



CARNIVAL GROUP
INTERNATIONAL

Carnival Group International
Holdings Limited

INTERIM REPORT 2013





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Corporate Information

BOARD OF DIRECTORS

Executive Directors

King Pak Fu (*Chairman*)
Wang Xiong (*Vice Chairman*)
Gong Xiao Cheng
Hon Ming Sang
Liu Jian

Independent Non-Executive Directors

Chan Wai Yip Freeman
Ng Ka Chung Simon
Leung Po Ying Iris

AUDIT COMMITTEE

Chan Wai Yip Freeman (*Chairman*)
Ng Ka Chung Simon
Leung Po Ying Iris

REMUNERATION COMMITTEE

Chan Wai Yip Freeman (*Chairman*)
Ng Ka Chung Simon
Leung Po Ying Iris

NOMINATION COMMITTEE

Chan Wai Yip Freeman (*Chairman*)
Ng Ka Chung Simon
Hon Ming Sang

COMPANY SECRETARY

Chan Yuen Ying Stella

AUTHORISED REPRESENTATIVES

King Pak Fu
Chan Yuen Ying Stella

LEGAL ADVISOR

Minter Ellison

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 4402-03, 44/F
COSCO Tower
183 Queen's Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM 11
PO Box HM1020
Hamilton HM DX, Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

The Bank of East Asia Limited
Standard Chartered Bank (Hong Kong) Limited

STOCK CODE

996

WEBSITE

www.0996.com.hk

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

The board of directors (the “Board” or the “Directors”) of Carnival Group International Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2013 together with the comparative figures for the corresponding period in 2012. The unaudited interim financial report has not been audited but has been reviewed by the Company’s audit committee (the “Audit Committee”).

| | Notes | Unaudited | |
|--|-------|-----------------|------------------|
| | | 2013 | 2012 |
| | | HK\$'000 | HK\$'000 |
| Continuing operations | | | |
| Revenue | 3 | (4,852) | (7,361) |
| Other income and net gains | 4 | 2,648 | 8,395 |
| Gain on disposal of subsidiaries | 5(a) | – | 205,062 |
| Operating lease rentals | | (3,051) | (14,189) |
| Employee benefits expense | | (20,048) | (18,066) |
| Depreciation of property, plant and equipment | | (2,006) | (2,545) |
| Loss on early redemption on promissory notes | | – | (173,688) |
| Finance costs | 6 | (97,805) | (115,029) |
| Other operating expenses | | (86,581) | (40,286) |
| Loss before tax | | (211,695) | (157,707) |
| Income tax | 7 | 15,458 | 353 |
| Loss for the period from continuing operations | 8 | (196,237) | (157,354) |
| Discontinued operations | | | |
| Loss for the period from discontinued operations | 5(b) | – | – |
| Loss for the period | | (196,237) | (157,354) |
| Other comprehensive income/(expense) | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Reclassification adjustment for translation reserve released upon disposal of subsidiaries | 5(a) | – | (120,326) |
| Exchange differences arising on translation of foreign operations | | 148,211 | 103,513 |
| | | 148,211 | (16,813) |
| Total comprehensive expense for the period | | (48,026) | (174,167) |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2013

| | Notes | Unaudited | |
|---|-------|--|------------------|
| | | Six months ended 30 June 2013 HK\$'000 | 2012 HK\$'000 |
| Loss for the period attributable to: | | | |
| Owners of the Company | | (164,766) | (145,453) |
| Non-controlling interests | | (31,471) | (11,901) |
| | | (196,237) | (157,354) |
| Total comprehensive (expense)/income for the period attributable to: | | | |
| Owners of the Company | | (68,112) | (167,898) |
| Non-controlling interests | | 20,086 | (6,269) |
| | | (48,026) | (174,167) |
| Loss per share | | | |
| From continuing and discontinued operations | | | |
| Basic and diluted (HK\$ per share) | 10 | (0.0375) | (0.033) |
| From continuing operations | | | |
| Basic and diluted (HK\$ per share) | 10 | (0.0375) | (0.033) |



Condensed Consolidated Statement of Financial Position

As at 30 June 2013

| | Notes | 30 June 2013 HK\$'000 (Unaudited) | 31 December 2012 HK\$'000 (Audited) |
|--|-------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 11 | 3,395,246 | 3,217,415 |
| Investment properties | 12 | 2,911,246 | 2,794,208 |
| Goodwill | | 537,299 | 526,090 |
| | | 6,843,791 | 6,537,713 |
| Current assets | | | |
| Properties for sale | 13 | 6,147,278 | 5,469,341 |
| Prepayments, deposits and other receivables | | 1,649,803 | 781,034 |
| Held for trading investments | 14 | 45,383 | 54,788 |
| Bank balances and deposits | | 472,290 | 352,900 |
| | | 8,314,754 | 6,658,063 |
| Total assets | | 15,158,545 | 13,195,776 |
| Current liabilities | | | |
| Trade payables | 15 | 189,917 | 133,900 |
| Deposits from sale of properties | | 1,558,008 | 1,520,903 |
| Accrued liabilities and other payables | | 670,604 | 557,371 |
| Amounts due to non-controlling interests | | 177,980 | 174,267 |
| Borrowings – current portions | | 707,809 | 1,236,144 |
| | | 3,304,318 | 3,622,585 |
| Net current assets | | 5,010,436 | 3,035,478 |
| Total assets less current liabilities | | 11,854,227 | 9,573,191 |

