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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 2018

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 2018 together with the comparative figures for the corresponding period in 2017.

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

*For the six months ended 30 June 2018*

| | | **Unaudited** | |
|---|---|---|---|
| | | **Six months ended 30 June** | |
| | | **2018** | 2017 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| Revenue | *3* | **1,831,940** | 903,880 |
| Cost of sales | | **(1,674,154)** | (472,784) |
| Gross profit | | **157,786** | 431,096 |
| Other income | *4* | **60,425** | 26,913 |
| Selling and marketing expenses | | **(58,877)** | (193,074) |
| Administrative expenses | | **(225,736)** | (285,167) |
| Gain on bargain purchase | | **–** | 45,713 |
| Fair value change on financial liabilities at fair value through profit or loss | | **–** | 43,609 |
| Finance costs | *5* | **(19,675)** | (10,356) |
| Impairment loss on goodwill | | **–** | (250,000) |
| Fair value change in respect of investment properties | | **44,095** | – |
| Loss before tax | | **(41,982)** | (191,266) |
| Income tax expense | *6* | **(52,942)** | (23,047) |
| **Loss for the period** | *7* | **(94,924)** | (214,313) |

| | Notes | Unaudited<br>Six months ended 30 June<br>**2018**<br>***HK$'000*** | <br><br>2017<br>*HK$'000* |
|---|---|---|---|
| **Other comprehensive income/(expense)** | | | |
| *Item that will not be reclassified to profit or loss:* | | | |
| Fair value gain on equity instruments at fair value through other comprehensive income | | **19,332** | – |
| *Item that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **(164,808)** | 204,316 |
| Other comprehensive (expense)/income for the period, net of income tax | | **(145,476)** | 204,316 |
| **Total comprehensive expense for the period** | | **(240,400)** | (9,997) |
| **Loss for the period attributable to:** | | | |
| Owners of the Company | | **(68,582)** | (205,921) |
| Non-controlling interests | | **(26,342)** | (8,392) |
| | | **(94,924)** | (214,313) |
| **Total comprehensive (expense)/income for the period attributable to:** | | | |
| Owners of the Company | | **(191,021)** | (53,883) |
| Non-controlling interests | | **(49,379)** | 43,886 |
| | | **(240,400)** | (9,997) |
| **Loss per share** | | | |
| – Basic and diluted (HK dollar per share) | *9* | **(0.003)** | (0.012) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2018*

| | Notes | **30 June 2018 HK$'000 (Unaudited)** | 31 December 2017 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Other intangible assets | | **13,663** | 16,518 |
| Property, plant and equipment | | **7,136,083** | 7,707,935 |
| Investment properties | | **6,002,607** | 6,353,156 |
| Note receivables | | **89,039** | 89,039 |
| Equity instruments at fair value through other comprehensive income | | **362,666** | – |
| Available-for-sale investments | | **–** | 362,666 |
| | | **13,604,058** | 14,529,314 |
| **Current assets** | | | |
| Inventories | | **5,781,382** | 5,980,577 |
| Trade receivables | *10* | **42,459** | 20,259 |
| Prepayments, deposits and other receivables | | **5,222,415** | 4,649,269 |
| Equity instruments at fair value through other comprehensive income | | **676,982** | – |
| Available-for-sale investments | | **–** | 707,650 |
| Financial assets at fair value through profit or loss | *11* | **2,155,309** | 1,971,852 |
| Pledged bank deposits | | **988,248** | 1,337,248 |
| Cash and cash equivalents | | **437,442** | 322,252 |
| | | **15,304,237** | 14,989,107 |
| **Total assets** | | **28,908,295** | 29,518,421 |
| **Current liabilities** | | | |
| Trade payables | *12* | **1,237,576** | 1,084,126 |
| Deposits from customers | | **8,415** | 12,877 |
| Contract liabilities | | **288,522** | 1,612,899 |
| Accrued liabilities and other payables | | **1,076,981** | 800,993 |
| Amounts due to non-controlling interests | | **58,665** | – |
| Amounts due to related companies | | **106,472** | 37,418 |
| Obligation under finance lease | | **683** | 667 |
| Borrowings – current portions | | **4,837,962** | 6,072,580 |
| Convertible bonds | | **2,317,019** | 2,378,379 |
| Current tax liabilities | | **517,115** | 377,108 |
| | | **10,449,410** | 12,377,047 |
| **Net current assets** | | **4,854,827** | 2,612,060 |
| **Total assets less current liabilities** | | **18,458,885** | 17,141,374 |

