agent has conditionally agreed to procure not less than six placees to subscribe for up to 680,000,000 new shares of the Company (the “Placing Share(s)”) at the placing price of HK\$0.10 per Placing Share (the “Placing”). The Placing Shares to be placed under the Placing Agreement will be allotted and issued pursuant to the specific mandate to be sought from and, if approved, granted by the shareholders of the Company to the Directors at the special general meeting of the Company to be held to consider the ordinary resolution to be proposed to approve the Placing Agreement and the transactions contemplated thereunder (including the grant of the specific mandate to allot and issue the Placing Shares). Completion of the Placing is subject to the satisfaction of the condition precedent in the Placing Agreement. Assuming all the Placing Shares are successfully placed, the estimated aggregate gross and net proceeds of the Placing will be HK\$68,000,000 and approximately HK\$66,000,000 respectively, which are intended to be used for general working capital of the Group. As at the date of the announcement, the Placing Agreement is pending for fulfillment of the conditions precedent.

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 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 eight meetings with the institutional creditors to provide updates on its operational and financial status and future business plan, and to discuss about its debt restructuring plan since April 2019. Major creditors have established a clear understanding of the Company’s financial status and have indicated their willingness to work constructively with the Company. Certain creditors are considering to provide capital to support the Company in light of its current difficulties.



On 5 December 2019, the Company appointed 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 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.

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.

For the bankruptcy reorganisation of the Company's subsidiary Rio Carnival (Qingdao) Property Co., Ltd (海上嘉年華) ("Rio Carnival (Qingdao)"), 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 and the Manager put forward the following resolutions for creditors' approval:

1. The Property Management Plan
2. The Selection Plan Proposed by the Members of the Creditors' Committee
3. The Report on Proposing the Debtor to Continue Operation

The reorganisation plan has been submitted by Rio Carnival (Qingdao) on 23 August 2021 and the second creditors' meeting shall be held in September 2021. Final reorganisation plan shall be subject to the negotiation results with the potential investors and creditors.

In addition, 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 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 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.

## **EVENTS AFTER THE REPORTING PERIOD**

Reference is made to the announcements of the Company dated 17 February 2021, 23 February 2021, 28 May 2021 and 15 July 2021 in relation to, among others, the New Petition presented against the Company.

On 19 July 2021, the New Petition was dismissed by the High Court.

Reference is made to the announcements of the Company dated 11 March 2020, 4 June 2020, 16 June 2020, 29 June 2020, 21 July 2020, 22 July 2020, 29 September 2020, 8 February 2021, 1 March 2021, 13 May 2021 and 17 May 2021 in relation to, among others, the Zhang's Petition received by the Company.

Hearing of the Zhang's Petition has been adjourned to no earlier than 31 August 2021. The Company will keep its shareholders informed of any significant developments by way of further announcement(s) as and when appropriate.

## **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 2021, except for three 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.

## **CONTINGENT LIABILITIES**

As at 30 June 2021, the Group had no material contingent liabilities.

## **CHARGES ON THE GROUP'S ASSETS**

As at 30 June 2021, the Group's certain property, plant and equipment, investment properties, properties for sales and equity securities listed in Hong Kong were pledged to banks and other financial institutions to secure certain loan facilities.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2021.

## **EMPLOYEE INFORMATION**

As at 30 June 2021, the Group had 205 employees (31 December 2020: 182 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 2021, the total staff costs of the Group were approximately HK\$40.9 million (six months ended 30 June 2020: approximately HK\$34.5 million), representing an increase of approximately 18.6% over the corresponding period of 2020. The increase in staff cost was mainly due to increase of employees.

## **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 2021.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. During the six months ended 30 June 2021, the Company has not appointed a chief executive officer nor chairman and the role and functions of chief executive officer and chairman have been performed by all executive Directors, 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 2021.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted 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 six months ended 30 June 2021.

## **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 2021 have been reviewed by the Audit Committee.

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

Hong Kong, 31 August 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.*