Condensed Consolidated Statement of Financial Position

As at 30 June 2013

| | Notes | 30 June 2013 HK\$'000 (Unaudited) | 31 December 2012 HK\$'000 (Audited) |
|--|-------|--|--|
| Capital and reserves | | | |
| Share capital | 16 | 879,224 | 879,224 |
| Share premium and reserves | | 2,303,319 | 2,371,431 |
| Equity attributable to owners of the Company | | 3,182,543 | 3,250,655 |
| Non-controlling interests | | 2,455,678 | 2,435,592 |
| Total equity | | 5,638,221 | 5,686,247 |
| Non-current liabilities | | | |
| Borrowings | 17 | 2,882,568 | 674,929 |
| Deferred tax liabilities | 18 | 2,065,563 | 2,041,622 |
| Convertible notes | | 1,082,310 | 997,310 |
| Promissory notes | 19 | 185,565 | 173,083 |
| | | 6,216,006 | 3,886,944 |
| | | 11,854,227 | 9,573,191 |



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013

| | Attributable to owners of the Company | | | | | | | Total | Non-controlling interests | Total equity |
|--|---------------------------------------|---------------|---------------------|----------------------------------|---------------------|------------------------|--------------------|-----------|---------------------------|--------------|
| | Share capital | Share premium | Contributed surplus | Convertible notes equity reserve | Translation reserve | PRC statutory reserves | Accumulated losses | | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2012 (audited) | 879,224 | 2,556,627 | 9,404 | 675,874 | 30,892 | 30,497 | (797,236) | 3,385,282 | 2,461,831 | 5,847,113 |
| Loss for the period | - | - | - | - | - | - | (145,453) | (145,453) | (11,901) | (157,354) |
| Other comprehensive income/(expense) for the period ended 30 June 2012 | - | - | - | - | (22,445) | - | - | (22,445) | 5,632 | (16,813) |
| Total comprehensive expense for the period ended 30 June 2012 | - | - | - | - | (22,445) | - | (145,453) | (167,898) | (6,269) | (174,167) |
| Disposal of subsidiaries | - | - | - | - | - | (30,497) | 30,497 | - | 7,514 | 7,514 |
| At 30 June 2012 (unaudited) | 879,224 | 2,556,627 | 9,404 | 675,874 | 8,447 | - | (912,192) | 3,217,384 | 2,463,076 | 5,680,460 |
| At 1 January 2013 (audited) | 879,224 | 2,556,627 | 9,404 | 863,462 | 16,642 | - | (1,074,704) | 3,250,655 | 2,435,592 | 5,686,247 |
| Loss for the period | - | - | - | - | - | - | (164,766) | (164,766) | (31,471) | (196,237) |
| Other comprehensive income for the period ended 30 June 2013 | - | - | - | - | 96,654 | - | - | 96,654 | 51,557 | 148,211 |
| Total comprehensive income/(expense) for the period ended 30 June 2013 | - | - | - | - | 96,654 | - | (164,766) | (68,112) | 20,086 | (48,026) |
| At 30 June 2013 (unaudited) | 879,224 | 2,556,627 | 9,404 | 863,462 | 113,296 | - | (1,239,470) | 3,182,543 | 2,455,678 | 5,638,221 |

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013

| | Unaudited | |
|--|--------------------------|------------------|
| | Six months ended 30 June | |
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Net cash used in operating activities | (1,270,352) | (94,688) |
| Net cash (used in)/generated from investing activities: | | |
| Interest received | 2,647 | 7,322 |
| Additions to property, plant and equipment | (39,968) | (328,699) |
| Additions to investment properties | (34,541) | (185,720) |
| Proceeds from disposal of subsidiaries | – | 828,860 |
| | (71,862) | 321,763 |
| Net cash generated from financing activities: | | |
| Interest paid | (167,297) | – |
| Advance from related companies | – | 7,917 |
| Repayment of promissory notes | – | (907,833) |
| New other borrowings raised | 2,865,578 | 1,229,559 |
| Repayment of bank and other borrowings | (1,241,773) | – |
| | 1,456,508 | 329,643 |
| Net increase in cash and cash equivalents | 114,294 | 556,718 |
| Cash and cash equivalents at 1 January | 352,900 | 1,286,446 |
| Effects of foreign exchange rate changes | 5,096 | 95,089 |
| Cash and cash equivalents at 30 June, represented by | 472,290 | 1,938,253 |
| Bank balances and deposits | 472,290 | 1,938,253 |



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

1. BASIS OF PREPARATION

The 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 (“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 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2012.

Application of new or revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following new or revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

| | |
|--|--|
| Amendments to HKAS 1 | Presentation of Items of Other Comprehensive Income |
| HKAS 19 (as revised in 2011) | Employee Benefits |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurement |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2009-2011 Cycle |
| Amendments to HKFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 23.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements.

However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim Financial Reporting (as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009-2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Except as described above, the application of the other new or revised HKFRSs 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Directors that are used to assess performance and allocate resources. The Group is principally engaged in property development and investment business, trading and investment business and retail-related consultancy and management services business.