| | Notes | 30 June 2018 HK$'000 (Unaudited) | 31 December 2017 HK$'000 (Audited) |
|---|---|---|---|
| **Capital and reserves** | | | |
| Share capital | *13* | **4,770,682** | 4,294,432 |
| Share premium and reserves | | **5,681,321** | 5,487,872 |
| Equity attributable to owners of the Company | | **10,452,003** | 9,782,304 |
| Non-controlling interests | | **1,917,853** | 1,967,232 |
| **Total equity** | | **12,369,856** | 11,749,536 |
| **Non-current liabilities** | | | |
| Borrowings | | **4,671,512** | 3,850,111 |
| Obligation under finance lease | | **1,858** | 2,200 |
| Deferred tax liabilities | | **1,415,659** | 1,539,527 |
| | | **6,089,029** | 5,391,838 |
| | | **18,458,885** | 17,141,374 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2018*

### 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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### 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 condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

**Application of new and amendments to HKFRSs**

In the 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 2018 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014-2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

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 condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements excepted for described below.

### *2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

*HKFRS 15 applies to the contracts with customers for the sale of properties*

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to the contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared with HKAS 18 and HKAS 11 and the related interpretations.

*2.1.1 Key changes in accounting policies resulting from application of HKFRS 15*

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if any one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

*2.1.2 Summary of effects arising from initial application of HKFRS 15*

The application of HKFRS 15 has no material impact on the Group's retained earnings as at 1 January 2018. The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position as at 1 January 2018. Line items that were not affected by the changes have not been included.

| | **Carrying amounts previously reported at 31 December 2017** | **Reclassification** | **Carrying amounts under HKFRS 15 at 1 January 2018** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* *(Note)* | *HK$'000* |
| **Current Liabilities** | | | |
| Deposits from customers | 1,625,776 | (1,612,899) | 12,877 |
| Contract liabilities | – | 1,612,899 | 1,612,899 |
| | 1,625,776 | – | 1,625,776 |

*Note:* As at 1 January 2018, receipts in advance from properties pre-sold of approximately HK$1,612,899,000 previously included in deposits from customers were reclassified to contract liabilities.

The application of HKFRS 15 has no material impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income for the current interim period.

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

| | Amounts without application of HKFRS 15 | Adjustments | As reported |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | | *(Note)* | |
| **Current Liabilities** | | | |
| Deposits from customers | 296,937 | (288,522) | 8,415 |
| Contract liabilities | – | 288,522 | 288,522 |
| | 296,937 | – | 296,937 |

*Note:* Previously, the Group includes receipts in advance from properties pre-sold in deposits from customers. Upon application of HKFRS 15, the Group considered that the amount should be classified as contract liabilities because the Group has an obligation to transfer the properties to the buyers in accordance with the sale and purchase agreements.

### *2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments*

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

*2.2.1 Key changes in accounting policies resulting from application of HKFRS 9*

**Classification and measurement of financial assets**

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Equity instruments designated as fair value through other comprehensive income ("FVTOCI")**

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income ("OCI") and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive to dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are separately disclosed in the condensed consolidated statement of profit or loss and other comprehensive income.

**Financial assets at fair value through profit or loss ("FVTPL")**

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and impacts thereof are detailed in note 2.2.2.

**Impairment under ECL model**

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including note receivables, trade receivables, deposits and other receivables, pledged bank deposits and cash and cash equivalents). The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of the reporting period. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

*Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of the reporting period. A debt instrument is determined to have low credit risk if i) it has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has internal or external crediting rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

*Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 Leases.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gains or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

*2.2.2 Summary of effects arising from initial application of HKFRS 9*

For available-for-sale equity investments reclassified to equity instruments at FVTOCI, the Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, approximately HK$1,070,316,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI. The fair value gains of approximately HK$31,715,000 relating to those investments previously carried at fair value continued to accumulate in investments revaluation reserve.

