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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 2020**

Reference is made to (i) the announcement of Carnival Group International Holdings Limited (the “**Company**”) dated 31 March 2021 in relation to the unaudited annual results for the year ended 31 December 2020; (ii) its announcement dated 28 May 2021 in relation to the audited annual results for the year ended 31 December 2020; and (iii) the annual report of the Company for the year ended 31 December 2020 published on 10 June 2021 (collectively, the “**Announcements and Report**”). Unless otherwise defined, capitalised terms defined in the Announcements and the Report shall have the same meanings in this announcement.

In relation to the consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Annual Results**”), the Company would like to supplement the following information:

DISCLAIMER OPINION ON THE 2020 ANNUAL RESULTS

The Management's view

During the course of audit of the 2020 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 agreed to take the following measures to continue in operational existence for the foreseeable future including but not limited to:

- (i) continue working with professional advisers to put forward the restructuring progress in Hong Kong and Qingdao with an aim to achieve a consensual restructuring as early as practicable;
- (ii) the proposed sale of Yanglin Project in 2021 with an aim to improve the cashflow of the Group;
- (iii) gain support from certain existing offshore institutional creditors to provide financial support to the Group;

Based on the above, and in preparing the consolidated financial statements of the Group for the year ended 31 December 2020, 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 next twelve months and therefore is of the view that the Group would be able to continue as a going concern.

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 at 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 the 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 at 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 financial support to 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 (i) provide 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 an update on (i) the winding up petition received by the Company, (ii) the Bankruptcy Reorganisation plan and its impact on offshore debt repayment and to (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.

For the Bankruptcy Reorganisation of Rio Carnival (Qingdao) Property Co., Ltd (海上嘉年華)(“**Rio Carnival (Qingdao)**”), a subsidiary of the Company, 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.

The Company will continue work with creditors to put forward the restructuring progress in Qingdao with an aim to achieve a consensual restructuring as early as practicable.

In the meantime, the Company and its restructuring legal advisor are actively preparing for the hearing of winding-up petitions presented by certain immigration bondholders. Timetable (as detailed below) and outcome of the debt restructure plan are dependent on the negotiation with the creditors and the results of the hearing of winding-up petitions.

IMPAIRMENT LOSSES

Impairment Losses under financial guarantee contracts

The assessment on the impairment losses under financial guarantee contracts was performed by an independent professional valuer. Relating to the impairment losses under financial guarantee contracts, the Company wishes to provide further information as follows:

The exercise to estimate the fair value of financial guarantees provided by the Company was undertaken by an independent professional valuer and involves the assessment of default rate and recovery rates as well as forward-looking information that is reasonable and supportable at the reporting date. The independent professional valuer has adopted the probability-weighted loss default model to determine the fair value of financial guarantees provided by the Company.

Assessment techniques were adopted in compliance with the HKFRS 9 and are calibrated to ensure that outputs reflect market conditions. The valuation methodology has remained consistent over the two financial reporting periods without significant changes in the source of inputs and assumptions.

Fair value assessment of corporate guarantee contracts

The fair value of corporate guarantee contracts as of 31 December 2020 adopted the methodology of assessing the expected credit loss assessment which used the general approach under Hong Kong Financial Reporting Standard 9. The corporate guarantee contracts incorporated debt obligation of outside parties. Some of the corporate guarantee contracts involve several outside guarantors and collateral provided by other guarantors. The outstanding balances and the applied fair value of corporate guarantee contracts as of 31 December 2020 are summarized as follows:

Borrower	Loan amount (RMB)	Fair Value of Corporate Guarantee (RMB)
青島金戈響天經貿有限公司	120,000,000	76,371,200
青島凱樂美經貿有限公司	200,000,000	90,323,000
山西敏東貿易有限公司	100,000,000	67,788,467
深圳市健隆星光電技術有限公司	54,500,000	36,536,872
深圳興傳投資發展有限公司	84,300,000	56,514,831
北京昂展科技發展有限公司	261,120,100	26,700,000

As discussed in the valuation reports, 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 2020 are incorporated in the below table:

Borrower	PD	LGD
青島金戈響天經貿有限公司	100%	57.1%
青島凱樂美經貿有限公司	100%	39.8%
山西敏東貿易有限公司	100%	61.9%
深圳市健隆星光電技術有限公司	100%	61.9%
深圳興傳投資發展有限公司	100%	61.9%
北京昂展科技發展有限公司	100%	75.9%

The LGD is determined based on the availability of collateral and expected recovery of secured and unsecured portions of the debt. Reference would also be made to general corporate recovery data as provided by Moody's Investors Service to estimate appropriate LGDs.