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segments for the interim periods:

For the six months ended 30 June 2013

| Continuing operations | Property development and investment business HK\$'000 | Trading and investment business HK\$'000 | Retail-related consultancy and management services business HK\$'000 | Total HK\$'000 |
|--------------------------------|---|---|---|-------------------|
| SEGMENT REVENUE | | | | |
| External sales | – | (4,965) | – | (4,965) |
| Investment income and net loss | – | 113 | – | 113 |
| | – | (4,852) | – | (4,852) |
| SEGMENT RESULTS | (89,636) | (4,884) | (763) | (95,283) |
| Finance costs | | | | (97,805) |
| Unallocated income | | | | 1 |
| Unallocated corporate expenses | | | | (18,608) |
| Loss before tax | | | | (211,695) |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2012

| Continuing operations | Property development and investment business HK\$'000 | Trading and investment business HK\$'000 | Retail-related consultancy and management services business HK\$'000 | Total HK\$'000 |
|--------------------------------|---|---|---|-------------------|
| SEGMENT REVENUE | | | | |
| External sales | 4,452 | (18,335) | 10,516 | (3,367) |
| Investment income and net loss | – | (3,994) | – | (3,994) |
| | <u>4,452</u> | <u>(22,329)</u> | <u>10,516</u> | <u>(7,361)</u> |
| SEGMENT RESULTS | <u>(28,066)</u> | <u>(22,373)</u> | <u>(4,214)</u> | <u>(54,653)</u> |
| Finance costs | | | | (115,029) |
| Unallocated income | | | | 205,792 |
| Unallocated corporate expenses | | | | <u>(193,817)</u> |
| Loss before tax | | | | <u>(157,707)</u> |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current interim period (six months ended 30 June 2012: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies. Separate profit/(loss) 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 resource allocation and performance assessment.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

3. SEGMENT INFORMATION (Continued)

Segment assets and liabilities and reconciliation to total assets and total liabilities are as follows:

SEGMENT ASSETS

| | 30 June 2013 | 31 December 2012 |
|---|-------------------------|---------------------|
| Continuing operations | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Property development and investment business | 15,108,512 | 13,128,919 |
| Trading and investment business | 45,531 | 55,010 |
| Retail-related consultancy and management services business | 423 | 210 |
| Total segment assets | 15,154,466 | 13,184,139 |
| Unallocated head office and corporate assets | 4,079 | 11,637 |
| Consolidated assets | 15,158,545 | 13,195,776 |

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

SEGMENT LIABILITIES

| | 30 June 2013 | 31 December 2012 |
|---|-------------------------|---------------------|
| Continuing operations | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Property development and investment business | 2,595,649 | 2,382,923 |
| Retail-related consultancy and management services business | 132 | 75 |
| Total segment liabilities | 2,595,781 | 2,382,998 |
| Unallocated head office and corporate liabilities | 6,924,543 | 5,126,531 |
| Consolidated liabilities | 9,520,324 | 7,509,529 |

Note: All liabilities are allocated to operating segments other than liabilities relating to borrowings, deferred tax liabilities, convertible notes, promissory notes and other unallocated liabilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

4. OTHER INCOME AND NET GAINS

| Continuing operations | Unaudited | |
|---------------------------|--------------------------|--------------|
| | Six months ended 30 June | |
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Interest on bank deposits | 2,647 | 7,322 |
| Sundry income | 1 | 1,073 |
| | 2,648 | 8,395 |



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

5. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATIONS

(a) Disposal of subsidiaries

- (i) On 6 January 2012, the Company entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Virtue Link Investments Limited and related shareholder's loan for a cash consideration of HK\$380,000,000. Virtue Link Investments Limited and its subsidiaries (namely, Wide Merit Limited, China-HK Holdings Investment Limited, 長三角徐州石油科技有限公司 and 鹽城賽孚石油化工有限公司) (hereinafter collectively referred as "Virtue Link Group") were principally engaged in gasoline and diesel operations in the People's Republic of China (the "PRC"). The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules. The disposal was completed on 8 February 2012. This transaction had resulted in the recognition of a gain of approximately HK\$9,470,000 in profit or loss during previous interim period.
- (ii) On 8 March 2012, the Company entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Sundynasty International Limited for a cash consideration of HK\$4,000,000. Sundynasty International Limited and its subsidiaries (namely, Timecastle International Limited, Master Empire Development Limited, 東方銀座商業(北京)有限公司, 北京華文韜廣告有限公司, 北京東方銀座商業投資顧問有限公司 and 北京東方銀座商業管理有限公司) (hereinafter collectively referred as "Sundynasty Group") were principally engaged in the provision of retail-related consultancy and management services in the PRC. The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules. The disposal was completed on 5 June 2012. This transaction had resulted in the recognition of a gain of approximately HK\$129,627,000 in profit or loss during previous interim period.
- (iii) On 21 March 2012, Daylight Express Group Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in Angel Fay Limited and related shareholder's loan for a cash consideration of HK\$220,000,000. Angel Fay Limited and its subsidiary (namely, 重慶太平洋屋業發展有限公司) (hereinafter collectively referred as "Angel Fay Group") were principally engaged in property investment in the PRC. The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules. The disposal was completed on 23 April 2012. This transaction had resulted in the recognition of a gain of approximately HK\$29,936,000 in profit or loss during previous interim period.
- (iv) On 27 April 2012, 深圳市深恆貿易有限公司, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to dispose of the Group's entire equity interest in 瀋陽市建興源投資管理有限公司 for a cash consideration of HK\$230,000,000. The disposal constituted a discloseable transaction on the part of the Company under the Listing Rules. The disposal was completed on 22 June 2012. This transaction had resulted in the recognition of a gain of approximately HK\$36,029,000 in profit or loss during previous interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

5. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATIONS (Continued)

(a) Disposal of subsidiaries (Continued)