**Impairment under ECL model**

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of note receivables, deposits and other receivables, pledged bank deposits and bank balances and cash are measured on 12m ECL basis and there has been no significant increase in credit risk since initial recognition.

The directors considered that the measurement of ECL has no material impact to the Group's retained earnings at 1 January 2018.

***2.3 Impacts and changes in accounting policies of application on Amendments to HKAS 40 Transfers of Investment Property***

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties). At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date, there is no impact to the classification at 1 January 2018.

Except as described above, the application of other amendments to HKFRSs and interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

## 3. SEGMENT INFORMATION

The management has determined the operating segments based on the reports reviewed by the directors of the Company, 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 and leasing;

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

(iii) Others – Providing retail-related consultancy and management services, operating kids edutainment centre, touring carnival and operating restaurants in Hong Kong.

Following the changes of reporting structure, the number of operating segments in the Group was reduced from five to four during the year ended 31 December 2017 due to suspension of the touring carnival operations. During the six months ended 30 June 2018, the management decided to have a further change on the reporting structure, and the number of operating segments of the Group was reduced from four to three due to the disposal of the catering business in the PRC. Segment information presented as comparative information in these condensed consolidated financial statements have been restated to reflect the current reporting structure of the Group.

**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 2018 (Unaudited)**

| | Property development and investment segment *HK$'000* | Trading and investment business segment *HK$'000* | Other segments *HK$'000* | Inter-segment elimination *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **REVENUE** | | | | | |
| External sales | **1,579,921** | **221,088** | **30,931** | **–** | **1,831,940** |
| Inter-segment sales | **–** | **–** | **2,778** | **(2,778)** | **–** |
| | **1,579,921** | **221,088** | **33,709** | **(2,778)** | **1,831,940** |
| **RESULTS** | | | | | |
| Segment results | **(102,262)** | **212,992** | **(15,735)** | **–** | **94,995** |
| Finance costs | | | | | **(19,675)** |
| Unallocated income | | | | | **32,938** |
| Unallocated expenses | | | | | **(150,240)** |
| Loss before tax | | | | | **(41,982)** |

For the six months ended 30 June 2017 (Unaudited)

| | Property development and investment segment | Trading and investment business segment | Other segments | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | (Restated) | |
| **REVENUE** | | | | |
| External sales | 514,687 | 255,611 | 133,582 | 903,880 |
| **RESULTS** | | | | |
| Segment results | 65,279 | 236,655 | (376,629) | (74,695) |
| Finance costs | | | | (10,356) |
| Unallocated income | | | | 15,625 |
| Unallocated expenses | | | | (121,840) |
| Loss before tax | | | | (191,266) |

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 2018. There were no inter-segment sales during the six months ended 30 June 2017.

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

| Segment assets | 30 June 2018 *HK$'000* (Unaudited) | 31 December 2017 *HK$'000* (Audited) (Restated) |
|---|---|---|
| Property development and investment segment | **23,226,437** | 23,699,214 |
| Trading and investment business segment | **3,473,619** | 3,116,585 |
| Other segments | **70,636** | 136,129 |
| **Total segment assets** | **26,770,692** | 26,951,928 |
| Unallocated corporate assets | **2,137,603** | 2,566,493 |
| **Consolidated assets** | **28,908,295** | 29,518,421 |

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

| Segment liabilities | 30 June 2018 *HK$'000* (Unaudited) | 31 December 2017 *HK$'000* (Audited) (Restated) |
|---|---|---|
| Property development and investment segment | **9,644,556** | 11,056,844 |
| Trading and investment business segment | **711,525** | 559,799 |
| Other segments | **37,401** | 154,365 |
| **Total segment liabilities** | **10,393,482** | 11,771,008 |
| Unallocated corporate liabilities | **6,144,957** | 5,997,877 |
| **Consolidated liabilities** | **16,538,439** | 17,768,885 |

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

## 4. OTHER INCOME

| | Unaudited | |
|---|---|---|
| | Six months ended 30 June | |
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank and other deposits | **31,869** | 14,182 |
| Compensation income | **–** | 11,334 |
| Reversal of loss allowances on other receivables | **24,395** | – |
| Others | **4,161** | 1,397 |
| | **60,425** | 26,913 |