The PD is determined based on the applicable credit ratings of the borrowers and with reference to corporate default data provided by S&P Global Fixed Income Research. Debts unsettled after the contract payment date would be assigned 100% PDs as considered to be defaulted in general market practice.

Further announcement(s) will be made by the Company in respect of the corporate guarantee contracts.

Impairment Losses on Property, Plant and Equipment

The assessment on the impairment losses on Property, Plant and Equipment on Qingdao Project was performed by an independent professional valuer. Relating to the impairment losses on Property, Plant and Equipment on Qingdao Project, the Company wishes to provide further information as follows:

1. Hotel portion

Major parameters in the forecast and discount cash flow method for Year 2021 and Year 2022 of the two valuation dates are listed below.

Year	Valuation as at 31 Dec 2019		Valuation as at 31 Dec 2020	
	2020	2021	2021	2022
Average room tariff (RMB)	400	410	400	424
Occupancy rate	45%	85%	73%	78%
Total annual revenue (RMB Million)	67	120	73	92
Discount rate	8.75%		8.75%	

2. Theme park and Convention Center

Portion of the Theme Park has been completed in 2019. Major parameters in the forecast and discount cash flow method for Year 2021 and Year 2022 of the two valuation dates are listed below.

Year	Valuation as at 31 Dec 2019		Valuation as at 31 Dec 2020	
	2020	2021	2021	2022
Theme Park				
No. of guests	0.8M	1.5M	0.05M	0.12M
Ticket price (RMB)	120	160	90	100
Total annual revenue (RMB Million)	171	572	17	39
Convention Center				
Total annual revenue (RMB Million)	37	151	The commencement of operation is expected to be postponed to 2023	
Discount rate	14%		14%	

Expected Credit Loss Assessment of Other Receivables

The expected credit loss of other receivables as of 31 December 2019 and as of 31 December 2020 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 2019 and 31 December 2020 are summarized as follows:

Stage	As of 31 December, 2019			As of 31 December, 2020		
	Balance	ECL	ECL (%)	Balance	ECL	ECL (%)
1:	1,195,445,512	177,259,295	14.8%	1,233,952,914	215,374,039	17.5%
2:	420,375	75,755	18.0%	376,418	80,044	21.3%
3:	778,877,787	630,496,783	80.9%	1,301,559,815	1,301,559,815	100.0%
Total:	1,974,743,674	807,831,833	40.91%	2,535,889,148	1,517,013,898	59.8%

As shown above, the applied ECL rates (%) for 31 December 2019 and 31 December 2020 were broadly comparable. As per special instruction from the Company, it should be noted that a large portion of stage 3 (non-performing) receivables in 2019 was reclassified from the prepayment. This led to an increase in the ECL provisions despite the relatively unchanged ECL rates.

As discussed in the valuation reports, LGD, and PD are two key inputs under the general approach of ECL assessment. These input parameters adopted in the calculation of ECL as of 31 December 2019 and 31 December 2020 are incorporated in the below table:

Stage	As of 31 December, 2019		As of 31 December, 2020	
	LGD	PD	LGD	PD
1	61.9%	26.9%	62.3%	27.1%
2	61.6%	36.3%	62.1%	36.6%
3	99.0%	100.0%	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 the 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.

BANKRUPTCY REORGANIZATION

The roles and responsibilities of the Company and the Board in the Bankruptcy reorganization, with reference to the relevant laws and regulations in the PRC

(i) the management team of Rio Carnival (Qingdao) are allowed to continue their management duties in the daily operations of Rio Carnival (Qingdao); (ii) Rio Carnival (Qingdao) can continue furnish the details of the books and records through its management for the preparation of the financial statements of the Group; (iii) the management team of Rio Carnival (Qingdao) is taking a key role in the preparation of the reorganisation plan to be submitted to the People's Court; (iv) the Management are able to substantially participate in the process of Bankruptcy Reorganisation of Rio Carnival (Qingdao) in the capacity as a shareholder and creditor of Rio Carnival (Qingdao), and assist the Manager in performing due diligence of Rio Carnival (Qingdao)'s financial positions. The management of Rio Carnival (Qingdao) currently remains under the control of the Group despite the appointment of the Manager.