The net assets/(liabilities) of the subsidiaries at the respective dates of disposal were as follows:

| | Virtue Link Group at 8 February 2012 HK\$'000 (Unaudited) | Sundynasty Group at 5 June 2012 HK\$'000 (Unaudited) | Angel Fay Group at 23 April 2012 HK\$'000 (Unaudited) | 瀋陽市建興源 投資管理 有限公司 at 22 June 2012 HK\$'000 (Unaudited) | Total HK\$'000 |
|--|---|--|---|--|-------------------|
| Net (liabilities)/assets disposed of | (15,822) | (26,369) | 156,296 | 204,372 | 318,477 |
| Non-controlling interests | 7,514 | – | – | – | 7,514 |
| Reclassification adjustment for translation reserve released upon disposal of subsidiaries | 62 | (99,258) | (10,729) | (10,401) | (120,326) |
| Sale loans | 378,776 | – | 44,497 | – | 423,273 |
| Gain on disposal | 9,470 | 129,627 | 29,936 | 36,029 | 205,062 |
| Total consideration | 380,000 | 4,000 | 220,000 | 230,000 | 834,000 |
| Satisfied by: | | | | | |
| Cash consideration received | 380,000 | 4,000 | 220,000 | 230,000 | 834,000 |
| Net cash inflow arising on disposal: | | | | | |
| Total cash consideration received | 380,000 | 4,000 | 220,000 | 230,000 | 834,000 |
| Less: Bank balances and deposits disposed of | (447) | (1,645) | (1,796) | (1,252) | (5,140) |
| | 379,553 | 2,355 | 218,204 | 228,748 | 828,860 |



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

5. DISPOSAL OF SUBSIDIARIES AND DISCONTINUED OPERATIONS (Continued)

(b) Discontinued operations

On 6 January 2012, the Company entered into a sale and purchase agreement with an independent third party to dispose of Virtue Link Group. Virtue Link Group carried out all of the Group's gasoline and diesel operations, which had been classified as discontinued operations. The assets and liabilities attributable to the gasoline and diesel operations had been classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position as at 31 December 2011.

An analysis of the results and cash flows of the discontinued operations included in the condensed consolidated statement of comprehensive income is as follows:

| | Unaudited Six months ended 30 June | |
|--|---------------------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Gain on disposal of gasoline and diesel operations (Note 5(a)) | – | 9,470 |

Except the gain on disposal of gasoline and diesel operations shown above, the Virtue Link Group had no further contribution to the Group's revenue and results for current and prior interim periods.

6. FINANCE COSTS

| Continuing operations | Unaudited Six months ended 30 June | |
|--|---------------------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Interest on borrowings: | | |
| – wholly repayable within five years | 167,297 | 33,072 |
| Effective interest expense on convertible notes | 85,000 | 57,851 |
| Effective interest expense on promissory notes (Note 19) | 12,482 | 57,178 |
| Total finance costs | 264,779 | 148,101 |
| Less: amounts capitalised (Note) | (166,974) | (33,072) |
| | 97,805 | 115,029 |

Note: Certain finance costs had been capitalised to property development projects in the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

7. INCOME TAX

| Continuing operations | Unaudited Six months ended 30 June | |
|---|---------------------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Current tax: | | |
| PRC Enterprise Income Tax ("EIT") | – | 55 |
| Deferred tax (Note 18): | (15,458) | (408) |
| Tax credit for the period relating to continuing operations | (15,458) | (353) |

The provision for PRC EIT is calculated based on the statutory income tax rate of 25% (six months ended 30 June 2012: 25%) on the assessable profit of each of the PRC subsidiaries as determined in accordance with the relevant income tax rules and regulations in the PRC.

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2012: 16.5%) of estimated assessable profit for six months ended 30 June 2013. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profits arising in Hong Kong for both interim periods.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

8. LOSS FOR THE PERIOD

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

| Continuing operations | Unaudited Six months ended 30 June | |
|--|---------------------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Employee benefits expense | | |
| – Salaries and other benefits | 39,111 | 19,178 |
| Less: amounts capitalised (Note) | (20,049) | (1,722) |
| | 19,062 | 17,456 |
| – Contributions to retirement benefit schemes | 1,242 | 610 |
| Less: amounts capitalised (Note) | (256) | – |
| | 986 | 610 |
| Total employee benefits expense | 20,048 | 18,066 |
| Operating lease rentals in respect of premises | | |
| – Minimum lease payments | 3,051 | 14,189 |
| Depreciation of property, plant and equipment | 2,066 | 2,576 |
| Less: amounts capitalised (Note) | (60) | (31) |
| | 2,006 | 2,545 |

Note: Certain employee benefits expense and depreciation of property, plant and equipment had been capitalised to property development projects in the PRC.

9. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The Directors have determined that no dividend will be paid in respect of the interim period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

10. LOSS PER SHARE

From continuing and discontinued operations

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

| | Unaudited Six months ended 30 June | |
|--|---------------------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Loss for the purpose of calculating basic and diluted loss per share | | |
| Loss for the period attributable to the owners of the Company | (164,766) | (145,453) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share | 4,396,120,965 | 4,396,120,965 |

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

| | Unaudited Six months ended 30 June | |
|---|---------------------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Loss is calculated as follows: | | |
| Loss for the purpose of calculating basic and diluted loss per share from continuing operations | (164,766) | (145,453) |

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

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible notes since their exercise would result in a decrease in loss per share from continuing operations.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

11. PROPERTY, PLANT AND EQUIPMENT

| | HK\$'000 |
|---|------------------|
| Carrying value at 31 December 2012 (Audited) | 3,217,415 |
| Additions | 110,355 |
| Depreciation | (2,066) |
| Exchange adjustments | 69,542 |
| | <hr/> |
| Carrying value at 30 June 2013 (Unaudited) | 3,395,246 |

At 30 June 2013, certain of the Group's property, plant and equipment with carrying value of approximately HK\$3,386,296,000 (31 December 2012: HK\$3,208,314,000) have been pledged to secure the Group's bank and other borrowings.