## 5. FINANCE COSTS

| | Unaudited | |
|---|---|---|
| | Six months ended 30 June | |
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Interest on bank and other borrowings: | | |
| – wholly repayable within five years | **253,906** | 253,885 |
| Interest on obligation under finance lease | **67** | 9 |
| Effective interest expenses on | | |
| – senior bonds | **72,008** | 65,799 |
| – bonds | **43,824** | 17,805 |
| – convertible bonds | **100,443** | 104,893 |
| Total finance costs | **470,248** | 442,391 |
| *Less:* amounts capitalised *(Note)* | **(450,573)** | (432,035) |
| | **19,675** | 10,356 |

*Note:*

Certain finance costs had been capitalised to property development projects in the PRC and Hong Kong and were included in construction-in-progress of property, plant and equipment, investment properties under development and properties under development for sale.

## 6. INCOME TAX EXPENSE

| | Unaudited<br>Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| **Current tax:** | | |
| PRC Land Appreciation Tax ("LAT") | **68,149** | 17,712 |
| Enterprise Income tax ("EIT") | **93,328** | 45,765 |
| **Deferred tax:** | **(108,535)** | (40,430) |
| Income tax expense | **52,942** | 23,047 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit arising in or derived from Hong Kong for both interim periods. No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries had no assessable profits arising in Hong Kong for both interim periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

## 7. LOSS FOR THE PERIOD

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

| | Unaudited<br>Six months ended 30 June<br>**2018**<br>***HK$'000*** | <br><br>2017<br>*HK$'000* |
|---|---|---|
| Net foreign exchange differences | **17,534** | 35,234 |
| Loss on disposal of property, plant and equipment | **–** | 6 |
| Gross rental income from investment properties | **(54,698)** | (31,736) |
| *Less:* | | |
| direct operating expenses incurred for investment properties that generated rental income during the period | **6,553** | 7,412 |
| direct operating expenses incurred for investment properties that did not generate rental income during the period | **2,056** | 9 |
| | **(46,089)** | (24,315) |
| Cost of inventories recognised as an expense | **1,674,154** | 472,784 |
| Rental expenses in respect of rented premises under operating leases | **5,130** | 57,769 |

| | Unaudited | |
|---|---|---|
| | Six months ended 30 June | |
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Employee benefits expenses (including directors' emoluments) | | |
| – salaries and other benefits | **89,889** | 124,649 |
| – contributions to retirement benefit schemes | **2,665** | 7,827 |
| – equity settled share-based payment *(Note i)* | **–** | (845) |
| | **92,554** | 131,631 |
| *Less:* amounts capitalised *(Note ii)* | **(5,855)** | (6,387) |
| Total employee benefits expenses | **86,699** | 125,244 |
| Amortisation of other intangible assets | **2,786** | 2,481 |
| Depreciation of property, plant and equipment | **20,765** | 38,281 |
| *Less:* amounts capitalised *(Note ii)* | **(3)** | (135) |
| | **20,762** | 38,146 |
| Written off on property, plant and equipment | **587** | 193 |
| Impairment loss on property, plant and equipment | **–** | 42,876 |

*Notes:*

(i) On 10 May 2016, 50,000,000 share options were granted to a former executive director of the Company under the Company's share option scheme adopted on 31 May 2013. Each option gives the holder the right to subscribe for one ordinary share of the Company at the exercise price of HK$1.022. These share options would have been vested on 10 May 2018, and then be exercisable until 9 May 2021. The above share options had been cancelled upon the resignation of such executive director during the six months ended 30 June 2017.

(ii) Certain employee benefits expenses, contributions to retirement benefits schemes and depreciation of property, plant and equipment had been capitalised to property development projects in the PRC.

## 8. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period (six months ended 30 June 2017: Nil). The directors have resolved that no dividend will be declared in respect of the current interim period (six months ended 30 June 2017: Nil).

## 9. LOSS PER SHARE

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

| | Unaudited | |
|---|---|---|
| | Six months ended 30 June | |
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| **Loss** | | |
| Loss for the purposes of basic and diluted loss per share: | | |
| Loss for the period attributable to owners of the Company | **(68,582)** | (205,921) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | **23,440,427,160** | 16,952,314,103 |

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

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category (six months ended 30 June 2017: one category) of dilutive potential ordinary shares: convertible bonds (six months ended 30 June 2017: convertible bonds). Convertible bonds of the Company are not dilutive as conversion of the Company's convertible bonds would reduce the loss per share attributable to the owners of the Company during the six months ended 30 June 2018 and 2017.