Reason for consolidation of Rio Carnival (Qingdao) into the Company's consolidated financial statements for the year-ended 31 December 2020

According to Hong Kong Financial Reporting Standard 10, 'Consolidated Financial Statements' (HKFRS 10) requires an entity (the parent) that controls one or more other entities to prepare consolidated financial statements, unless the parent is an "investment entity". It should require little or no analysis to conclude that the Company does not meet the definition of an "investment entity". Therefore, the following explanation will not further address this area.

In accordance with paragraph 6 of HKFRS 10, "an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". Control is established if and only if the investor demonstrates all three elements of control:

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect the amount of the investor's returns.

In addition, paragraph B80 of HKFRS 10 requires an investor to reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

In preparing the 2020 Annual Results, the directors of the Company concluded that the Company continued to have control over Rio Carnival (Qingdao) from the commencement of the Bankruptcy Reorganisation to year-end date after considering the following facts and circumstances:

1. The power element of control. In accordance with paragraph 10 of HKFRS 10, an investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities (i.e. the activities that significantly affect the investee's returns).

The relevant activities of Rio Carnival (Qingdao) are those of the development and sale of properties and the financing of the development of such properties. Decisions about the relevant activities are made by the board of directors of Rio Carnival (Qingdao). There was neither any change in the Company's shareholdings in Rio Carnival (Qingdao) nor the composition of the board of directors of Rio Carnival (Qingdao) after the commencement of the Bankruptcy Reorganisation up to year-end date. As a result, voting rights in shareholder meetings and board of directors meetings have remained unchanged immediately before and after the commencement of the Bankruptcy Reorganisation up to the date of the consolidated financial statements.

Based on the above, the Company has retained power over Rio Carnival (Qingdao).

2. The returns element of control and the link of power and returns. The Company had a 64% interest in the ordinary shares of Rio Carnival (Qingdao) during the year and was, thus, exposed to the risks and rewards that vary with the performance of Rio Carnival (Qingdao). Therefore, the Company was exposed, or had rights, to variable returns from its involvement with Rio Carnival (Qingdao).

In accordance with paragraphs 17 and 18 of HKFRS 10, in order to control an investee, an investor must also have the ability to use its power over the investee to affect the returns from its involvement with the investee. When a decision-maker assesses whether it controls an investee, it determines whether it is a principal or agent. An investor with delegated decision-making rights does not control an investee.

In performing the above assessment, the Company's and Rio Carnival (Qingdao)'s relationship with the Manager.

- (i) the Manager was engaged by the People's Court to act as an agent and administrator among Rio Carnival (Qingdao), its creditors and the Court for the purpose of the Bankruptcy Reorganisation. Remuneration of the Manager will be paid by Rio Carnival (Qingdao) based on the value of the liquidated assets and calculated by certain percentages decided by the Court.
- (ii) Proceeds from the sale of Rio Carnival (Qingdao)'s inventories are deposited in Rio Carnival (Qingdao)'s bank accounts. Disbursements from these bank accounts require the approval of the Manager. Despite such restriction placed on the operation of Rio Carnival (Qingdao)'s bank accounts, the rights of the Manager are solely for the safeguard of the assets for the creditors of Rio Carnival (Qingdao).

Furthermore, ownership and legal title of the assets of Rio Carnival (Qingdao) have remained with Rio Carnival (Qingdao) since the commencement of the Bankruptcy Reorganisation. The Court has also approved that the management and staff of Rio Carnival (Qingdao) may continue its operations according to their existing business plans (i.e. sale of residential properties and cark-parking units) during the Bankruptcy Reorganisation. In addition, the accounting records of Rio Carnival (Qingdao) remain with Rio Carnival (Qingdao) during the Bankruptcy Reorganisation.

Therefore, the Company had the ability to use its power over Rio Carnival (Qingdao) to affect those returns, before and after the commencement of the Bankruptcy Reorganisation up to year-end date.

The Company has not lost control over Rio Carnival (Qingdao) during the year with the commencement of the Bankruptcy Reorganisation and, thus, the consolidated financial statements for the year ended 31 December 2020 should include then results and financial position of Rio Carnival (Qingdao). The above assessment is based on the then current status of Rio Carnival (Qingdao) as at the date of issuing the 2020 Annual Results.

By order of the board
Carnival Group International Holdings Limited
Tang Runtao
Executive Director

Hong Kong, 8 April 2022

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