12. INVESTMENT PROPERTIES

| | Investment properties under construction HK\$'000 |
|------------------------------------|---|
| FAIR VALUE | |
| At 31 December 2012 (Audited) | 2,794,208 |
| Additions | 56,977 |
| Exchange adjustments | 60,061 |
| | <hr/> |
| At 30 June 2013 (Unaudited) | 2,911,246 |

At 30 June 2013, the Directors considered the carrying amount of the Group's investment properties carried at revalued amounts and estimated that the carrying amounts do not differ significantly from that which would be determined using fair values at the reporting date. Consequently, no fair value gain or loss have been recognised in the current interim period.

At 30 June 2013, certain of the Group's investment properties under development with carrying value of approximately HK\$2,911,246,000 (31 December 2012: HK\$2,794,208,000) have been pledged to secure the Group's other borrowings.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

13. PROPERTIES FOR SALE

| | 30 June 2013 HK\$'000 (Unaudited) | 31 December 2012 HK\$'000 (Audited) |
|---------------------------------------|--|--|
| Properties under development for sale | 6,147,278 | 5,469,341 |

The Group's properties under development for sale with a carrying amount of approximately HK\$6,147,278,000 as at 30 June 2013 (31 December 2012: HK\$5,469,341,000) have been pledged to secure the Group's bank and other borrowings.

The properties for sale are situated in the PRC.

14. HELD FOR TRADING INVESTMENTS

| | 30 June 2013 HK\$'000 (Unaudited) | 31 December 2012 HK\$'000 (Audited) |
|---------------------------------------|--|--|
| Equity securities listed in Hong Kong | 45,383 | 54,788 |

The fair value of all equity securities are determined based on the quoted market bid prices at the end of the current interim period.

15. TRADE PAYABLES

Trade payables comprise amounts outstanding for trade purposes and ongoing costs.

The following is an aged analysis of trade payables presented based on the invoice and contractual date at the end of the current interim period:

| | 30 June 2013 HK\$'000 (Unaudited) | 31 December 2012 HK\$'000 (Audited) |
|--------------|--|--|
| 0 – 30 days | 168,422 | 50,281 |
| 31 – 60 days | 1,209 | 27,449 |
| 61 – 90 days | 132 | 1,878 |
| Over 90 days | 20,154 | 54,292 |
| | 189,917 | 133,900 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

16. SHARE CAPITAL

| | Number of ordinary shares | Amount HK\$'000 |
|--|------------------------------|--------------------|
| Authorised: | | |
| Ordinary shares of HK\$0.20 each at 31 December 2012 and 30 June 2013 | 15,000,000,000 | 3,000,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.20 each at 31 December 2012 and 30 June 2013 | 4,396,120,965 | 879,224 |

17. BORROWINGS

During the current interim period, the Group's obtained new bank and other borrowings amounting to approximately HK\$2,865,578,000 (31 December 2012: HK\$1,296,419,000). The bank borrowings are denominated in Renminbi carried interest at 30% above of the prevailing interest rate of the People's Bank of China. The other borrowings denominated in Renminbi and Hong Kong dollar are carried interests at fixed rate of 11% to 13% per annum, and Hong Kong dollar prime lending rate per annum respectively. The proceeds were used to finance the Group's properties development projects in the PRC and meet short-term expenditures needs.

18. DEFERRED TAXATION

The following are the major deferred tax balances recognised and the movements thereon during the current interim period:

| Deferred tax liabilities: | Convertible notes HK\$'000 | Undistributed profits of subsidiaries HK\$'000 | Revaluation of properties HK\$'000 | Total HK\$'000 |
|------------------------------------|----------------------------------|---|---|-------------------|
| At 31 December 2012 (Audited) | 148,944 | 43,450 | 1,849,228 | 2,041,622 |
| Credited to profit or loss | (14,025) | (1,433) | – | (15,458) |
| Exchange adjustments | – | – | 39,399 | 39,399 |
| At 30 June 2013 (Unaudited) | 134,919 | 42,017 | 1,888,627 | 2,065,563 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

19. PROMISSORY NOTES

| | HK\$'000 |
|--|----------------|
| Carrying amount of promissory notes at 31 December 2012 (Audited) | 173,083 |
| Interest charged (Note 6) | 12,482 |
| Carrying amount of promissory notes at 30 June 2013 (Unaudited) | 185,565 |

20. OPERATING LEASES

The Group as lessee

At the end of the current interim period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | 30 June 2013 HK\$'000 (Unaudited) | 31 December 2012 HK\$'000 (Audited) |
|--|--|--|
| Within one year | 5,031 | 8,119 |
| In the second to fifth years inclusive | 13,908 | 13,744 |
| Over five years | 46,939 | 48,104 |
| | 65,878 | 69,967 |

21. CAPITAL COMMITMENTS

| | 30 June 2013 HK\$'000 (Unaudited) | 31 December 2012 HK\$'000 (Audited) |
|-----------------------------------|--|--|
| Capital expenditure | | |
| – Contracted but not provided for | 3,953,687 | 2,663,903 |

The above commitments include mainly the construction related costs on development of the Group's investment properties, property, plant and equipment and properties for sale in the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

22. CONTINGENT LIABILITIES

At the end of the current interim period, the Group has no material contingent liabilities.