## 10. 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. Rental receivables from tenants are payable on presentation of invoices.

The following is an aged analysis of trade receivables (net of loss allowances), presented based on agreement terms and invoice date, at the end of the reporting period:

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| 0 – 30 days | **42,459** | 11,231 |
| 31 – 60 days | **–** | – |
| 61 – 90 days | **–** | – |
| 91 – 180 days | **–** | – |
| Over 180 days | **–** | 9,028 |
| | **42,459** | 20,259 |

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

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| **Financial assets** | | |
| Equity securities listed in Hong Kong | **1,806,121** | 1,602,427 |
| Unlisted investment funds | **348,820** | 369,425 |
| Derivative financial instruments | **368** | – |
| | **2,155,309** | 1,971,852 |

## 12. TRADE PAYABLES

Trade payables comprise amounts outstanding for construction costs, suppliers and on-going costs.

The following is an aged analysis of trade payables at the end of the reporting period.

| | **30 June 2018** | 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| | **(Unaudited)** | (Audited) |
| 0 – 30 days | **188,119** | 277,301 |
| 31 – 60 days | **–** | 3 |
| 61 – 90 days | **–** | 3,419 |
| Over 90 days | **1,049,457** | 803,403 |
| | **1,237,576** | 1,084,126 |

## 13. SHARE CAPITAL

| | **Ordinary shares of HK$0.2 each** | **Amount** |
|---|---|---|
| | | ***HK$'000*** |
| **Authorised:** | | |
| At 31 December 2017 (Audited), 1 January 2018 and 30 June 2018 (Unaudited) | 50,000,000,000 | 10,000,000 |
| **Issued and fully paid:** | | |
| At 31 December 2017 (Audited) and 1 January 2018 | 21,472,160,585 | 4,294,432 |
| Shares issued upon conversion of convertible bonds *(Note (i))* | 181,250,000 | 36,250 |
| Issue of shares by way of placing *(Note (ii))* | 2,200,000,000 | 440,000 |
| **At 30 June 2018 (Unaudited)** | 23,853,410,585 | 4,770,682 |

*Notes:*

(i) **Shares issued upon conversion of convertible bonds**

On 25 January 2018, the Company issued 181,250,000 ordinary shares of HK$0.20 each in the capital of the Company upon the conversion of the convertible bond with a principal amount of HK$72,500,000 at price of HK$0.40 per share.

(ii) **Issue of shares by way of placing**

On 2 February 2018, the Company allotted and issued 2,200,000,000 ordinary shares of HK$0.2 each in the capital of the Company by way of placing at a placing price of HK$0.355 per share. The Company raised approximately HK$779,000,000 (net of expenses).

## 14. COMPARATIVE FIGURES

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

# REVIEW AND OUTLOOK

## CORPORATE OVERVIEW

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.

## BUSINESS REVIEW

The Group's flagship project, Rio Carnival (Qingdao) is located in the Phoenix Island Tourist Resort Zone in Huangdao District, Qingdao city, Shandong province in the PRC and occupies an aggregate site area of approximately 350,000 square metres ("sq.m.") with a total gross floor areas ("GFA") of approximately 800,000 sq.m.. The Group believes that Rio Carnival (Qingdao) will be one of the large-scale integrated commercial, residential and tourism complexes of its kind in China. It will include indoor and outdoor underwater ocean exploration theme parks, an upscale luxury hotel "Renaissance" and a service apartment "Marriott Executive Apartment" (cooperating with Marriott International, with more than a thousand hotel rooms), an international premium brand outlet shopping mall, themed-street restaurant dining, a convention centre, performance squares 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 largest DMAX cinema complexes in China (Jackie Chan Cinema), an indoor ice skating centre and a large sea-view Ferris wheel. It is our aim for Rio Carnival (Qingdao) to become one of the China's premier tourist destinations.

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

During the period, the business strategy of the Group was to focus on the integrated large-scale tourist complex project and property development. In order to diversify the concentration risk and currency risk, besides the property markets in the mainland China and Hong Kong, the Directors expect to explore more in other geographical locations in the overseas property market. The Group will invest more resources in this segment.

During the six months ended 30 June 2018, the Group derived most of its revenue from the following segments:

**Property Development and Investment**

Revenue from the Group's property development and investment was approximately HK$1,579.9 million for the six months ended 30 June 2018, compared to approximately HK$514.7 million for the six months ended 30 June 2017. For the six months ended 30 June 2018, the revenue was mostly derived from the sale of residential and commercial units of the completed properties in Qingdao and Chengdu in the PRC.

**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 2018, the Group recorded net realized gains and unrealized gains on investments of approximately HK$220.9 million, compared to approximately HK$226.4 million for the six months ended 30 June 2017 and received dividend income from listed investment and unlisted investment fund of approximately HK$0.2 million, compared to approximately HK$29.2 million for the six months ended 30 June 2017.

As of 30 June 2018, securities investments were approximately HK$1,806.1 million, compared to approximately HK$1,602.4 million as of 31 December 2017, of which each investment is less than 2% of the total assets of the Group at the end of both reporting periods.

## PROSPECTS

The Directors believe that the Company is a listed company with a diverse portfolio of theme-based leisure and consumption businesses that include theme parks, hotels, outlet shopping for international premium brands, dining, conference and exhibition centres, leisure, entertainment 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 increasing affluence and spending power unleashed by the fast growing middle class in the PRC and the rapidly growing tourism market in the PRC and overseas.

Tourism and leisure consumption have been two of the pillar industries which are driving structural transformation of the Chinese economy and are backed by strong support from the current China Central Government in terms of policies and infrastructure development. In recent years, the tourism industry in China has experienced robust growth and showed significant upside potential. The Group believes that it is well positioned to capitalise on the PRC's burgeoning middle-class with increasing disposable incomes and greater willingness to spend time and money on leisure activities, both in the growing domestic tourism market in the PRC and selected overseas destinations.

The Group's senior management and operational team, comprising a mix of seasoned professionals from the PRC, Hong Kong and overseas, has extensive experience in management and operations in their relevant fields spanning a number of industry sectors, including project development and management, operations, finance, banking and retail. The Directors believe that the Group can leverage on the experience of such a management composition to further develop and grow its business in a most effective manner. In summary, the Directors believe that the Group is well positioned to capitalise on the growing tourism market and consumption trends, both domestically and in selected overseas destinations, because the Group has a capable and experienced management and operational team, supportive partners and strengthened financial resources to execute its experiential consumption, life style and tourism business model and strategic development plan.

The management of the Group is optimistic about China's overall macroeconomic environment and political stability, ultimately continuing to benefit traditional key industries that underpin China's gross domestic product. China's property market has experienced many phases of development and cyclical fluctuations that have been heavily influenced by austerity measures and changes in financing conditions whereby developers have had to make strategic decisions to adapt over a relatively short period. However, the current China Central Government has taken a long-term view of China's property sector and have focused on policies that would create sustainable development of the sector rather than short-term objectives. The China Central Government's policy applies to the whole country, and allows to be implemented by localities according to actual conditions. Purchase Restrictions Policy that did not differentiate amongst buyers are now distinguished by multiple purchases and different tier cities. Ultimately, by adopting a more rationale policy approach and encouraging end user buyers, China's property development is driven by real demand rather than market speculators. Similarly, by taking a long-term view of the direction of China's property sector, developers can focus on aligning the objectives of the China Central Government rather than chasing short-term market benefits.

The management of the Group has adopted a long-term positive view of the direction of China's property sector and the contracted sales plan reflects their confidence in achieving this target. Current markets have also been very strong, and so by setting out a more aggressive sales target allows the Group to capture today's contracted sales to lock-in tomorrow's revenue.

The Group is proactively identifying development and acquisition for our core business as well as other sectors in the PRC and overseas market. Our strategies are open-minded in respect of different types of development and acquisition which bring potential growth of the Group.

Looking ahead, we will consolidate, and further, enhance the Group's leading position in the industry, and strive to optimize its shareholders benefits.