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | Fair value measurements as at 30 June 2013 using | | | |
|---|---|---|---|--|
| | Fair value 30 June 2013 HK\$'000 | Quoted prices in active market for identical assets (Level 1) HK\$'000 | Significant other observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 |
| Recurring fair value measurement | | | | |
| Financial assets: | | | | |
| Held for trading investments | | | | |
| – Listed | 45,383 | 45,383 | – | – |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2013

23. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

| Fair value 31 December 2012 HK\$'000 | Fair value measurements as at 31 December 2012 using | | |
|---|---|---|--|
| | Quoted prices in active market for identical assets (Level 1) HK\$'000 | Significant other observable inputs (Level 2) HK\$'000 | Significant unobservable inputs (Level 3) HK\$'000 |
| Recurring fair value measurement | | | |
| Financial assets: | | | |
| Held for trading investments | | | |
| – Listed | 54,788 | 54,788 | – |

During the six months ended 30 June 2013, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (31 December 2012: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

The Directors consider that the carrying amount of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their respective fair values.

24. RELATED PARTY TRANSACTION

Compensation to key management personnel of the Group

| | Unaudited Six months ended 30 June | |
|------------------------------|---------------------------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Short-term employee benefits | 2,646 | 3,353 |
| Post-employment benefits | 32 | 25 |
| | 2,678 | 3,378 |

25. COMPARATIVE FIGURES

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

Review and Outlook

BUSINESS REVIEW

In 2013, market conditions remained challenging under the control measures of the PRC Government. The Directors believe that the property market trend in tourist city is positive in the long term, in view of the strong economic fundamentals, rapid urbanisation and flourishing tourism business of the PRC.

Properties under Development and Property Investment

The Group's properties under development in Qingdao cover a total site area of approximately 348,900m². The Group intends to develop a hotel, shopping arcades, recreational facilities and residential units with an aggregate gross floor area of approximately 765,800m².

Our five-star luxury hotel establishments will offer various accommodation options and diversified hotel facilities. The premium outlet mall, covering approximately 130,600m² of floor area, will be the first one-stop premium outlet mall in Greater China, providing a dynamic place for shopping, leisure, recreation, entertainment and gourmet food and will be led by experienced retail professionals from Taiwan. The coastal residential community covers a land area of approximately 126,040m² with a floor area of approximately 350,000m² and it is offering more than 1,400 households surrounded by Tangdao bayside with first-class living ambiance with a wide range of high-end properties.

The Group's properties under development in Chengdu cover a total site area of approximately 72,500m². The Group intends to develop a residential and commercial compound with an aggregate gross floor area of approximately 481,000m².

The Board expects that the delivery of pre-sale of phase I residential units of the properties under development in Qingdao are expected in the second half of 2013.

Trading and Investment Business

Trading and investment business includes the trading of securities and investment income from securities investment and investment holding. During the six months ended 30 June 2013, net loss from trading in securities amounted to approximately HK\$4.9 million. The loss was mainly due to the fair value losses on held for trading investments.

Retail-related Consultancy and Management Services

During the six months ended 30 June 2013, there is no revenue from retail-related consultancy and management services. However it is expected that revenue will be generated from management services following the commencement of the delivery of pre-sale of phase I residential units of the properties under development in Qingdao in the second half of 2013.

Review and Outlook

FINANCIAL REVIEW

For the six months ended 30 June 2013, the loss attributable to owners of the Company was approximately HK\$164.8 million, representing an increase of approximately 13% as compared to the loss of approximately HK\$145.5 million for the six months ended 30 June 2012. The slight increase in loss was mainly due to the increase in other operating expenses for the provision of sales contracts costs in relation to the extension term in sales of properties contract of approximately HK\$52.3 million.

As at 30 June 2013, the authorised share capital of the Company was HK\$3,000.0 million divided into 15,000,000,000 shares of HK\$0.2 each and the issued share capital of the Company was approximately HK\$879.2 million divided into 4,396,120,965 shares of HK\$0.2 each.

As at 30 June 2013, the current assets and current liabilities of the Group were approximately HK\$8,314.8 million (31 December 2012: HK\$6,658.1 million) and approximately HK\$3,304.3 million (31 December 2012: HK\$3,622.6 million) respectively. The liquidity ratio, which is calculated as current assets over current liabilities, was approximately 2.52 times as at 30 June 2013, as compared to that of approximately 1.84 times as at 31 December 2012. The increase in liquidity ratio was mainly attributable to the increase in cost incurred and prepayment for the properties development project during the current interim period ended 30 June 2013.

The Group's total assets and total liabilities amounted to approximately HK\$15,158.5 million (31 December 2012: HK\$13,195.8 million) and approximately HK\$9,520.3 million (31 December 2012: HK\$7,509.5 million) respectively. The debt ratio, which is calculated based on total liabilities over total assets, was approximately 0.63 times as at 30 June 2013, as compared to that approximately of 0.57 times as at 31 December 2012. The increase in debt ratio was mainly due to the additions on borrowings.

The cash and cash equivalents as at 30 June 2013 was approximately HK\$472.3 million (31 December 2012: HK\$352.9 million). The increase was mainly attributable to the new borrowings raised net of the cost incurred and prepayment for the properties development project during the current interim period ended 30 June 2013.

As at 30 June 2013, the gearing ratio of the Group, expressed as a percentage of bank and other borrowings and long-term debts (including convertible notes and promissory notes) over total equity, was approximately 86.2% (31 December 2012: 54.2%). The increase in gearing ratio was mainly due to the borrowings raised by the Group's subsidiaries.