# FINANCIAL REVIEW

## Financial Results

For the six months ended 30 June 2018, the Group recorded loss for the period of approximately HK$94.9 million as compared to the loss of approximately HK$214.3 million for the six months ended 30 June 2017.

The improvement on the results was mainly due to (i) decrease in selling and marketing expenses of approximately HK$134.2 million; (ii) decrease in administrative expenses of approximately HK$59.4 million; (iii) the reversal of loss allowances on other receivables of approximately HK$24.4 million and (iv) the lack of impairment loss on goodwill of HK$250 million recorded for the six months ended 30 June 2017, which was offset by (i) decrease in gross profit of approximately HK$273.3 million; (ii) increase in finance costs of approximately HK$9.3 million; (iii) decrease in gain on bargain purchase of approximately HK$45.7 million and (iv) increase in income tax expenses of approximately HK$29.9 million.

## Capital Structure, Liquidity and Financial Resources

As at 30 June 2018, the authorized share capital of the Company was HK$10,000 million divided into 50,000,000,000 shares of HK$0.2 each and the issued share capital of the Company was approximately HK$4,770.7 million divided into 23,853,410,585 shares of HK$0.2 each.

As at 30 June 2018, the current assets and current liabilities of the Group were approximately HK$15,304.2 million (31 December 2017: approximately HK$14,989.1 million) and approximately HK$10,449.4 million (31 December 2017: approximately HK$12,377.0 million), respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was approximately 1.46 times as at 30 June 2018, as compared to that of approximately 1.21 times as at 31 December 2017. The increase in liquidity ratio was mainly due to extension of certain current portion of borrowings into long term borrowings.

As at 30 June 2018, the Group's total assets and total liabilities amounted to approximately HK$28,908.3 million (31 December 2017: approximately HK$29,518.4 million) and approximately HK$16,538.4 million (31 December 2017: approximately HK$17,768.9 million), respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.57 times as at 30 June 2018, as compared to that of approximately 0.60 times as at 31 December 2017.

The cash and bank deposits (including pledged bank deposits) as at 30 June 2018 were approximately HK$1,425.7 million (31 December 2017: approximately HK$1,659.5 million). The decrease was mainly due to the repayment of certain borrowings during the six months ended 30 June 2018.

As at 30 June 2018, the net debt to equity ratio of the Group, expressed as a percentage of borrowings and debts (including obligation under finance lease and convertible bonds) net of cash and bank deposits (including pledged bank deposits) over total equity, was approximately 84.1% (31 December 2017: approximately 90.6%). The decrease in net debt to equity ratio was mainly due to placing of new shares during the six months ended 30 June 2018.

On 22 January 2018, the Company entered into a placing agreement with Yue Xiu Securities Limited as placing agent, pursuant to which the Company agreed to place, through the placing agent, on a best efforts basis, up to 2,200,000,000 new shares to not less than six placees who are professional, institutional or other investors and are independent third parties at the placing price of HK$0.355 per placing share. The closing price on 22 January 2018 was HK$0.36 per share. The Company issued 2,200,000,000 shares on 2 February 2018 and raised net proceeds of approximately HK$779.0 million. The net proceeds raised were used as (i) approximately HK$232.0 million for repayments of principal and interest payments of borrowings; (ii) approximately HK$299.3 million invested in theme parks, residential properties and hotel real estate project in Qingdao; (iii) approximately HK$170.9 million for cost of sales; (iv) approximately HK$60.6 million for administrative expenses; and (v) approximately HK$16.2 million for selling and marketing expenses. The net proceeds were used according to the intentions previously disclosed by the Company in the announcements dated 22 January 2018 and 26 January 2018.

As of 30 June 2018, the Group's PRC subsidiaries have total external borrowings of approximately HK$5,016.0 million of which approximately HK$4,034.2 million are secured by land-use rights, properties held by the subsidiaries and personal guarantee provided by the Company's Chairman and Chief Executive Officer, Mr. King Pak Fu.

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 24 months and secured by pledged bank deposits of the Group.

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 made on each payment date as provided in the particular loan agreement.

## EVENT AFTER THE REPORTING PERIOD

The conversion period in respect of the 8% secured convertible bonds due 2018 in the aggregate principal amount of US$285,000,000 issued by the Company (the "Bonds") ended at 5:00 p.m. on 9 July 2018. All the conversion rights attaching to the Bonds have lapsed and the Bonds have ceased to be convertible since then.