Review and Outlook

PROSPECTS

In addition to the significant acquisition of a property development project in Qingdao in 2011, the Group acquired a property development project in Chengdu in September 2012. The project is located at an excellent location, at the south-eastern part of Tianfu New District of Chengdu, where Sichuan Provincial Government has in principle agreed to develop. According to professional services firms specialising in real estate services, Chengdu Hi-tech District will accelerate the construction within Tianfu New District with an investment of approximately RMB65 billion. In view of the existing and planned development of the Tianfu New District and the business opportunities associated therewith, the Directors believe that the future demand for high-end residential and commercial space will continue to be robust.

In view of the high Gross Domestic Product and tourism growth in Qingdao and Chengdu, the Directors expect that the projects in Qingdao and Chengdu will bring a strong cash inflow in the future and strengthen the Group's financial position. Also, by the expansion of business and the reallocation of resources, the management believes that the property development and investment business will bring attractive returns to the Company and the Company's shareholders.

As part of its business plan and strategy, the Group will continue to identify other property development and investment opportunities which are of high potential and/or likely to bring long-term benefits to the Group and the Company's shareholders. Moreover, the Group will be involved in the public auction of land in cities exhibiting high growth in tourism, such as Qingdao, Beijing and Changchun, etc.

FOREIGN EXCHANGE EXPOSURE

Substantially all of the Group's sales and operating costs are denominated in the functional currency of the Group entity making the sales or incurring the costs. Accordingly, the Directors consider that the currency risk is not significant. 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 2013, the Group had no material contingent liabilities.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2013, the Group's certain properties of approximately HK\$12,444.8 million (31 December 2012: HK\$11,471.9 million) were charged to secure bank and other borrowings.

Review and Outlook

EMPLOYEE INFORMATION

As at 30 June 2013, the Group had a total of 284 employees (30 June 2012: 136 employees). The employees of the Group are remunerated in accordance with their working experience and performance and their salaries and benefits are kept at market level. For the six months ended 30 June 2013, the total staff costs of the Group were approximately HK\$40.4 million (six months ended 30 June 2012: HK\$19.8 million), representing an increase of approximately 104% over the corresponding period of 2012.

| | Unaudited | |
|---|--------------------------|----------|
| | Six months ended 30 June | |
| | 2013 | 2012 |
| | HK\$'000 | HK\$'000 |
| Salaries and other benefits | 39,111 | 19,178 |
| Contributions to retirement benefit schemes | 1,242 | 610 |
| Total employee benefits expense | 40,353 | 19,788 |

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2013 (30 June 2012: Nil).



Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), are set out below:

| Name | Capacity | Long position/ short position/ | Ordinary shares (no. of shares) | Derivative shares (no. of shares) | Total number of shares held | Approximate percentage of the issued share capital of the Company |
|-----------------|------------------------------------|-----------------------------------|------------------------------------|--------------------------------------|--------------------------------|---|
| Mr. King Pak Fu | Interest of controlled corporation | Long position | 1,292,566,034 | 1,999,999,999 | 3,292,566,033 | 74.90% |
| | Interest of controlled corporation | Short position | – | 4,333,333,333 | 4,333,333,333 | 98.57% |

Note: (i) 1,292,566,034 ordinary shares; (ii) 666,666,666 derivative shares of long position; and (iii) 4,333,333,333 derivative shares of short position are held through Better Joint Venture Limited (“Better Joint”), a company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. King Pak Fu. 1,333,333,333 derivative shares of long position are held through Glory Merit International Holdings Limited (“Glory Merit”), a company incorporated in the British Virgin Islands with limited liability which is beneficially owned as to 99% by Mr. King Pak Fu.

Save as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as defined in Part XV of the SFO as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2013.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that other than the interests of the Directors and the chief executives, the following shareholders had notified the Company of relevant interests or short position in shares and underlying shares of Company as follows:

| Name | Capacity | Long position/ short position | Ordinary shares (no. of shares) | Derivative shares (no. of shares) | Total number of shares held | Approximate percentage of the issued share capital of the Company | Notes |
|--|---|----------------------------------|------------------------------------|--------------------------------------|--------------------------------|---|-------|
| Central Huijin Investment Ltd. | Interest of controlled corporation | Long position | – | 4,333,333,333 | 4,333,333,333 | 98.57% | 1 |
| China Construction Bank Corporation | Interest of controlled corporation | Long position | – | 4,333,333,333 | 4,333,333,333 | 98.57% | 1 |
| CCB International Group Holdings Limited | Interest of controlled corporation | Long position | – | 4,333,333,333 | 4,333,333,333 | 98.57% | 1 |
| CCB Financial Holdings Limited | Interest of controlled corporation | Long position | – | 4,333,333,333 | 4,333,333,333 | 98.57% | 1 |
| CCB International (Holdings) Limited | Interest of controlled corporation | Long position | – | 4,333,333,333 | 4,333,333,333 | 98.57% | 1 |
| CCB International Asset Management Limited | Interest of controlled corporation | Long position | – | 4,333,333,333 | 4,333,333,333 | 98.57% | 1 |
| Sino Thrive Investments Limited | Person having a security interest in shares | Long position | – | 4,333,333,333 | 4,333,333,333 | 98.57% | 1 |



Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

| Name | Capacity | Long position/ short position | Ordinary shares (no. of shares) | Derivative shares (no. of shares) | Total number of shares held | Approximate percentage of the issued share capital of the Company | Notes |
|---------------------------|---|----------------------------------|------------------------------------|--------------------------------------|--------------------------------|---|-------|
| QD Enterprise Investments | Person having a security interest in shares | Long position | – | 4,333,333,333 | 4,333,333,333 | 98.57% | 1 |
| Better Joint | Beneficial owner | Long position | 1,292,566,034 | 666,666,666 | 1,959,232,700 | 44.57% | 2 |
| | Beneficial owner | Short position | – | 4,333,333,333 | 4,333,333,333 | 98.57% | |
| Glory Merit | Beneficial owner | Long position | – | 1,333,333,333 | 1,333,333,333 | 30.33% | 3 |

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Note 1: China Construction Bank Corporation ("CC Bank") was beneficially 57.22%-owned by Central Huijin Investment Ltd. ("Central Huijin"). By virtue of the SFO, Central Huijin was deemed to be interested in those shares which CC Bank was interested.