The Company has sought and obtained the approval of the requisite number of holders of the Bonds by way of extraordinary resolutions in writing to amend certain terms and conditions of the Bonds with effect from 16 July 2018 such that:

1. the maturity date of the Bonds has been extended from 16 July 2018 to 16 January 2019, or if such date is not a business day, the business day immediately following such date (the "Maturity Date");

2. the Company has the right (the "Early Redemption Right") to redeem the Bonds before the Maturity Date at its discretion, subject to the terms and conditions of the Bonds; and

3. certain financial covenants applicable to the Company have been revised in accordance with the current financial conditions of the Company.

The Directors are of the view the extension of the maturity date of the Bonds will provide more flexibility for the Group to plan its working capital requirement. Without the amendments, the Company will have to apply significant cash resources for the redemption of the Bonds on the original maturity date. At the same time, the Early Redemption Right will enable the Company to better manage its capital structure with more flexibility, potentially reduce the Company's future financial expenses and lower its financial gearing level.

## 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 2018, except for the borrowing of principal amount of US$485.5 million by the Company are denominated in United States Dollar, other borrowings or share placements denominated in the functional currency of each individual group entity. Accordingly, the Directors consider that the currency risk is low to moderate. The Group currently does not have a formal currency hedging policy in relation to currency risk. The Directors monitor the Group's exposure on an ongoing basis and will consider hedging the currency risk should the need arise.

## CONTINGENT LIABILITIES

As at 30 June 2018, the Group had no material contingent liabilities.

## CHARGES ON THE GROUP'S ASSETS

As at 30 June 2018, the Group's certain land-use rights, properties, bank deposits and equity securities listed in Hong Kong of approximately HK$20,540.0 million (31 December 2017: approximately HK$22,311.5 million) were pledged to banks and other financial institutions to secure certain loan facilities granted to the Group.

## MATERIAL ACQUISITION OR DISPOSAL

The Group did not have any material acquisition or disposal of subsidiaries, associates or joint ventures during the six months ended 30 June 2018.

## EMPLOYEE INFORMATION

As at 30 June 2018, the Group had 560 employees (31 December 2017: 719 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 2018, the total staff costs of the Group were approximately HK$92.6 million (six months ended 30 June 2017: approximately HK$131.6 million), representing an decrease of approximately 29.7% over the corresponding period of 2017. The decrease in staff cost was mainly due to the disposal of Nice Race Management Limited and its subsidiaries since the second half of 2017.

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Salaries and other benefits | **89,889** | 124,649 |
| Contributions to retirement benefit schemes | **2,665** | 7,827 |
| Equity settled share-based payment | **–** | (845) |
| Total employee benefits expense | **92,554** | 131,631 |

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

## INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: 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.

In the opinion of the Directors, during the six months ended 30 June 2018, the Company was in compliance with all relevant code provisions set out in the CG Code.

On 17 July 2018, following the resignation of Mr. Wu Yanqi as chief executive officer of the Company, the Company has appointed Mr. King Pak Fu, the chairman of the Board and an executive Director, as the chief executive officer of the Company. Since then the Company was not in compliance with the CG Code provision A.2.1 that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by current Board which comprises experienced and high calibre individuals with sufficient number thereof being independent non-executive Directors.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code during the six months ended 30 June 2018.

## REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive Directors, namely Mr. Chan Wai Cheung Admiral (as chairman), Mr. Lie Chi Wing and Ms. Hu Gin Ing. 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 2018 have been reviewed by the Audit Committee.

By Order of the Board
**Carnival Group International Holdings Limited**
**King Pak Fu**
*Chairman and Chief Executive Officer*

Hong Kong, 30 August 2018

*The Board, as at the date of this announcement, comprises Mr. King Pak Fu (Chairman and Chief Executive Officer), Mr. Wang Chunning (Vice Chairman), Mr. Wu Yanqi, Mr. Wang Yikun, Mr. Bai Xuefei and Ms. Qian Hui as executive Directors, and Mr. Chan Wai Cheung Admiral, Mr. Lie Chi Wing and Ms. Hu Gin Ing as independent non-executive Directors.*