CCB International Group Holdings Limited ("CCB-IGH") was wholly and beneficially owned by CC Bank. By virtue of the SFO, CC Bank was deemed to be interested in those shares which CCB-IGH was interested.

CCB Financial Holdings Limited ("CCB-FH") was wholly and beneficially owned by CCB-IGH. By virtue of the SFO, CCB-IGH was deemed to be interested in those shares which CCB-FH was interested.

CCB International (Holdings) Limited ("CCB-IH") was wholly and beneficially owned by CCB-FH. By virtue of the SFO, CCB-FH was deemed to be interested in those shares which CCB-IH was interested.

CCB International Asset Management Limited ("CCB-IAM") was wholly and beneficially owned by CCB-IH. By virtue of the SFO, CCB-IH was deemed to be interested in those shares which CCB-IAM was interested.

Sino Thrive Investments Limited ("Sino Thrive") was wholly and beneficially owned by CCB-IAM. By virtue of the SFO, CCB-IAM was deemed to be interested in those shares which Sino Thrive was interested.

QD Enterprise Investments ("QD-E") was wholly and beneficially owned by CCB-IAM. By virtue of the SFO, CCB-IAM was deemed to be interested in those shares which QD-E was interested. QD-E and QD Enterprise L.P. are general partners of each other.

Note 2: Better Joint is the legal and beneficial owner of 1,292,566,034 shares and holder of the convertible notes issued by the Company ("Former Convertible Notes") in the principal amount of HK\$1,500,000,000 due 2016 which is convertible into a maximum of 4,335,260,115 Shares upon full conversion at the initial conversion price of HK\$0.346 per conversion share (subject to anti-dilutive adjustment) as set out in the terms and conditions of the Former Convertible Notes. On 10 September 2012, the conversion price of each Former Convertible Notes was adjusted to HK\$0.30 and Better Joint then owns 4,833,333,333 derivative shares. Better Joint is wholly and beneficially owned by Mr. King Pak Fu ("Mr. King"). By virtue of the SFO, Mr. King was deemed to be interested in those shares held by Better Joint.

Note 3: 1,333,333,333 derivative shares are derived from the convertible notes issued to Glory Merit. Glory Merit is the holder of the convertible notes issued by the Company in the principal amount of HK\$400,000,000 due 2017 convertible into 1,333,333,333 shares upon full conversion at the conversion price of HK\$0.30 per conversion share. Glory Merit is beneficially owned as to 99% by Mr. King. By virtue of the SFO, Mr. King was deemed to be interested in those shares held by Glory Merit.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2013.



Other Information

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) at the annual general meeting of the Company held on 31 May 2013 (“2013 AGM”). Pursuant to the Share Option Scheme, the Board may at its discretion offer options to any eligible participants including, but not limited to any person being an employee, executive directors, or non-executive directors (including independent non-executive directors) of the Group or any invested entity and any supplier, adviser or consultant to any area of business or business development of any member of the Group or any invested entity.

No option was granted under the Share Option Scheme since its adoption.

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 2013.

CORPORATE GOVERNANCE PRACTICES

The Company has all along committed to fulfilling its responsibilities to its shareholders by ensuring that the proper processes for supervision and management of the Group’s businesses are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the six months ended 30 June 2013.

The Company has adopted the code provisions set out in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the six months ended 30 June 2013, the Company was in compliance with all code provisions set out in the CG Code except for the deviations as explained below.

Code provision A.2.1 of the CG Code requires that the responsibilities between the chairman and chief executive officer (the “CEO”) should be segregated. Mr. Wang Xiong, an executive Director, was appointed as the vice chairman of the Company to take up the responsibilities of the CEO on 1 March 2013. Before the appointment of Mr. Wang as vice chairman, the CEO’s duties were undertaken by the members of the Board.

Code provision A.6.7 of the CG Code requires that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chan Wai Yip Freeman, Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris, being independent non-executive Directors, did not attend the 2013 AGM, due to their engagement in their own official business. However, they have actively participated in the Board and committees’ meetings to understand the affairs of the Company.

Other Information

Code provision D.1.4 of the CG Code requires that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Mr. Chan Wai Yip Freeman, Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris. However, the Directors shall be subject to retirement by rotation with the Bye-Laws of the Company. In addition, the Directors have followed the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-Executive Directors” (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors actively comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company’s business and governance policies.

Code provision E.1.2 of the CG Code requires that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Mr. King Pak Fu, the Chairman of the Board, and Mr. Chan Wai Yip Freeman, the chairman of each of the audit, nomination and remuneration committee of the Company did not attend the 2013 AGM, due to their engagement in their own official business.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the six months ended 30 June 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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 2013.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely Mr. Chan Wai Yip Freeman (as chairman), Mr. Ng Ka Chung Simon and Ms. Leung Po Ying Iris.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The unaudited interim results of the Group for the six months ended 30 June 2013 have been reviewed by the Audit Committee.

On behalf of the Board
Carnival Group International Holdings Limited
King Pak Fu
Chairman

Hong Kong, 5 August 2013